

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) OR TO ANY PERSON OR ADDRESS IN THE U.S.

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES OF THE ISSUER FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE SELLER (A "**U.S. RISK RETENTION CONSENT**") AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**U.S. RISK RETENTION RULES**"), THE NOTES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "**U.S. PERSON**" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "**U.S. PERSON**" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "**U.S. PERSON**" IN REGULATION S. EACH PURCHASER OF THE NOTES, OR A BENEFICIAL INTEREST THEREIN, ACQUIRED IN THE INITIAL SYNDICATION OF THE NOTES BY ITS ACQUISITION OF THE NOTES, OR A BENEFICIAL INTEREST THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) EITHER (i) IS NOT A RISK RETENTION U.S. PERSON OR (ii) HAS OBTAINED A U.S. RISK RETENTION WAIVER CONSENT FROM THE SELLER, (2) IS ACQUIRING SUCH NOTE OR CERTIFICATE, OR BENEFICIAL INTEREST THEREIN, FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE OR CERTIFICATE, AND (3) IS NOT ACQUIRING SUCH NOTE OR CERTIFICATE, OR BENEFICIAL INTEREST THEREIN, AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE OR CERTIFICATE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET: SOLELY FOR THE PURPOSES OF EACH OF THE MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**"); AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL

CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A DISTRIBUTOR) SHOULD TAKE INTO CONSIDERATION EACH OF THE MANUFACTURER'S TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING EACH OF THE MANUFACTURER'S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

PROHIBITION OF SALES TO EEA OR UK RETAIL INVESTORS: 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 EUROPEAN ECONOMIC AREA ("EEA") OR 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 (11) OF MIFID II; (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "**INSURANCE DISTRIBUTION DIRECTIVE**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE "**PROSPECTUS REGULATION**"). CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR THE UK MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the joint lead managers or any affiliate of the joint lead managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the joint lead managers or such affiliate on behalf of the Issuer in such jurisdiction.

By accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer nor the Arrangers, the Joint Lead Managers or any party who is a party to a transaction document (the "**Transaction Parties**") or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, J.P. Morgan Securities plc and Lloyds Bank Corporate Markets plc (the "**Joint Lead Managers**").

Darrowby No. 5 plc

(incorporated with limited liability in England and Wales under number 11675660 and legal entity identifier (LEI) number 6354003OBLBBE5CKB866)

Notes	Initial Principal Amount	Issue Price	Interest Rate	Margin/ Step-Up Margin	Step-Up Date	Pre-enforcement Redemption Profile	Final Maturity Date	Ratings (Fitch/Moody's)
Class A	£600,000,000	100%	Compounded Daily SONIA plus a Margin or Step-Up Margin, as applicable	Up to and excluding the Step-Up Date, 0.53% p.a./ From and including the Step-Up Date, 1.06% p.a	The Interest Payment Date falling in December 2024	Pass through amortisation	The Interest Payment Date falling in December 2057	AAAsf/Aaa(sf)
Class B	£66,667,000	100%	Compounded Daily SONIA plus a Margin	0% p.a	The Interest Payment Date falling in December 2024	Pass through amortisation	The Interest Payment Date falling in December 2057	Unrated

Issue Date	The Issuer will issue the Notes in the Classes set out above on the Closing Date.
Stand alone/programme issuance	Stand alone issuance.
Underlying Assets	<p>The Issuer will make payments on the Notes from, <i>inter alia</i>, payments of principal and revenue on a portfolio comprising mortgage loans originated by Skipton Building Society ("Skipton") and secured over residential properties located in England, Wales and Scotland (the "Portfolio") which will be purchased by the Issuer on the Closing Date and on any Additional Sale Date. Substitution of the Loans contained in the Portfolio may occur in accordance with the terms described herein.</p> <p>Please refer to the section entitled "<i>The Portfolio</i>" for further information.</p>
Credit Enhancement	<ul style="list-style-type: none"> – Subordination of junior ranking Notes; – General Reserve Fund; and – excess Available Revenue Receipts. <p>Please refer to sections entitled "<i>Key Structural Features</i>" and "<i>Cashflows and Cash Management</i>" for further information.</p>
Liquidity Support	<p><u>Liquidity Support Features for the Class A Notes</u></p> <ul style="list-style-type: none"> – General Reserve Fund to make up Income Deficit; – Principal Receipts applied to make up any Remaining Income Deficit; and – during the Revolving Period, the application of amounts standing to the credit of the Retained Principal Ledger to fund any Class A Target Amortisation

	<p>Amount Shortfall.</p> <p>Please refer to the section entitled "<i>Key Structural Features</i>" for further information.</p>
Redemption Provisions	<p>Information on any optional and mandatory redemption of the Notes is summarised on page 51 ("<i>Transaction Overview – Overview of the Terms and Conditions of the Notes</i>") and is set out in full in Condition 9 (<i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i>).</p>
Benchmarks Regulation	<p>Interest payable under the Notes shall be calculated by reference to SONIA. As at the date of this Prospectus, the administrator of SONIA is not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No 2016/1011 (the "Benchmarks Regulation"). As far as the Issuer is aware, the Bank of England, as administrator of SONIA, is exempt under Article 2 of the Benchmarks Regulation but has issued a statement of compliance with the principles for financial benchmarks issued in 2013 by the International Organisation of Securities Commission.</p>
Rating Agencies	<p>Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by Fitch Ratings Limited ("Fitch") and Moody's Investors Service Limited ("Moody's"). As of the date hereof, each of Fitch and Moody's is a credit rating agency established in the European Community and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 (as amended) on credit rating agencies (the "CRA Regulation").</p>
Credit Ratings	<p>Ratings assigned to the Class A Notes by the Rating Agencies as set out above on or before the Closing Date.</p> <p>The ratings reflect the views of the Rating Agencies and are based on the Loans, the Related Security and the Properties and the structural features of the transaction, including, <i>inter alia</i>, the current ratings of the Swap Provider.</p> <p>The ratings assigned by Fitch address the likelihood of full and timely payment to the Noteholders (i) of interest due on each Interest Payment Date and (ii) of principal on a date that is not later than the Final Maturity Date.</p> <p>The ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the class of Notes held by the Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and principal at par on or before the Final Maturity Date.</p> <p>The assignment of ratings to the Class A Notes is not a recommendation to invest in the Class A Notes and ratings may be suspended, revised or withdrawn at any time by the assigned rating agency.</p> <p>The Class B Notes will not be rated.</p>
Listings	<p>This document comprises a prospectus (the "Prospectus") for the purpose of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the "Prospectus Regulation"). This Prospectus has been approved by the Central Bank of Ireland as competent authority under Regulation (EU) 2017/1129. The Central Bank of Ireland only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the Issuer or the quality of the Notes that are the subject of this</p>

	<p>Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.</p> <p>Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin ("Euronext Dublin ") for the Notes to be admitted to the official list of Euronext Dublin (the "Official List") and to trading on its regulated market (the "Regulated Market"). References in this Prospectus to Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and to trading on Euronext Dublin's Regulated Market. The Regulated Market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU (as amended "MIFID II").</p> <p>This Prospectus is valid for 12 months. The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Prospectus. The obligation to prepare a supplement to this Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply once the Notes are admitted to the Official List and trading on its Regulated Market.</p>
Eurosystem Eligibility	<p>The Class A Notes are intended to be held in a manner which would allow eligibility as collateral in the central banking system for the Euro (the "Eurosystem"). This means that the Class A Notes are intended upon issue to be deposited with one of the International Central Securities Depositories, meaning Clearstream, Luxembourg and Euroclear, (the "ICSDs") as common safekeeper and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria and potential investors in the Notes should reach their own conclusions and seek their own advice with respect to whether or not the Notes constitute Eurosystem eligible collateral. The Class B Notes are not intended to be held in a manner which would allow Eurosystem eligibility or be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem.</p>
Obligations	<p>The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of any Transaction Party other than the Issuer.</p>
Retention Undertaking	<p>Skipton Building Society, as originator, will undertake to the Issuer, the Swap Provider and the Trustee, on behalf of the Noteholders, that it will on an on-going basis retain a material net economic interest of at least 5% of the nominal value of the securitised exposures in accordance with and as required by Article 6(1) of Regulation (EU) 2017/2402 (the "Securitisation Regulation") (which does not take into account any corresponding relevant national measures and as interpreted and applied on the date hereof). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche in this case the Class B Notes, in accordance with Article 6(3)(d) of the Securitisation Regulation. In exceptional circumstances Skipton Building Society may hold a material net economic interest in another manner permitted by the Securitisation Regulation.</p> <p>Please refer to the section entitled "<i>Subscription and Sale</i>" for further information.</p> <p>The Seller, as the sponsor under the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the "U.S. Risk Retention Rules"), does not intend to retain at least 5 per cent. of the credit risk of the Notes for the purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions.</p> <p>Except with the prior written consent of Seller and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes</p>

	<p>offered and sold by the Issuer may not be purchased by, or for the account or benefit of, any Risk Retention U.S. Person.</p> <p>Except with the prior written consent of the Seller (a "U.S. Risk Retention Consent") and where such sale falls within the exemption provided by Section 20 of the final rules promulgated under Section 15G of U.S. Risk Retention Rules, the notes offered and sold by the issuer may not be purchased by, or for the account or benefit of, any "U.S. person" as defined in the U.S. risk retention rules ("Risk Retention U.S. Persons").</p> <p>None of the Joint Lead Managers, the Arrangers, the Trustee, the Agents, the Account Bank or any other party (apart from the Seller) provides any assurances regarding, or assumes any responsibility for, the Seller's compliance with the U.S. Risk Retention Rules prior to, on or after the Closing Date.</p>
<p>Simple, Transparent and Standardised Securitisation</p>	<p>Skipton Building Society, as originator, has procured that on or about the date of this Prospectus a notification to be submitted to the European Securities and Markets Association ("ESMA"), in accordance with Article 27 of the Securitisation Regulation, that the requirements of Articles 19 to 22 of the Securitisation Regulation have been satisfied with respect to the Notes ("STS Notification").</p> <p>In relation to such notification, Skipton Building Society has been designated as (i) the first contact point for investors and competent authorities and (ii) the reporting entity for the purposes of Article 7(2) of the Securitisation Regulation.</p> <p>Skipton Building Society has used the services of Prime Collateralised Securities (PCS) UK Limited ("PCS") as a verification agent authorised under Article 28 of the Securitisation Regulation in connection with an assessment of the compliance of the Notes with the requirements of Articles 19 to 22 of the Securitisation Regulation (the STS Verification) and to prepare an assessment of compliance of the Notes with the relevant provisions of article 243 of the CRR and Article 13 of the Commission Delegated Regulation (EU) 2018/1620 (the "LCR Regulation") (together with the STS Verification, the "STS Assessment"). It is expected that the STS Verification prepared by PCS will be available on the PCS website (https://pcsmarket.org/sts-verification-transactions/) together with detailed explanations of its scope at https://pcsmarket.org/disclaimer/ on and from the Closing 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 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 "<i>Simple, Transparent and Standardised Securitisations</i>" below.</p>
<p>Volcker Rule</p>	<p>The Issuer is not, and solely after giving effect to any offering and sale of notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the "Volcker Rule"). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the "Investment Company Act") and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determination that it would satisfy all of the elements of the exemption from the definition of "investment company" under the Investment Company Act provided by Section 3(c)(5) thereunder.</p>
<p>Significant Investor</p>	<p>Skipton Building Society will, on the Closing Date, purchase all of the Class B Notes and may purchase some of the Class A Notes.</p> <p>Please refer to the section entitled "<i>Subscription and Sale</i>" for further information.</p>

**A "RISK FACTORS" SECTION BEGINNING ON PAGE 4 OF THIS PROSPECTUS
CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE
GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES.
PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN
THAT SECTION.**

Arrangers and Joint Lead Managers

J.P. Morgan

Lloyds Bank Corporate Markets

The date of this Prospectus is 20 February 2020.

IMPORTANT NOTICES

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

Skipton Building Society accepts responsibility for the information set out in the section headed "*Skipton Building Society*". To the best of the knowledge and belief of Skipton Building Society (having taken all reasonable care to ensure that such is the case), the information contained in such section is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Skipton Building Society as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

The Swap Provider accepts responsibility for the information set out in the section headed "*The Swap Provider*". To the best of the knowledge and belief of the Swap Provider (having taken all reasonable care to ensure that such is the case), the information contained in such section is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Swap Provider as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

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

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

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Joint Lead Managers and the Arrangers to inform themselves about and to observe any such restriction. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof), see the section entitled "*Subscription and Sale*" below.

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

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

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

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE SELLER (A "U.S. RISK RETENTION CONSENT") AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "U.S. RISK RETENTION RULES"), THE NOTES OFFERED AND SOLD BY THE ISSUER MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("RISK RETENTION U.S. PERSONS"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "U.S. PERSON" IN REGULATION S. EACH PURCHASER OF THE NOTES, OR A BENEFICIAL INTEREST THEREIN, ACQUIRED IN THE INITIAL SYNDICATION OF THE NOTES BY ITS ACQUISITION OF THE NOTES, OR A BENEFICIAL INTEREST THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) EITHER (i) IS NOT A RISK RETENTION U.S. PERSON OR (ii) HAS OBTAINED A U.S. RISK RETENTION WAIVER CONSENT FROM THE SELLER, (2) IS ACQUIRING SUCH NOTE OR CERTIFICATE, OR BENEFICIAL INTEREST THEREIN, FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH NOTE OR CERTIFICATE, AND (3) IS NOT ACQUIRING SUCH NOTE OR CERTIFICATE, OR BENEFICIAL INTEREST THEREIN, AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH NOTE OR CERTIFICATE THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET: SOLELY FOR THE PURPOSES OF EACH OF THE MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN "MIFID II"; AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A DISTRIBUTOR) SHOULD TAKE INTO CONSIDERATION EACH OF THE MANUFACTURER'S TARGET MARKET ASSESSMENT; HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING EACH OF THE MANUFACTURER'S

TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

PROHIBITION OF SALES TO EEA OR UK RETAIL INVESTORS: 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 EUROPEAN ECONOMIC AREA ("EEA") OR 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 (11) OF MIFID II; (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN THE PROSPECTUS REGULATION. CONSEQUENTLY NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA OR THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA OR THE UK MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

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

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

None of the Arrangers, the Joint Lead Managers, the Trustee, the Agents or the Account Bank shall be responsible for, any matter which is the subject of, any statement, representation, warranty or covenant of the Issuer contained in the Notes or any Transaction Documents, or any other agreement or document relating to the Notes or any Transaction Document, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof. Each person receiving this Prospectus acknowledges that such person has not relied on the Arrangers, the Joint Lead Managers, the Trustee, the Agents or the Account Bank or on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

In connection with this new issue of the Notes as described in this Prospectus (the "**Transaction**"), the Arrangers and the Joint Lead Managers are acting exclusively for the Issuer and the Seller and no one else. Accordingly, in connection with the Transaction, the Arrangers and the Joint Lead Managers will not be responsible to anyone other than the Issuer or the Seller for providing the protections afforded to its clients or for the giving of advice in relation to the Transaction. The Arrangers and the Joint Lead Managers will be paid a fee by the Issuer in respect of the placement of the Notes.

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

The Notes will be represented by Global Notes which are expected to be deposited on the Closing Date with (a) in the case of the Class A Notes, with a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**");

and (b) in the case of the Class B Notes with a common depositary (the "**Common Depositary**") for Euroclear and Clearstream, Luxembourg.

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

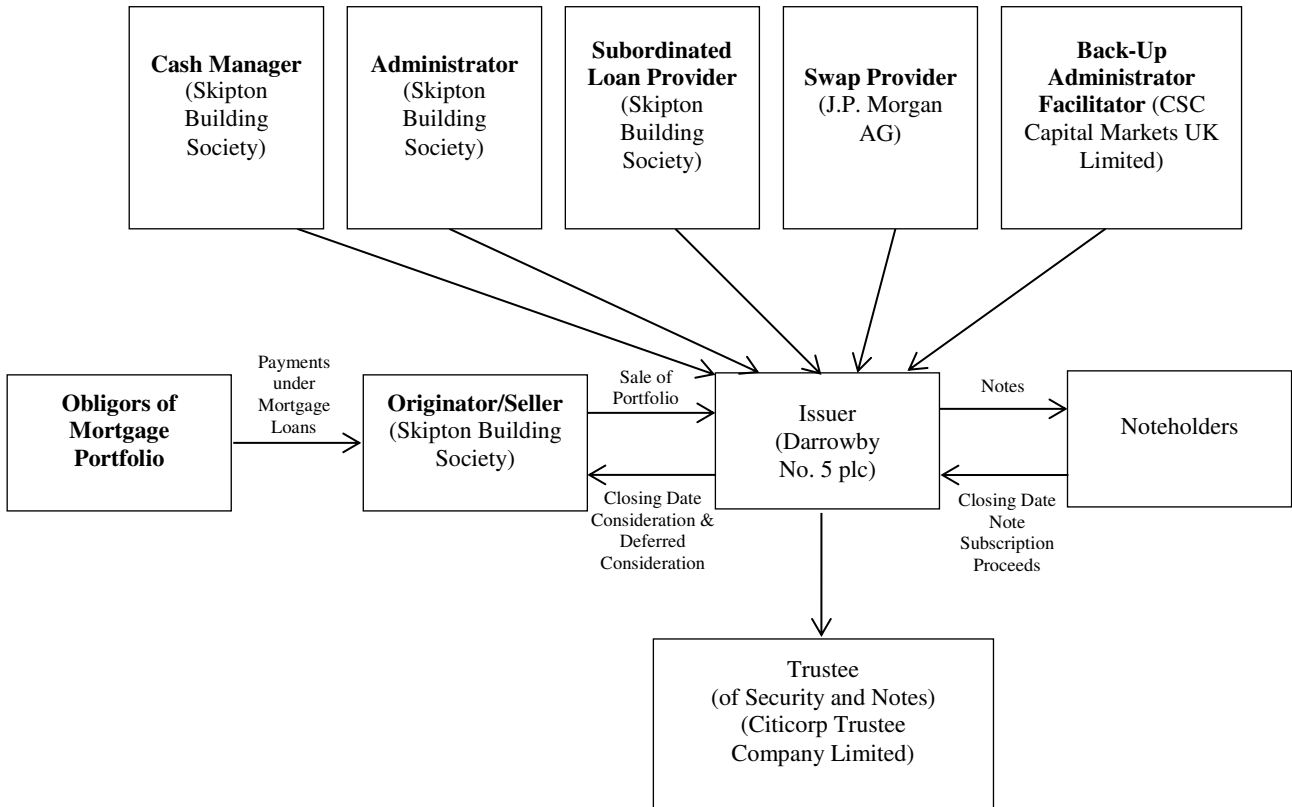
Forward-Looking Statements and Statistical Information

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

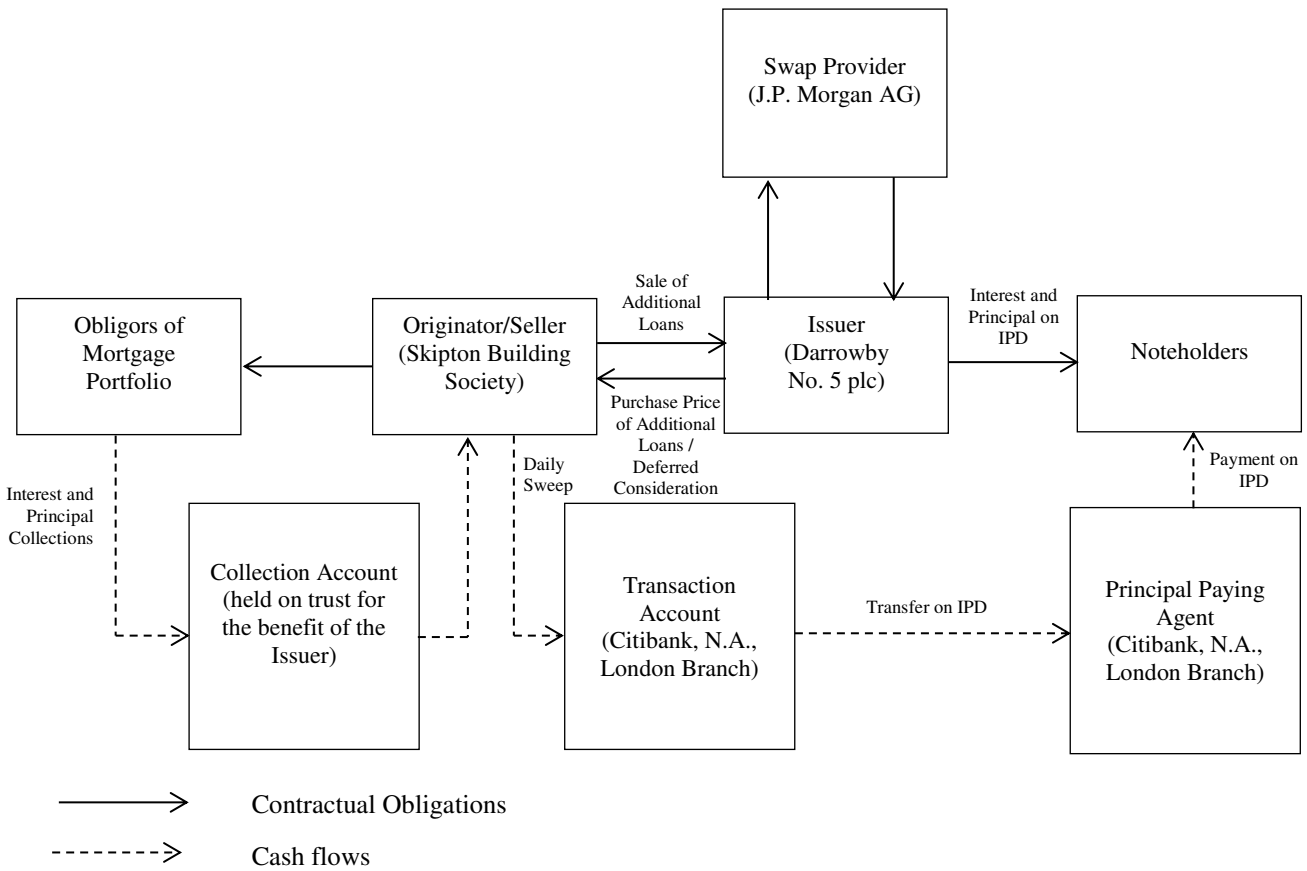
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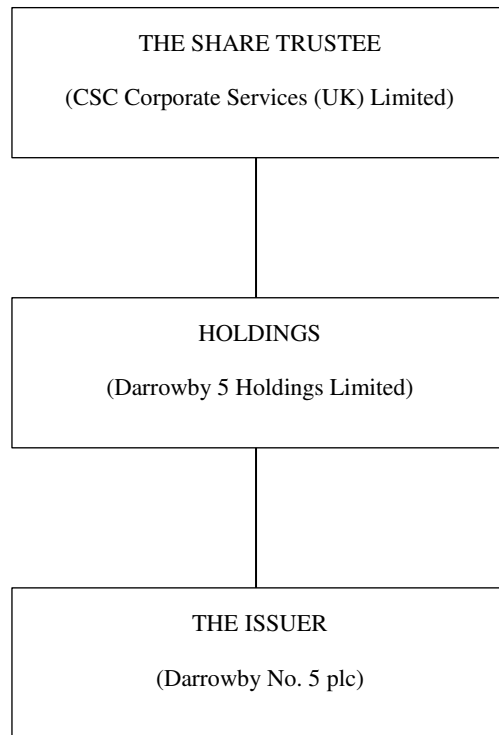
DIAGRAMMATIC OVERVIEW OF TRANSACTION



DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOWS



OWNERSHIP STRUCTURE DIAGRAM



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

The entire issued share capital of Holdings is beneficially owned by the Share Trustee on discretionary trust.

TRANSACTION OVERVIEW

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

TRANSACTION PARTIES ON THE CLOSING DATE

<u>Party</u>	<u>Name</u>	<u>Address</u>	<u>Document under which appointed / Further Information</u>
Issuer:	Darrowby No. 5 plc	Level 37, 25 Canada Square, London E14 5LQ	N/A (Please refer to the section entitled " <i>Issuer</i> " for further information on this.)
Holdings:	Darrowby 5 Holdings Limited	Level 37, 25 Canada Square, London E14 5LQ	N/A (Please refer to the section entitled " <i>Holdings</i> " for further information on this.)
Seller:	Skipton Building Society	The Bailey, Skipton, North Yorkshire BD23 1DN	N/A (Please refer to the section entitled " <i>Skipton Building Society</i> " for further information on this.)
Administrator:	Skipton Building Society	The Bailey, Skipton, North Yorkshire BD23 1DN	Administration Agreement (Please refer to the section entitled " <i>The Administrator</i> " for further information on this.)
Back-Up Administrator Facilitator:	CSC Capital Markets UK Limited	Level 37, 25 Canada Square, London E14 5LQ	Administration Agreement (Please refer to the section entitled " <i>The Administrator</i> " and " <i>The Administration Agreement</i> " for further information on this.)
Cash Manager:	Skipton Building Society	The Bailey, Skipton, North Yorkshire BD23 1DN	Cash Management Agreement (Please refer to the section entitled " <i>Cashflows and Cash Management</i> " for further information on this.)

Party	Name	Address	Document under which appointed / Further Information
Subordinated Loan Provider:	Skipton Building Society	The Bailey, Skipton, North Yorkshire BD23 1DN	Subordinated Loan Agreement (Please refer to the section entitled " <i>Key Structural Features</i> " for further information on this.)
Swap Provider:	J.P. Morgan AG	Taunusturm, Taunustor 1, 60310 Frankfurt am Main, Germany	Swap Agreement
Trustee:	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, London E14 5LB	Trust Deed (See the Conditions for further information on this.)
Principal Paying Agent:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
Agent Bank:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
Registrar:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
Account Bank:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Account Bank Agreement
Collection Account Bank:	Barclays Bank PLC	1 Churchill Place, London E14 5HP	Please refer to the section entitled " <i>The Administrator—Administration Procedures—Collections</i> " for further information on this.
Corporate Services Provider:	CSC Capital Markets UK Limited	Level 37, 25 Canada Square, London E14 5LQ	Corporate Services Agreement
Arrangers and Joint Lead Managers:	J.P. Morgan Securities plc	25 Bank Street, Canary Wharf, London E14 5JP	N/A
	Lloyds Bank Corporate Markets plc	25 Gresham Street, London EC2V 7HN	N/A

RISK FACTORS

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

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

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

The purchase of the Notes involves substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of the Notes should (i) ensure that they understand the nature of the Notes and the extent of their exposure to risk, (ii) consider carefully, in the light of their own financial circumstances and investment objectives (and those of any accounts for which they are acting) and in consultation with such legal, financial, regulatory and tax advisers as they deem appropriate, all the information set out in this Prospectus so as to arrive at their own independent evaluation of the investment and (iii) confirm that an investment in the Notes is fully consistent with their respective financial needs, objectives and any applicable investment restrictions and is suitable for them. The Notes are not a conventional investment and carry various unique investment risks, which prospective investors should understand clearly before investing in them. In particular, an investment in the Notes involves the risk of a partial or total loss of investment.

RISKS RELATED TO THE LIMITED RECOURSE NATURE OF THE ISSUER'S OBLIGATIONS

Limited source of funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on Revenue Receipts and Principal Receipts in respect of the Loans in the Portfolio, interest earned on the Transaction Account, income from Authorised Investments, the receipts under the Swap Agreement, amounts standing to the credit of the General Reserve Fund and, during the Revolving Period and to the extent there is a Class A Target Amortisation Amount Shortfall, amounts standing to the credit of the Retained Principal Ledger. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The Issuer will have no recourse to the Seller, save as provided in the Mortgage Sale Agreement (see further the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*").

Limited recourse

The Notes will be limited recourse obligations of the Issuer. Other than the source of funds referred to in the foregoing paragraph, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. If at any time following:

- (a) the occurrence of either:

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

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any Class of Notes, then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

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

Liabilities under the Notes

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

RISKS RELATING TO YIELD TO MATURITY ON THE NOTES

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal and interest (including prepayments, sale proceeds arising on enforcement of a Loan and repurchases of Loans required to be made under the Mortgage Sale Agreement) on the Loans and the price paid by the holders of the Notes of each Class. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans. Furthermore, (i) if the Additional Loan Conditions for the purchase of Additional Loans are not met, then the Issuer will not be able to purchase such Additional Loans, or (ii) if the conditions for the purchase of Further Advances by the Issuer are not met, then the Issuer will not be able to purchase such Further Advances which may result in Principal Receipts in the form of repurchase proceeds payable by the Seller instead of being used to prematurely repay the Notes. See also "*Risk Factors – Product Switches, Further Advances, Additional Loans and Substitution*".

The yield to maturity of the Class A Notes may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans. The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Subject to the terms and conditions of the Loans (which may require in some cases notification to the Seller and in other cases the consent of the Seller), a Borrower may "overpay" or prepay principal on any day in specified circumstances. No assurance can be given as to the level of prepayments that the Portfolio will experience. See also the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*".

Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken).

In addition, if the Seller is required, per the terms of the Mortgage Sale Agreement, to repurchase a Loan or Loans under a Mortgage Account and their Related Security from the Issuer because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will

have the same effect as a prepayment of all the Loans under that Mortgage Account although this is mitigated by the fact that, during the Revolving Period, the Issuer may use funds standing to the credit of the Retained Principal Ledger to purchase Additional Loans.

Payments and prepayments of principal on the Loans will be applied (i) on any Interest Payment Date during the Revolving Period, to reduce the Principal Amount Outstanding of the Class A Notes, on a scheduled amortisation basis to the relevant Class A Target Amortisation Amount (including any Class A Target Amortisation Shortfall) and thereafter in or towards crediting the Retained Principal Ledger for the purposes of purchasing any Additional Loans on any Additional Sale Date; and (ii) on each Interest Payment Date upon the Revolving Period End Date, on a pass-through basis to reduce the Principal Amount Outstanding of the Notes in each case in accordance with the Pre-Enforcement Principal Priority of Payments (see "Cashflows and Cash Management" below) or used to fund a Remaining Income Deficit.

On any Interest Payment Date from and including the Step-Up Date or Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Notes is less than 10 per cent. of the aggregate Principal Amount Outstanding of all such Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Swap Provider being required to make a Tax Deduction in respect of any payment in respect of the Notes or the Swap Agreement, respectively, or the Issuer would be subject to UK corporation tax in an accounting period on an amount which materially exceeds the Issuer Profit Amount retained during that accounting period. See Condition 9.4 (Optional Redemption in whole for taxation reasons) for further information.

Following enforcement of the Security, there is no guarantee that the Issuer will have sufficient funds to redeem the Notes in full.

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

RISKS RELATED TO THE MORTGAGES

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

The sale by the Seller to the Issuer of certain Loans secured by English Mortgages (the "**English Loans**") and their Related Security (until legal title is conveyed) takes effect in equity only. The sale of the Scottish Loans and their Related Security from the Seller to the Issuer will be given effect by Scottish Declarations of Trust by the Seller (and any sale of any Additional Loans in respect of a Scottish Loan and its Related Security will be given effect to by a further Scottish Declaration of Trust by the Seller) in favour of the Issuer by which the beneficial interest in such Scottish Loans and their Related Security will be transferred to the Issuer. In each case, this means that the Issuer will not acquire legal title and, in the case of registered land in England or Wales, will not be registered as proprietor and legal owner of the Mortgage at the Land Registry or, in the case of land in Scotland, will not be registered or recorded as heritable creditor at the Registers of Scotland, until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*The Portfolio — Sale of the Mortgages and their Related Security*", below).

The Issuer has not and will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the English Mortgages and their Related Security and no steps will be taken to complete or perfect its title to the Scottish Mortgages and their Related Security with the Registers of Scotland.

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

- (a) a *bona fide* purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its

contractual obligations or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents;

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

If any of the risks described above were to occur then the realisable value of the Portfolio or any part thereof may be affected. Under the Mortgage Sale Agreement, the Seller will grant to the Issuer and the Trustee a power of attorney to give them the power to do all further things and take all necessary action to perfect the transfer of legal title to the Loans and their Related Security on the occurrence of a Perfection Trigger Event (see "*Perfection Trigger Events*" in the section entitled "*Transaction Overview – Triggers Table – Non-Rating Triggers Table*").

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

As described above, the sale by the Seller to the Issuer of English Loans will be given effect by an assignment, with each sale of Scottish Loans being given effect by the Scottish Declarations of Trust. As a result, legal title to the English Loans and the Scottish Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to "transaction set-off", being the direct rights of the Borrowers against the Seller, including rights of set-off which occur in relation to transactions or deposits made between the Borrowers and the Seller existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans.

By way of example, set-off rights may arise if the Seller fails to make to a Borrower a Further Advance having agreed to do so.

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

The amount of any such claim against the Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although, in respect of a Scottish Loan, it is possible, though regarded as unlikely, that the Borrower's rights of set-off could extend to the full amount of the additional drawing). The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

If the Borrower is unable to obtain an alternative mortgage loan, he or she may have a claim in respect of other indirect losses arising from the Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller at the time the Borrower entered into the Mortgage or which otherwise were reasonably foreseeable. A Borrower may also attempt to set off an amount greater than the amount of his or her damages claim (or analogous rights in Scotland) against his or her mortgage payments. In that case, the Administrator 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 decree is obtained.

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

Delinquencies or default by Borrowers in paying amounts due on their loans

Borrowers may default on their obligations under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans.

Other factors in Borrowers' personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a Property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that Property, the value of that Property and property values in general at the time.

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

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

Decline in property values

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

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

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

Geographic Concentration Risks

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

Income Tax in Scotland

The Scotland Act 2016 came into force on 23 March 2016 and devolves, amongst other things, control of income tax to the Scottish Parliament by giving it the power to raise or lower the rate of income tax and thresholds for non-dividend and non-savings income of Scottish residents. Whilst the majority of the provisions are not expected to have an adverse impact on the Scottish economy or on mortgage origination in Scotland, for the first time the rates and thresholds for income tax that apply to the non-savings and non-dividend income of Scottish taxpayers differ from those applied throughout the rest of the UK. On 6 April 2018, the higher and additional rates of tax in Scotland were both increased. In addition, the basic rate of tax was split into three tiers (a starter rate, a basic rate and an intermediate rate). The changes mean that certain taxpayers in Scotland now pay a higher level of tax than borrowers in the same income bracket in England and Wales. This may affect some borrowers' ability to pay amounts when due on the mortgage loans originated in Scotland which, in turn, may adversely affect the ability of the Issuer to make payments under the Notes.

Characteristics of the Portfolio

The information in the section headed "*Statistical Information on the Provisional Portfolio*" has been extracted from the systems of the Seller as at the Initial Cut-off Date. The pool of Loans from which the Portfolio will be selected (the "**Provisional Portfolio**") comprised of 5,859 Loans (including further advances) with a Current Balance of £ 813,418,780.67 as at the Initial Cut-Off Date. The Initial Portfolio was randomly selected from the Provisional Portfolio. The characteristics of the Portfolio as at the Closing Date will vary from those set out in the tables in this Prospectus as a result of, *inter alia*,

repayments and redemptions of Loans prior to the Closing Date and the operation of a random selection process.

The Seller has not provided any assurance that there will be no material change in the characteristics of the Portfolio between the Initial Cut-Off Date and the Closing Date.

Interest Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis or a combination capital repayment/interest payment basis (see the section entitled "*The Portfolio – The Loans – Characteristics of the Loans – Repayment Terms*"). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is required to ensure that a repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. In relation to interest only loans, the Seller verifies that the Borrower has a suitable repayment mechanism in place and will only accept a limited range of such vehicles. Repayment vehicles must cover the full outstanding capital owed and the Seller will decline the application if this repayment mechanism is deemed to be unacceptable. Affordability for interest only loans is calculated, using the net disposable income which is then measured against a stressed monthly payment calculated at the Seller Mortgage Variable Rate plus 2 per cent. (presently 6.99 per cent.) over the mortgage term required on a capital and interest method. Where the Borrower takes out term life assurance cover in relation to the Loan, the Seller does not verify or take security over such policies.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest Only Loan at maturity without resorting to the sale of the underlying Property depends on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest Only Loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

RISKS RELATING TO THE CREDIT STRUCTURE

Subordination

The Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes as set out in "*Key Structural Features*". Further, Available Revenue Receipts will be applied to credit the General Reserve Fund prior to payment of interest on the Class B Notes. Also, Available Principal Receipts will be used (i) on any Interest Payment Date during the Revolving Period, to reduce the Principal Amount Outstanding of the Class A Notes, on a scheduled amortisation basis to the relevant Class A Target Amortisation Amount (including any Class A Target Amortisation Shortfall) and thereafter to be applied towards crediting the Retained Principal Ledger for the purposes of purchasing Additional Loans on any Additional Sale Date; and (ii) on each Interest Payment Date upon, and following, the Revolving Period End Date, on a pass-through basis to reduce the Principal Amount Outstanding of the Notes in each case in accordance with the Pre-Enforcement Principal Priority of Payments (see "*Cashflows and Cash Management*" below) or used to fund a Remaining Income Deficit. To the extent that the Issuer does not have sufficient funds to satisfy its obligations to all its creditors, the holders of the Class B Notes will be the first noteholders to see their claims against the Issuer unfulfilled. There is no assurance that these subordination provisions will protect the holders of the Class A Notes from all risk of loss.

Deferral of interest payments on certain classes of Notes

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of any Class of Notes, (other than the Class A Notes), after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then that amount shall not be due and payable and the Issuer will be

entitled under Condition 8.10 (*Interest Accrual*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of such Class of Notes becomes immediately due and repayable in accordance with the Conditions and it shall not constitute an Event of Default. To the extent that there are insufficient funds on the following Interest Payment Date or such earlier date as interest in respect of such Class of Notes is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Final Maturity Date.

Revenue and Principal Deficiency Ledger

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the Class A Notes, amounts ranking in priority to the payment of interest on the Class A Notes and amounts necessary to eliminate any debit balances on the Principal Deficiency Ledger (excluding the Class B Principal Deficiency Sub-Ledger), there is an Income Deficit, then subject to certain conditions set out in "*Key Structural Features*", the Issuer may apply the General Reserve Fund. If following application of the General Reserve Fund, there is a Remaining Income Deficit, then (again subject to certain conditions) the Issuer may apply Principal Receipts (if any). In this event, the consequences set out in the following paragraph may result.

Application, as described above, of any Principal Receipts to meet any Remaining Income Deficit (in addition to any Losses) will be recorded first on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, and next on the Class A Principal Deficiency Sub-Ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts and, other than in respect of the Class B Notes, amounts standing to the credit of the General Reserve Fund. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Enforcement Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger and second the Class B Principal Deficiency Sub-Ledger. Amounts standing to the credit of the General Reserve Fund will be applied, after meeting prior ranking obligations as further described in "*Key Structural Features*", to credit the Class A Principal Deficiency Sub-Ledger.

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

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

Product Switches, Further Advances, Additional Loans and Substitution

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

The number of Additional Loans offered by the Seller and purchased by the Issuer on any Additional Sale Date, as well as the number of Further Advance and Product Switch requests received by the Seller and/or the Administrator will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes.

Basis risk

The Issuer is subject to:

- the risk of a mismatch between (i) the fixed rates of interest payable on the Fixed Rate Loans and the interest rate payable in respect of the Notes (which risk is mitigated by the Fixed Rate Swap Transaction); and (ii) the interest rate on BoE Base Rate linked Loans and Seller Standard Variable Rate or the Seller Mortgage Variable Rate (as defined below) linked Loans being determined on different bases than that on which the interest rate payable on the Notes is determined;
- 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, which pays a SONIA rate less a margin on funds standing to the credit thereof and from which the Issuer (or the Cash Manager on its behalf) may invest sums in Authorised Investments, and (ii) (for so long as the Loans are fully performing) the availability of excess Available Revenue Receipts, each of which are available to meet payments of interest due under the Notes and the other expenses of the Issuer.

The Fixed Rate Swap Transaction is not designed to provide a perfect hedge for the Loans included in the Portfolio or eliminate all risks associated with the rates payable in respect of such Loans. In particular, the notional amount of the Fixed Rate Swap Transaction will reflect, in respect of each calculation period thereunder, the weighted average of the aggregate Current Balances (calculated, for each calendar month falling in that calculation period, at the end of the preceding calendar month) of the Fixed Rate Loans in the Portfolio (other than those which are in possession or in respect of which three or more monthly payments have become due and are unpaid by a Borrower).

There is no guarantee that such Fixed Rate Swap Transaction will successfully hedge the Loans included in the Portfolio and therefore there may be insufficient funds to repay interest due on the Notes.

RISKS RELATING TO MEETINGS OF, AND CONFLICTS BETWEEN NOTEHOLDERS

Meetings of Noteholders, modification and waiver

The Conditions contain 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 majority.

The Conditions also contain provisions which permit or require the Trustee to consent to modifications to the Conditions, the Trust Documents, the Notes and the Transaction Documents without the consent or sanctions of the Noteholders. In particular, the Trust Deed provides that the Trustee may (and, in the case of paragraph (c) and (d) of Condition 17.1) shall) at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making the amendments and modifications as more fully set out in the Conditions.

Notwithstanding the Conditions, the Trustee shall be obliged, without any consent or sanction of the Noteholders or, subject to Condition 17.2.7(c), any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Reserved Matter) to the Conditions, the Trust Documents, the Notes or any other Transaction Document to which it is a party or in relation to which it holds security that the Issuer considers necessary in accordance with the Conditions.

There is no guarantee that any changes made to the Conditions, the Trust Documents, the Notes or any other Transaction Document pursuant to the obligations imposed on the Trustee as described above, would not be prejudicial to the Noteholders.

Swap Provider entrenched rights

In respect of any modifications to any of the Transaction Documents which would have the effect of requiring the Swap Provider to pay more or receive less were it to replace itself as swap counterparty, the prior written consent of the Swap Provider is also required prior to such amendments being made.

Conflict between Noteholders

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

If, in the opinion of the Trustee, there is a conflict between the interests of holders of different classes of Notes, the Trustee will have regard only to the interests of the holders of the Most Senior Class. As a result, holders of Notes other than the Most Senior Class may not have their interest taken into account by the Trustee when the Trustee exercises discretion where there is a conflict of interest.

Conflict Between Noteholders and other Secured Creditors

The Trust Deed provides that the Trustee shall, except where expressly provided otherwise and prior to the redemption in full of the Notes, have regard solely to the interests of the Noteholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to it and to act in accordance with the Post-Enforcement Priority of Payments.

Certain material interests

J.P. Morgan Securities plc and Lloyds Bank Corporate Markets plc are acting as Arrangers and as Joint Lead Managers. J.P. Morgan AG is acting as Swap Provider. CSC Capital Markets UK Limited is acting as Back-Up Administrator Facilitator and Corporate Services Provider. Citicorp Trustee Company Limited is acting as Trustee. Citibank, N.A., London Branch is acting as Principal Paying Agent, Agent Bank, Registrar and Account Bank. Other parties to the transaction may also perform multiple roles, including Skipton Building Society, who will act as Administrator and Cash Manager.

Nothing in the Transaction Documents shall prevent any of the parties to the Transaction Documents from rendering services similar to those provided for in the Transaction Documents to other persons, firms or companies or from carrying on any business similar to or in competition with the business of any of the parties to the Transaction Documents.

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

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

In addition to the interests described in this Prospectus, prospective investors should be aware that each of the Arrangers, the Joint Lead Managers and their respective related entities, associates, officers or employees (each a "Relevant Entity") (a) may from time to time be a Noteholder or have other interests with respect to the Notes and they may also have interests relating to other arrangements with respect to a Noteholder or a Note; (b) may receive (and will not have to account to any person for) fees, brokerage and commission or other benefits and act as principal with respect to any dealing with respect to any Notes; (c) may purchase all or some of the Notes and resell them in individually negotiated transactions with varying terms; and (d) may be or have been involved in a broad range of transactions including, without limitation, banking, 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 Issuer or any Transaction Party, both on its own account and for the account of other persons.

As such, each Relevant Entity may have various potential and actual conflicts of interest arising in the ordinary course of its business. For example, a Relevant Entity's dealings with respect to the Notes, the

Issuer or a Transaction Party may affect the value of the Notes as the interests of this Relevant Entity may conflict with the interests of a Noteholder, and that Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, no Relevant Entity is restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents or the interests described above and may 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 Relevant Entities may in so doing act in its own commercial interests without notice to, and without regard to, the interests of the Noteholders or any other person. To the maximum extent permitted by applicable law, the duties of each Relevant Entity in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and no advisory or fiduciary duty is owed to any person. No Relevant Entity shall have any obligation to account to the Issuer, any other 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 other Transaction Party.

RISKS RELATING TO THIRD PARTIES

Credit risk

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

Liquidity of the Issuer

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date for various reasons including (i) payments being made late by Borrowers after the end of the relevant Collection Period (ii) contractual interest rates of the Loans being lower than required by the Issuer in order to meet its commitment to pay interest on the Notes, and (iii) 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. This risk is addressed in respect of the Notes by the provision of liquidity from alternative sources as described in the section entitled "*Key Structural Features*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

Issuer's Reliance on Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Swap Provider has agreed to provide hedging to the Issuer, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, the Account Bank has agreed to provide the Transaction Account to the Issuer, the Administrator has agreed to service the Portfolio, the Cash Manager has agreed to provide cash management services to the Issuer, the Principal Paying Agent has agreed to providing paying agency services in respect of the Notes, the Back-Up Administrator Facilitator has agreed to assist in appointing a Back-Up Administrator at such time as one needs to be appointed, and the Agent Bank and the Registrar have agreed to provide certain agency services to the Issuer in respect of the Notes.

In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, payments on the Notes may be adversely affected.

The Administrator

The Administrator will be appointed by the Issuer to administer the Loans pursuant to the terms of an administration agreement (the "**Administration Agreement**").

Following the occurrence of a Back-Up Administrator Event the Issuer with the assistance of the Back-Up Administrator Facilitator will require the Administrator to use best efforts to, within 60 days, appoint a Back-Up Administrator and following an Administrator Termination Event the Back-Up Administrator or other replacement Administrator, as applicable, shall enter into a replacement administration agreement between the Issuer, the Seller, the Trustee and the Back-Up Administrator or replacement Administrator, as applicable, pursuant to which the Back-Up Administrator or replacement Administrator, as applicable, will replace the Administrator in providing the services pursuant to any successor replacement administration agreement entered into by the Issuer from time to time.

If the appointment of the Administrator is terminated and the performance of the Administration Services is assumed by the Back-Up Administrator or other replacement administrator, as applicable, in accordance with the terms of the replacement administration agreement, the collection of payments on the Loans and the provision of the Administration Services could be disrupted during the transitional period in which the performance of the Administration Services is transferred to the Back-Up Administrator or the replacement Administrator, as applicable. Any failure or delay in collection of payments on the relevant Loans resulting from a disruption in the administration of the Loans could ultimately adversely affect payments of interest and principal on the Notes. A failure or delay in the performance of the Administration Services, in particular reporting obligations, could affect the payments of interest and principal on the Notes (as to which see "*Estimations and Reconciliations*" in the section entitled "*Key Structural Features*").

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

The Back-Up Administrator and Replacement Administrator

Following an Administrator Termination Event, there can be no assurance that a replacement administrator with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans. In addition, as described below any such replacement administrator will be required to be authorised under the Financial Services and Markets Act 2000 (the "**FSMA**") in order to administer Loans that constitute Regulated Mortgage Contracts. The ability of any entity acting as a replacement administrator to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement back-up administrator may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

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

Change of counterparties

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

These criteria may include requirements imposed by the Financial Conduct Authority (the "**FCA**") under the Financial Services and Markets Act 2000 ("**FSMA**") and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings, counterparty ratings or deposit ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the

relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

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

Swap Provider Risk and Swap Termination Payment

In the event that the Swap Provider does not pay the amount payable under the Swap Agreement when due, available funds of the Issuer may be less than would otherwise be the case and this could result in reduced payments to Noteholders.

If the Swap Agreement is terminated for any reason, the Cash Manager (on behalf of the Issuer) may be obliged to use available funds of the Issuer to pay any termination payment due to the Swap Provider under the Swap Agreement. Any termination payment due by the Issuer to the Swap Provider (in excess of the value of any Swap Collateral in respect of the Swap Agreement) will be paid using available funds in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments. Any termination payment due by the Issuer to the Swap Provider (except for any Swap Subordinated Amounts) will rank in priority to amounts due on the Notes both in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

If the Issuer is obliged to make a termination payment to the Swap Provider, this may reduce or adversely affect the amount of funds which the Issuer has available to make payments on the Notes. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment under the Swap Agreement or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders in respect of the Notes.

Furthermore, if the Swap Provider were to default in respect of its obligations under the Swap Agreement so as to result in a termination of the Swap Agreement, the Issuer will use commercially reasonable efforts to enter into a replacement arrangement with another appropriately rated entity, which may require the Issuer to make a payment to the replacement swap provider. A failure to enter into such a replacement arrangement may result in a downgrading on the rating of the Class A Notes, and may reduce the amount of funds available to make payments on the Notes. In addition, if the Issuer fails to enter into such replacement arrangement, the Portfolio will remain unhedged.

In the event of the insolvency of the Swap Provider the Issuer will be treated as a general creditor of such Swap Provider. Consequently, the Issuer will be subject to the credit risk of the Swap Provider, as well as that of the Loans.

Under the terms of the Swap Agreement, in the event that the relevant ratings of the Swap Provider fail to meet the required ratings, the Swap Provider will, in accordance with the terms of the Swap Agreement, be required to elect to take certain remedial measures within the time frame stipulated in the Swap Agreement and at its own cost, which may include providing collateral for its obligations under the Swap Agreement, arranging for its obligations under the Swap Agreement to be transferred to an entity with the required ratings, procuring another entity with the required ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Swap Agreement or such other action that would result in the Rating Agencies continuing the then current rating of the Class A Notes or restoring such rating to the level prior to the downgrade event. However, no assurance can be given that, at the time that such actions are required, sufficient collateral will be provided by the Swap Provider or that another entity with the required ratings will be available or willing to become a replacement swap provider, co-obligor or guarantor. Other than a Swap Collateral Account Surplus, collateral provided will not generally be available to meet the Issuer's obligations under the Notes or the Transaction Documents.

Ratings of the Class A Notes

For the avoidance of doubt and unless the context otherwise requires, any reference to "**ratings**" or "**rating**" in this Prospectus is to the ratings assigned by the specified Rating Agencies only.

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

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

As highlighted above, the ratings assigned to the Class A Notes by each Rating Agency are based on, among other things, the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings of the Swap Provider, the Cash Manager, the Swap Collateral Account Bank and the Account Bank. In the event one or more of these transaction parties are downgraded, there can be no assurance that a replacement to that counterparty will be found which has the ratings required to maintain the then current ratings of the Class A Notes. If a replacement counterparty with the requisite ratings cannot be found, this is likely to have an adverse impact on the rating of the Class A Notes and, as a consequence, the resale price of such Notes in the market and the prima facie eligibility of such Notes for use in certain liquidity schemes established by the European Central Bank and the Bank of England.

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

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

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

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

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

The Conditions provide that if a Ratings Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and (i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Ratings Confirmation or response necessary in the circumstances

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

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

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

Searches, Investigations and Warranties in Relation to the Loans

The Seller will give certain warranties to each of the Issuer and the Trustee regarding its respective Initial Loans and their Related Security to be sold to the Issuer on the Closing Date and regarding any relevant Additional Loans and their Related Security to be sold to the Issuer on any Additional Sale Date (see "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*" below for a summary of these).

None of the Trustee, the Arrangers, the Agents, the Account Bank, the Joint Lead Managers, nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the Loan Warranties given in the Mortgage Sale Agreement by the Seller. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date, any Additional Sale Date or Substitution Date or, as the case may be, the last calendar day in each month during which an Advance Date or a Switch Date has occurred in respect of the relevant Further Advances and Product Switches, and is not remedied within 30 Business Days of receipt by the Seller of a notice from the Issuer, shall be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Buildings insurance

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

Pensions Act 2004

Under the Pensions Act 2004 a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The Issuer may be treated as "connected with" an employer under an occupational pension scheme which is within Skipton Building Society.

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

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

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

CERTAIN INSOLVENCY RISKS

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) subordinated 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. Recent cases have focused on provisions involving the subordination of the 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 affirmed that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, the US Bankruptcy Court recently held that such a subordination provision is unenforceable under US 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 US bankruptcy of the counterparty. A different U.S. Bankruptcy Court and a U.S. District Court recently reached contrary conclusions in relation to a different transaction structure. Those decisions remain subject to appeal, and the implications of these conflicting judgments remain unresolved.

Based on the findings of the US Bankruptcy Court, there is a risk that a Secured Creditor in US debtor-in-possession bankruptcy proceeding could successfully challenge the subordination provisions contemplated by the Deed of Charge to the extent that such provisions provide for certain payment rights of a creditor to be conditional upon whether or not an Event of Default related to the commencement of insolvency or bankruptcy proceedings or a deterioration of financial condition has occurred with respect to that creditor.

If a creditor of the Issuer (such as the Swap Counterparty) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US) and it is owed 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 US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US 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, Certificate holders, 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 judgements referred to above and that the Transaction Documents will include terms providing for the subordination of 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 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.

Security and Insolvency considerations

The Issuer will enter into the Deed of Charge and Scottish Supplemental Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes. If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

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

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

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

Fixed charges may take effect under English law as floating charges

Pursuant to the Deed of Charge, the Issuer will grant fixed charges over, amongst other things, the Loans and Related Security purchased from time to time. The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the Charged Property (although it should be noted that there is no equivalent concept of recharacterisation of fixed security as floating charges under Scots law). If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets.

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

draft legislation pursuant to which, if implemented, with effect from 6 April 2020, certain amounts owed to the United Kingdom tax authorities would become secondary preferential debts and rank ahead of recoveries of floating chargeholders. These measures, if implemented, are intended to apply to taxes effectively collected by a business on behalf of customers and employees and would include amounts in respect of VAT, PAYE, employee national insurance contributions and construction and industry scheme deductions. In this regard, it should be noted that the Issuer has agreed in the Transaction Documents not to have any employees and should not be required to register for VAT in the United Kingdom.

Liquidation expenses

Under the Insolvency Act, 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 the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency (England and Wales Rules 2016). Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer (which would otherwise be available to satisfy the claims of the Issuer's secured creditors under the Deed of Charge) would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

CERTAIN MARKET RISKS

Absence of secondary market and how it may affect the market value of the Notes

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Skipton Building Society will purchase the Class B Notes and some of the Class A Notes on the Closing Date. None of the Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set out under "*Subscription and Sale*" and "*Transfers and Transfer Restrictions*". Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their 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 similar to the Notes has, at times, experienced limited liquidity resulting from reduced investor demand for such securities. Limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

Whilst central bank schemes such as the Bank of England's Sterling Monetary Framework, the Asset Purchase Facility and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, further restrictions in respect of the relevant eligibility criteria for eligible collateral in the future are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities. Therefore, neither the Issuer nor the Seller gives any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for such central bank schemes. Any potential investor in the Notes should reach their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for such central bank schemes.

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

Borrowers with a Loan subject to a variable rate of interest or with a Loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward (or, in the case of a 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 Loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate

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

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

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

The market continues to develop in relation to SONIA as a reference rate in the capital markets

Investors should be aware that the market continues to develop in relation to the Sterling Overnight Index Average ("SONIA") as a reference rate in the capital markets and its adoption as an alternative to the London Interbank Offered Rate. 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). As a result, 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 Notes. It may be difficult for investors in the Notes to reliably estimate the amount of interest which will be payable on such Notes.

Changes or uncertainty in respect of SONIA may affect the value or payment of interest under the Loans or the Notes

Various interest rates and other indices which are deemed to be benchmarks, including SONIA are the subject of recent national, international and other regulatory reforms and proposals for reform. Some of these reforms are already effective including the Benchmarks Regulation.

Under the Benchmarks Regulation, which applies from 1 January 2018, in general, certain requirements will apply with respect to the provision of a wide range of benchmarks (including SONIA), the contribution of input data to a benchmark and the use of a benchmark within the European Union (the "EU"). In particular, the Benchmarks Regulation will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevent certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). As far as the Issuer is aware, the Bank of England, as administrator of SONIA is exempt from the requirement to be registered in the ESMA's register of administrators pursuant to Article 2 of the Benchmarks Regulation, but has issued a statement of compliance with the principles for financial benchmarks issued in 2013 by the International Organisation of Securities Commission.

Based on the foregoing, prospective investors should in particular be aware that:

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including 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;
- (b) in circumstances where an amendment as described in paragraph (c) below has not been made at the relevant time, the rate of interest on the Notes will be determined for a period by the fall-back provisions provided for under Condition 8 (*Interest*) of the Terms and Conditions of the Notes;

- (c) while (i) an amendment may be made under Condition 17.2 (*Additional Right of Modification*) of the Terms and Conditions of the Notes to change the reference rate on the Notes from SONIA to an alternative reference rate under certain circumstances broadly related to SONIA dysfunction or discontinuation and subject to certain conditions, there can be no assurance that any such amendment will be made or, if made, that it will (i) fully or effectively mitigate interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes or (ii) be made prior to any date on which any of the risks described in this risk factor may become relevant; and
- (d) if SONIA is discontinued, and whether or not an amendment is made under Condition 17.2 (*Additional Right of Modification*) to change the reference rate with respect to the Notes as described in paragraph (c) above, if a proposal for an equivalent change to the reference rate on the Swap Agreement is not approved in accordance with Condition 17.2.7, there can be no assurance that the applicable fall-back provisions under the Swap Agreements would operate to allow the transactions under the Swap Agreements to effectively mitigate interest rate risk in respect of the Notes. This, in turn, could cause a risk of mismatch of interest and reduced payments on the Notes.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between 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.

Moreover, any of the above matters (including an amendment to change the reference rate as described in paragraph (d) above) or any other significant change to the setting or existence of SONIA 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 or other consequences in relation to the Notes. No assurance may be provided that relevant changes will not occur with respect to SONIA or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

General market volatility and uncertainty post the UK's EU exit

Pursuant to a referendum held in June 2016, the UK voted to leave EU and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on 29 March 2017.

The UK exited the EU and is no longer a member state of the EU as of 31 January 2020 at midnight CET. Pursuant to the UK-EU agreement on the UK's withdrawal from the EU (the "**Withdrawal Agreement**"), a transition period has been agreed which extends the application of EU law, and provides for the UK's continuing access to the EU single market until 31 December 2020. During the transition period, the UK and the EU are expected to negotiate the terms of their future relations in respect of trade and other areas that are currently regulated by EU law.

There are a number of areas of uncertainty in connection with the future relationship of the UK and the EU and related matters, which may not be resolved during the transition period and may take several years. Given this uncertainty and the range of possible outcomes as a result of the UK's exit from the EU, including the possibility of financial instability and slower economic growth, in the UK in particular, but also in Europe, and the re-emergence of the possibility of a further Scottish independence referendum, it is not currently possible to determine the impact that the UK's departure from the EU and/or any related matters may have on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the impact that these matters will have on the business of the Issuer (including the performance of the underlying loans), any other party to the transaction documents and/or any Borrower in respect of the underlying Loans, or on the regulatory position of any such entity or of the transactions contemplated by the Transaction Documents under EU regulation or more generally.

The Brexit vote resulted in downgrades of the UK sovereign rating and the Bank of England by Moody's, Standard & Poor's and by Fitch. Standard & Poor's and Fitch have all placed a negative outlook on the

UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action. Further downgrades may cause downgrades to counterparties on the transaction meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the transaction with others who have the required ratings on similar terms or at all.

The exit of the UK from the EU has also resulted in an increased potential for a second independence referendum in Scotland. A majority of voters in Scotland voted to remain in the EU. As a result the First Minister of Scotland has suggested that the Scottish Government has a mandate from voters in Scotland to remain in the EU and that Scotland may seek to leave the UK in order to achieve that outcome. The ability of the Scottish Government to hold such a referendum, and its timing, are unclear, although the First Minister of Scotland has previously announced an intention to hold a second independence referendum by May 2021. It is not currently possible to determine the impact of such a potential referendum or how the departure of Scotland from the United Kingdom would affect the ability of the Issuer to pay interest and principal under Notes. However, potential investors should note that an independent Scotland may wish to choose its own currency, different from Sterling. Such a scenario would increase the risks that assets, liabilities, incomes and expenditures, or other obligations currently denominated in Sterling, may be re-denominated by a sovereign Scotland into another currency.

Additionally, whilst the UK is not a member of the euro, instability within the currency union could also provide a source of risk to both UK economic performance and financial markets which, in turn, may adversely affect payments on the Notes.

As such, no assurance can be given as to the impact of the UK's exit from the EU, or the nature of the future relationship between the UK and the EU after the transition period and in particular, no assurance can be given that such matters would not adversely affect the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and/or the market value or liquidity of the Notes.

CERTAIN REGULATORY RISKS IN RESPECT OF THE NOTES

Change of law

The structure of the transaction as described in this Prospectus and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Class A Notes are based on the law, regulation, accounting and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) and practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory position for certain investors in securitisation exposures and/or on the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Joint Lead Managers, the Arrangers or Skipton Building Society makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment on the Closing Date or at any time in the future.

In particular, investors should note that the Basel Committee on Banking Supervision ("**BCBS**") has approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the BCBS as Basel III), including revisions to the securitisation framework

which may result in increased regulatory requirements in respect of certain positions. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"). BCBS member countries agreed to implement Basel III from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements up to January 2027, although these timelines remain unclear until such rules are translated into draft European legislation. As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives such as the Solvency II framework in Europe.

The STS designation (in relation to which see the risk factor entitled *Securitisation Regulation*) may result in the Notes achieving a better or more flexible regulatory treatment under various EU regimes that were amended (or will be amended in due course) to take into account the STS framework (such as Type 1 securitisation under Solvency II, as amended; regulatory capital treatment under the securitisation framework of the Capital Requirements Regulation, as amended by the CRR Amendment Regulation; Level 2B securitisation under the Commission Delegated Regulation (EU) 2015/61 (the "**LCR Regulation**"), as amended and the forthcoming changes (which are yet to be finalised) to the EMIR regime that will address certain exemptions for STS securitisation swaps, as to which investors are referred to the risk factor entitled "*European Market Infrastructure Regulation*").

Although the Issuer intends to seek an STS designation for the Notes, as at the Closing Date the Notes may not be classified as STS and there is no obligation on the Issuer or the Seller to ensure that the Notes are classified as STS as at the application date of the revised delegated regulations. Therefore, as matters stand, the Notes may not be STS as at the application date of the revised delegated regulations if adopted in their current form and therefore will not be eligible as high quality liquid assets for the purposes of LCR (as amended) from such date. The revised delegated regulations are anticipated to apply from approximately the middle of 2020. Therefore, neither the Issuer nor the Seller gives any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will, either upon issue or at any time prior to redemption in full, that the Notes will be LCR eligible.

It is intended that an STS Notification will be submitted to ESMA by Skipton Building Society as originator. The STS Notification, once notified to ESMA, will be available for download on the ESMA STS register website.

Skipton Building Society and the Issuer have used the services of the PCS to carry out the STS Verification and to provide additional assessments with regard to the status of the Notes for the purposes of the STS Assessment. It is expected that the STS Verification and the STS Assessment prepared by PCS will be available on its website at <https://www.pcsmarket.org/sts-verification-transactions/>. For the avoidance of doubt, the website of PCS and the contents of that website do not form part of this Prospectus.

It is important to note that the involvement of PCS as an authorised verification agent is not mandatory and the responsibility for compliance with the Securitisation Regulation remains with the relevant institutional investors, originators and issuers, as applicable in each case. An STS Assessment will not absolve such entities from making their own assessment and assessments with respect to the Securitisation Regulation and the relevant provisions of article 243 of the CRR, and an STS Assessment cannot be relied on to determine compliance with the foregoing regulations in the absence of such assessments by the relevant entities. Furthermore, an STS Assessment is not an opinion on the creditworthiness of the relevant 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 relevant Notes for any investor and/or a recommendation to buy, sell or hold Notes. Institutional investors that are subject to the due diligence requirements of the Securitisation Regulation need to make their own independent assessment and may not solely rely on an STS Assessment, the STS Notification or other disclosed information.

Investors should note that a draft STS Notification will be made available to investors before pricing.

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

Legal uncertainty relating to Article 50

A significant proportion of English and Scots law currently derives from or is designed to operate in concert with European Union law. This is especially true of English and Scots law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure and mortgage and consumer credit regulation. Under the European Union (Withdrawal) Act 2018 (the "**2018 Act**") as amended by the European Union (Withdrawal Agreement) Act 2020 (the "**2020 Act**" and together the "**Withdrawal Act**") the body of EU law that applies in and to the UK at the end of the transition period (referred to as the implementation period in the 2020 Act), will be incorporated into UK domestic law at that time. The Withdrawal Act grants the UK Government wide powers to make secondary legislation in order to, among other things, adapt those laws that would otherwise not function sensibly now that the UK has left the EU, on the whole with minimal parliamentary scrutiny. The secondary legislation made under those powers would be able to do anything that could be done by an act of Parliament. Over time, however – and depending on the timing of the conclusion of the transition period and the terms of any agreement between the UK and the EU relating to their future relationship in trade and other areas currently regulated by EU law, –changes (including possible significant changes) to English and Scots law in areas relevant to the transaction and the parties to the Transaction Documents may be necessary. The Issuer cannot predict what any such changes will be and how they may affect the Issuer's ability to make payments of principal and interest under the Notes.

Regulatory uncertainty relating to Article 50

There is significant uncertainty about how financial institutions from the remaining EU ("**EU27**") with assets (including branches) in the UK will be regulated and vice versa. At present, EU single market regulation allows regulated financial institutions (including credit institutions, investment firms, alternative investment fund managers, insurance and reinsurance undertakings) to benefit from a passporting system for regulatory authorisations required to conduct their businesses, as well as facilitating mutual rights of access to important elements of market infrastructure such as payment and settlement systems. EU law is also the framework for mutual recognition of bank recovery and resolution regimes. Upon the conclusion of the transition period, the current passporting arrangements will cease to be effective, as will the current mutual rights of access to market infrastructure and current arrangements for mutual recognition of bank recovery and resolution regimes, unless these arrangements and rights are included in the terms of a future relationship agreement between the UK and the EU. The ability of regulated financial institutions to continue to do business between the UK and the EU27 on terms similar to those applicable under current EU law, will therefore be subject to the terms of any future relationship agreement between the UK and the EU27. Although the UK Government has said that it "*will be aiming for the freest possible trade in financial services between the UK and EU Member States*" in a white paper setting out its Brexit negotiation objectives, there can be no assurance that there will be any such future relationship agreement concluded or, if a future relationship agreement is concluded, when and on what terms. Such uncertainty could adversely impact the ability of third parties (including parties to the Transaction Documents) who are regulated financial institutions to provide services to the Issuer and other Transaction Parties.

Risks relating to the Banking Act 2009 and its impact on Skipton Building Society

The Banking Act 2009 (the "**Banking Act**") includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including building societies, authorised deposit-taking institutions and investment firms, and powers to take certain resolution actions in respect of third country institutions. The Banking Act Special Resolution Regime would apply to Skipton Building Society as a UK incorporated building society. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country

institution or in the same group as an EEA credit institution or investment firm. Relevant transaction parties for these purposes include the Seller, the Account Bank, the Swap Collateral Account Bank and the Collection Account Bank.

The tools available under the Banking Act include share and property transfer powers (including powers for partial property transfers), bail-in powers, certain ancillary powers (including powers to modify contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that the extended tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial system of the United Kingdom. The Banking Act includes provisions related to compensation in respect of instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the authorities may choose to exercise them.

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of a relevant entity as described above, such action may (amongst other things) affect the ability of such entity to satisfy its obligations under the Transaction Documents and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents or in other modifications to such documents. In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified (such as each Scottish Declaration of Trust), (ii) contractual arrangements between relevant entities and other parties to be removed, modified or created where considered necessary to enable a transferee in the context of a property or share transfer to operate the transferred business effectively and (iii) in connection with the modification of an unsecured liability through use of the bail-in tool, the discharge of a relevant entity from further performance of its obligations under a contract. In addition, subject to certain conditions, powers would apply to require a relevant instrument or order (and related events) to be disregarded in determining whether certain widely defined default events have occurred (which events may include trigger events included in the Transaction Documents in respect of the relevant entity, including termination events and trigger events in respect of perfection of legal title to the Loans). As a result, the making of an instrument or order in respect of a relevant entity as described above may affect the ability of the Issuer to meet its obligations in respect of the Notes.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the Seller, the Account Bank, the Swap Collateral Account Bank and the Collection Account Bank and there has been no indication that any such instrument or order will be made, but there can be no assurance that this will not change and/or that the Noteholders will not be adversely affected by any such instrument or order if made. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

Lastly, as a result of the EU Bank Recovery and Resolution Directive 2014/59/EU (the "**BRRD**") providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms and any relevant national implementing measures, it is possible that an institution with its head office in an EU state other than the UK and/or certain group companies could be subject to certain resolution actions in that other state. Moreover, certain amendments may be made to the BRRD as a result of proposals published by the European Commission on 23 November 2016 (known as BRRD II), including to extend the bail-in power. Once again, any such action may affect the ability of any relevant entity to satisfy its obligations under the Transaction Documents and there can be no assurance that the Noteholders will not be adversely affected as a result.

Securitisation Regulation and its application to the Notes

The Securitisation Regulation applies to the Notes, as does Regulation (EU) 2017/2401 (the "**CRR Amendment Regulation**"), which amends certain provisions of Regulation (EU) No 575/2013 as it

relates to securitisation. Amongst other things, the Securitisation Regulation and the CRR Amendment Regulation together include provisions intended to implement the revised securitisation framework developed by BCBS (with adjustments) and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU and UK regulated investors (which, during the transition period includes UK regulated institutional investors).

In relation to due diligence requirements, the Securitisation Regulation requires that, prior to holding a securitisation position, EU or UK institutional investors are required to verify the matters required by Article 5(1) of the Securitisation Regulation and to conduct a due diligence assessment in accordance with Article 5(2).

In relation to risk retention, the Securitisation Regulation amends the manner in which the retention requirements apply by imposing a direct obligation of compliance with the risk retention requirements on EU or UK originators, sponsors or original lenders.

As the Securitisation Regulation applies to the Notes, certain EU regulated institutional investors (which, during the transition period includes certain UK regulated institutional investors), including credit institutions, investment firms, authorised alternative investment fund managers, insurance and reinsurance undertakings, certain undertakings for the collective investment of transferable securities (UCITs) and certain regulated pension funds (institutions for occupational retirement provision), are required to comply under Article 5 with certain due diligence requirements prior to holding a securitisation position and on an ongoing basis while holding the position. Among other things, prior to holding a securitisation position, such institutional investors are required to verify certain matters with respect to compliance of the relevant transaction parties with credit granting standards, risk retention and transparency requirements. If the relevant EU (which, during the transition period includes certain UK regulated institutional investors) regulated institutional investor elects to acquire or holds the Notes having failed to comply with one or more of these requirements, this may result in the imposition of a penal capital charge on the Notes for institutional investors subject to regulatory capital requirements or a requirement to take a corrective action, in the case of a certain type of regulated fund investors.

Various parties to the securitisation transaction described in this Prospectus (including the Issuer) are also subject to the requirements of the Securitisation Regulation. However, there is at present some uncertainty in relation to some of these requirements and what is or will be required to demonstrate compliance to national regulators, including in particular with regard to the transparency obligations imposed under Article 7 of the Securitisation Regulation, the application of the transitional provisions in connection with such Article and the final position on the new disclosure templates to be applied under the new technical standards. Please note that the European Commission-adopted texts of Article 7 technical standards were published in October 2019, representing the near final position on the applicable reporting templates, but these are yet to be approved by the European Parliament and the Council of the European Union and it is expected that these technical standards will be finalised and enter into force during Q1 2020. Until the final position on the outstanding technical standards and related guidance is known, there can be no assurance that the information in this Prospectus or to be made available to investors in accordance with Article 7 of the Securitisation Regulation will be adequate for any prospective institutional investors to comply with their due diligence obligations under the Securitisation Regulation.

In relation to the due diligence requirements for institutional investors that are set out in Article 5 of the Securitisation Regulation, any prospective investor to which these requirements apply should make themselves aware of such requirements and should ensure that the requirements which need to be satisfied prior to holding a securitisation position have been complied with prior to an investment in the Notes by such investor. In addition any such investor should ensure that it will be able to comply with the ongoing requirements of Article 5 in relation to an investment in the Notes. None of the Issuer, Skipton Building Society (in any capacity), the Joint Lead Managers nor the Arrangers provide any assurance that the information provided in this Prospectus, or any other information that will be provided to investors in relation to the Notes (including without limitation any investor report or loan-level data that is published in relation to the Notes) is sufficient for the satisfaction by any investor of the requirements in Article 5 of the Securitisation Regulation as they apply to that investor. However, Skipton Building Society (as the Designated Reporting Entity) in its capacity as originator, has confirmed it will comply with Article 7 of the Securitisation Regulation (as to which, see the section of this Prospectus headed "*Reporting under the Securitisation Regulation*"). Investors should note that the requirements of Article 5 of the Securitisation

Regulation apply in addition to any other applicable regulatory requirements applying to such investor in relation to an investment in the Notes.

Until the regulatory technical standard to be adopted by the European Commission pursuant to Article 7(3) of the Securitisation Regulation (the "Disclosure RTS") applies, for the purposes of its obligations set out in points (a) and (e) of the first subparagraph of Article 7(1) of the Securitisation Regulation, the Designated Reporting Entity will be required to make the information referred to in Annexes I to VIII of Delegated Regulation (EU) 2015/3 available in accordance with Article 7(2) of the Securitisation Regulations. There can be no assurance that the information to be provided by the Designated Reporting Entity will be adequate for any potential investors to comply with their obligations pursuant to Article 5 of the Securitisation Regulation. As at the date of this Prospectus, the Disclosure RTS are in draft form and there can be no certainty as to the final Disclosure RTS to be adopted by the European Commission. Prospective investors should consult their own advisers as to the regulatory obligations imposed on them pursuant to the Securitisation Regulation in respect of the Notes and as the consequences for and effect on them of and changes to the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any prospective investor or otherwise.

STS – Simple, Transparent and Standardised Securitisations

The Securitisation Regulation makes provision for a securitisation transaction to be designated a simple, transparent and standardised transaction (an "**STS Securitisation**") and provides that such securitisations should be subject to more favourable regulatory treatment, including reduced risk weightings for credit institutions and investment firm investors, and separately, that certain aspects of previous legislation have been repealed and replaced with a single EU-wide securitisation regulation. Notably, the risk weights attached to securitisation exposures for credit institutions and investment firms will in general increase substantially under the new securitisation framework implemented under the Securitisation Regulations and these new risk weights will apply from 1 January 2019 or 1 January 2020 depending on the features of the particular securitisation exposure. In order to obtain this designation, a transaction is required to comply with the requirements set out in Articles 20, 21 and 22 of the Securitisation Regulation (the "**STS Criteria**") and one of the originator or sponsor in relation to such transaction is required to file an STS Notification to ESMA confirming the compliance of the relevant transaction with the STS Criteria.

The Notes are intended to be designated as an STS Securitisation, but there is no certainty that such designation will be achieved. In addition, following the end of the transition period, the Securitisation Regulation and other related regulations are expected to be adopted into UK law (and subject to the publication of national regulatory guidance), and, therefore, any Series of Notes which satisfied the STS Requirements as adopted by the EU at the time the initial STS Notification was published by ESMA may no longer satisfy such requirements under EU law and/or UK law, as applicable. The STS status of any Series of Notes is not static and prospective investors should verify the current status of such Notes on ESMA's website.

Prospective investors are themselves responsible for monitoring and assessing changes to the EU risk retention rules and their regulatory capital requirements.

EMIR – European Market Infrastructure Regulation

Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and the trade repositories ("**EMIR**") came into force on 16 August 2012. EMIR and the requirements under it impose certain obligations on parties to over the counter ("**OTC**") derivative contracts including (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the "**Clearing Obligation**"), (ii) a margin posting obligation for OTC derivatives contracts not subject to clearing (the "**Collateral Obligation**"), (iii) other risk-mitigation techniques for OTC derivatives contracts not cleared by a central counterparty, and (iv) certain reporting and record-keeping requirements.

Under EMIR, counterparties can be classified as (i) financial counterparties ("**FCs**") and (ii) non-financial counterparties. The latter classification is further split into: (i) non-financial counterparties whose positions, together with the positions of all other non-financial counterparties in its group (as defined in EMIR), in OTC derivatives (excluding hedging positions) exceed a specified clearing threshold ("**NFC+**"), and (ii) non-financial counterparties below the clearing threshold ("**NFC-**"). Whereas FCs and

NFC+ entities may be subject to the Clearing Obligation or, to the extent that the relevant swaps are not subject to clearing, to the Collateral Obligation, such obligations do not apply in respect of NFC- entities.

On the basis that the Issuer currently has the counterparty status of NFC-, neither the Clearing Obligation nor the Collateral Obligation should apply to it. If the Issuer's counterparty status as an NFC- changes then certain OTC derivatives contracts that are entered into by the Issuer may become subject to the Clearing Obligation or the Collateral Obligation. In this regard, it should be noted that it is not clear that the Swap Agreement would be a relevant type of OTC derivative contract that would be subject to the Clearing Obligation under the implementing measures made to date.

Notwithstanding the qualifications on application described above, the position of the Swap Agreement under each of the Clearing Obligation and Collateral Obligation is not entirely clear and may be affected by further measures still to be made, regulatory guidance and/or by any inability to rely on an exemption for any reason. In this regard, we note that the European authorities recently adopted a new regulation related to securitisation which applied from 1 January 2019 and which includes amendments to EMIR. The amendments contain an exemption from each of the obligations referred to above for certain OTC derivative contracts entered into by a securitisation special purpose entity in connection with certain securitisations and make provision for the development of technical standards setting out additional detail to determine precisely which positions should be exempt.

Until the final new technical standards referred to above are in force, no assurance can be given that the Swap Transaction will meet the applicable exemption criteria provided therein. Notwithstanding the STS designation and the ability, as a result, to rely on the exemptions from clearing and collateral exchange obligations under the EMIR regime, the expectation is that the Issuer should not be required to comply with the EMIR collateral exchange obligations and clearing requirements for the reasons outlined above (being its NFC- status) in any event. The STS designation and the related forthcoming exemptions from collateral exchange obligations and clearing requirements are only likely to become relevant should the status under the EMIR of the Issuer change from NFC- to NFC+ or FC and, if applicable, should Swap Transaction be regarded as a type that is subject to the Clearing Obligation.

No assurances can be given that any such changes made to EMIR would not cause the status of the Issuer to change to NFC+ and lead to some or all of the potentially adverse consequences outlined below.

If the classification of the Issuer changes and the Swap Agreement is regarded to be in-scope, then the Swap Agreement may become subject to the Clearing Obligation or (more likely) to the Collateral Obligation. Prospective investors should note that there is some uncertainty with respect to the ability of the Issuer to comply with these obligations if applicable, which may (i) lead to regulatory sanctions, (ii) adversely affect the ability of the Issuer to continue to be party to the Swap Agreement (possibly resulting in a restructuring or termination of the swap) and/or (iii) significantly increase the cost of such arrangements, thereby negatively affecting the ability of the Issuer to hedge certain risks. As a result, the amounts available to the Issuer to meet its obligations may be reduced, which may in turn result in investors receiving less interest or principal than expected.

The Issuer will be required to continually comply with EMIR while it is party to any interest rate swaps, including any additional provisions or technical standards which may come into force after the Closing Date, and this may necessitate amendments to the Transaction Documents. Subject to receipt by the Trustee of (i) a certificate of the Swap Provider or the Issuer (issued by the Administrator on behalf of the Issuer), as appropriate certifying to the Trustee that the requested amendments to be made are solely for the purpose of enabling the Issuer and/or the Swap Provider to satisfy requirements which apply to them in relation to the Swap Agreement under EMIR and have been drafted solely to such effect and (ii) a certificate issued by the Administrator on behalf of the Issuer certifying to the Trustee that the Swap Provider has given its prior written consent to such modification, the Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents shall, without the consent or sanction of the Noteholders or any of the other Secured Creditors, agree to any modification to the Transaction Documents, Conditions that are requested in writing by the Issuer (acting in its own discretion or at the direction of any transaction party) in order to enable the Issuer to comply with any requirements which apply to it under EMIR. The Conditions require this to be done irrespective of whether such modifications are materially prejudicial to the interests of the Noteholders of any Class of Notes or any other Secured Creditor. The Trustee shall not be obliged to agree to any modification if it would have the effect of exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or increasing the obligations or duties, or decreasing

the protections of the Trustee in the Transaction Documents and/or Note Conditions and provided further that the powers conferred by this paragraph shall not extend to a Reserved Matter.

CRA Regulations

In general, European regulated investors (which, during the transition period includes certain UK regulated institutional investors) are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances while the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered (which, during the transition period includes certain UK regulated institutional investors) credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Credit ratings included or referred to in this Prospectus have been or, as applicable, may be issued by Fitch and Moody's, each of which, as at the date of this Prospectus, is a credit rating agency established in the European Community and registered under the CRA Regulation. It should be noted that the list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. This could in turn impact the value or liquidity of the Notes should a relevant rating agency have supervisory measures taken against it.

Dodd-Frank and Volcker Rule

Similar to EMIR in the EU and the UK, the United States adopted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which, among other things, provides for new regulation of the derivatives market and its participants subject to the Dodd-Frank Act's jurisdiction. The Dodd-Frank Act divides regulatory authority over swap agreements between the Commodity Futures Trading Commission (the "**CFTC**") and the U.S. Securities and Exchange Commission ("**SEC**") (although prudential regulators, such as the Board of Governors of the Federal Reserve System, also have an important role in setting capital and margin for swap entities that are banks). The SEC has regulatory authority over "security-based swaps" which are defined as swaps based on a single security or loan or a narrow-based group or index of securities (including any interest therein or the value thereof), or events relating to a single issuer or issuers of securities in a narrow-based security index. The CFTC has primary regulatory authority over all other swaps, such as interest rate, foreign exchange and commodity swaps. The CFTC and SEC share authority over "mixed swaps" which are security-based swaps that also have a commodity component. In addition, the SEC has anti-fraud enforcement authority over swaps that relate to securities, but that do not come within the definition of "security-based swap". These are called "security-based swap agreements". The Dodd-Frank Act provides the SEC with access to information relating to security-based swap agreements in the possession of the CFTC and certain CFTC-regulated entities, such as derivatives clearing organisations, designated contract markets and swap data repositories. Limited categories of physically settled foreign exchange swaps and forwards are exempt from the clearing and exchange trading requirements of the Dodd-Frank Act. However, these exemptions will not apply to any Swap Agreement entered into by the Issuer. Although the CFTC has adopted final rules implementing a substantial portion of the Dodd-Frank Act's requirements with respect to swaps (but neither the CFTC nor the prudential regulators have yet finalised margin requirements for uncleared swaps), CFTC regulation and its interpretation continues to evolve and uncertainties remain, particularly with regard to the extraterritorial application of CFTC regulations. The SEC has finalised a more limited portion of its Dodd-Frank Act rulemaking with respect to security based swaps, and generally is finalising rules on extraterritorial application in tandem with each particular area of substantive regulation. Accordingly, it is uncertain how the further development of regulation of the derivatives market under the Dodd-Frank Act will affect derivative instruments such as the Swap Agreements entered into by the Issuer.

Based on the cross-border guidance which has been finalised by the CFTC with respect to "swaps", the Dodd-Frank Act requirements apply to transactions that are entered into by or with counterparties that are "U.S. persons" (as defined under the applicable CFTC guidance) and, in certain circumstances, certain requirements may apply even when neither party is a U.S. person. In many instances, regulations under

the Dodd-Frank Act, although intended to address similar underlying statutory goals, may impose requirements that are materially different from or even incompatible with those under EMIR. Thus, compliance with both regulatory schemes may not be possible or may create difficulty or challenges for counterparties that find themselves subject to both regulatory schemes. As a result, the Issuer may find it easier and more efficient, or in certain cases may be compelled, to enter into swap agreements only with parties subject to the same regulatory scheme. Accordingly, it may be more difficult, more expensive or riskier (from a credit and/or diversification perspective) for the Issuer to replace, novate or amend the terms of a Swap Agreement entered into on the Closing Date in the event that this becomes necessary in the future. In addition, future regulatory actions could cause a Swap Agreement entered into on the Closing Date to become subject to clearing, margin or other regulatory requirements that were not applicable on the Closing Date.

The Issuer is furthermore of the view that it is not and will not be a "covered fund" as defined in the regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended, commonly known as the "Volcker Rule". Although other exclusions may be available to the Issuer, this conclusion is based on the exemption from the definition of "investment company" in the Investment Company Act of 1940 provided by Section 3(c)(5) thereunder. The general effects of the Volcker Rule remain uncertain. Therefore, any prospective investor in the Notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule.

U.S. Risk Retention Requirements

Section 941 of the Dodd-Frank Act of 2010 amended the Exchange Act to generally require the "securitizer" of a "securitisation transaction" to retain at least 5 per cent. of the "credit risk" of "securitized assets", as such terms are defined for the purposes of that statute, and generally prohibit a securitizer from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Risk Retention Rules provide that the securitizer of an asset-backed securitisation is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

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

The Portfolio will be comprised of mortgage loans and their related security, all of which are originated by the Seller, a Building Society established in England. See the section entitled "*The Seller and the Administrator*".

Prior to any Notes which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person, the purchaser of such Notes must first disclose to the Joint Lead Managers and the Arrangers that it is a Risk Retention U.S. Person and obtain the written consent of the Seller in the form of a U.S. Risk Retention Consent. Prospective investors should note that the definition of "U.S. person" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of "U.S. person" under Regulation S, and that persons who are not "U.S. persons" under Regulation S may be U.S. persons under the U.S. Risk Retention Rules. The definition of "U.S. person" in the U.S. Risk Retention Rules is excerpted below. Particular attention should be paid to paragraphs (b) and (h), which are different than comparable provisions from Regulation S.

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

- (a) any natural person resident in the United States;
- (b) any partnership, corporation, limited liability company, or other organisation or entity organised or incorporated under the laws of any State or of the United States;
- (c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);
- (d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership, corporation, limited liability company, or other organisation or entity if:
 - i. organised or incorporated under the laws of any foreign jurisdiction; and
 - ii. formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act.

The Seller has advised the Issuer that it will not provide a waiver ("**U.S. Risk Retention Waiver**") to any investor if such investor's purchase would result in more than 10 per cent. of the dollar value (as determined by fair value under US GAAP) of all Classes of Notes to be sold or transferred to Risk Retention U.S. Persons on the Closing Date. Each holder of a Note or a beneficial interest therein acquired on the Issue Date, by its acquisition of a Note or a beneficial interest in a Note, will be deemed, and, in certain circumstances, will be required to represent to the Issuer, the Seller, the Joint Lead Managers and the Arrangers that it (1) either (i) is not a Risk Retention U.S. Person or (ii) it has obtained a U.S. Risk Retention Consent, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Note and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules described herein).

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding certain foreign-related transactions will be available. The Seller, the Issuer, and the Joint Lead Managers and the Arrangers have agreed that none of the Joint Lead Managers, the Arrangers or any person who controls any of them or any director, officer, employee, agent or affiliate of the Joint Lead Managers or the Arrangers shall have any responsibility for determining the proper characterisation of potential investors, and none of the Joint Lead Managers or the Arrangers or any person who controls them or any director, officer, employee, agent or affiliate of the Joint Lead Managers accepts any liability or responsibility whatsoever for any such determination. The Seller may not be successful in limiting investment by Risk Retention U.S. Persons to no more than 10 per cent. This may result from misidentification of Risk Retention U.S. Person investors as non-Risk Retention U.S. Person investors, or may result from market movements or other matters that affect the calculation of the 10 per cent. value on the Closing Date.

Furthermore, there can be no assurance that the requirement to request the Seller to give its prior written consent to any Notes which are offered and sold by the Issuer being purchased by, or for the account or benefit of, any Risk Retention U.S. Person will be complied with or will be made by such Risk Retention U.S. Persons. In addition, no assurance can be given as to whether a failure by the Seller to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) may give rise to regulatory action which may adversely affect the Notes or the market value of the Notes. Furthermore, the

impact of the U.S. Risk Retention Rules on the securitisation market generally is uncertain, and a failure by the Seller to comply with the U.S. Risk Retention Rules could therefore negatively affect the market value and secondary market liquidity of the Notes.

None of the Joint Lead Managers or the Arrangers or any of their affiliates makes any representation to any prospective investor or purchaser of the Notes as to whether the transactions described in this Prospectus comply as a matter of fact with the U.S. Risk Retention Rules on the Issue Date or at any time in the future. Investors should consult their own advisors 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.

Financial Services Compensation Scheme

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

Legal considerations may restrict certain investments

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

CERTAIN TAX CONSIDERATIONS

Withholding tax under the Notes

For UK tax purposes, so long as the Notes are and continue to be admitted to trading on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007, payment of interest on the Notes may be made without withholding or deduction for or on account of income tax. Euronext Dublin is currently a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007.

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

UK Taxation Treatment of the Issuer

The Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") deal with the corporation tax position of securitisation companies such as the Issuer.

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

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the regime provided for by TSC Regulations 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 Class A Notes could well be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse effect on its ability to make payments to the Noteholders.

RISKS RELATING TO BOOK-ENTRY INTERESTS

Book-Entry Interests

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

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

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

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

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

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

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

Eurosystem eligibility

On 6 September 2012 the European Central Bank (the "**ECB**") announced the temporary expansion of the list of assets eligible as collateral in the central banking system for the Euro (the "**Eurosystem**") credit operations and, pursuant to this, the Eurosystem will accept, on a temporary basis, marketable debt instruments denominated in Sterling (among other currencies) as foreign currency-denominated collateral. The Class A Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Class A Notes are intended, upon issue, to be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg and does not necessarily mean that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem eligible collateral**") either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. It is expected that the Class B Notes will not satisfy the Eurosystem eligibility criteria. The Issuer gives no representation, warranty, confirmation or guarantee to any investor in the Class A Notes that the Class A Notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in the Class A Notes should make their own conclusions and seek their own advice with respect to whether or not the Class A Notes constitute Eurosystem eligible collateral.

CERTAIN REGULATORY CONSIDERATIONS IN RESPECT OF THE PORTFOLIO

Regulated Mortgage Contracts

In the United Kingdom, regulation of residential mortgage business by the Financial Conduct Authority (the "**FCA**") (previously the Financial Services Authority (the "**FSA**") under FSMA came into force on 31 October 2004 (the "**Mortgage Regulation Date**"). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under FSMA requiring authorisation or exemption under FSMA when carried out in the United Kingdom.

Under the definitions currently in force, a credit agreement entered into on or after 21 March 2016 is a "**Regulated Mortgage Contract**" under FSMA if, (a) the Borrower is an individual or trustee, (b) the contract provides for the obligation of the Borrower to repay to be secured by a first legal mortgage or first ranking standard security on land (other than timeshare accommodation) in the EEA or the UK, (c) at least 40 per cent. of that land is used; in the case of credit provided to an individual, as or in connection with a dwelling; or 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, and (d) the credit agreement is not a "regulated home purchase plan" as defined in the Regulated Activities Order. Credit agreements that were entered into before the Mortgage Regulation Date, but were or are subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date, are regulated under FSMA where they fall within the definition of "Regulated Mortgage Contract". Where, however, a credit agreement entered into before the Mortgage Regulation Date is varied by the provision of a further advance on or after the Mortgage Regulation Date (such that the original contract remains in existence, in its varied form, rather than rescinded and replaced by a new agreement) only the Further Advance will be regulated under FSMA (provided it meets the definition of "Regulated Mortgage Contract").

Loans entered into before 21 March 2016 and secured by a first or second charge over property and regulated under the Consumer Credit Act 1974, as amended (the "**CCA**") at the time they were entered into, and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 with certain limited exemptions, are now classed as Regulated Mortgage Contracts ("**Consumer Credit Back Book Mortgages**"). See "Potential application of consumer credit regulation" below for further information on the continued application of some provisions of the CCA to these loans.

The Seller holds authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission. If such an administration agreement terminates,

however, the Issuer will use reasonable endeavours to arrange for mortgage administration to be carried out by a replacement administrator having the required FCA authorisation and permission.

The Issuer will not itself be an authorised person under the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. Accordingly, it is the policy of the Issuer that no variation will be made to the Loans and no Further Advance or Product Switch will be made in relation to a Loan, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, so as to require the Issuer be authorised under the FSMA.

The FCA are aware that there are some consumers who cannot switch to a more affordable mortgage despite being up to date with their mortgage payments. This includes those who can't switch because of changes to lending practices during and after the 2008 financial crisis and subsequent regulation that tightened lending standards – often called 'mortgage prisoners'.

Under Policy Statement PS19/27 which came into effect on 28 October 2019, the FCA have amended their responsible lending rules and guidance to help remove potential barriers to consumers switching to a more affordable mortgage and to reduce the time and costs of switching for all relevant consumers. The changes will mean that mortgage lenders can choose to carry out a modified affordability assessment where a consumer has a current mortgage, is up-to-date with their mortgage payments (and has been for the last 12 months), does not want to borrow more, other than to finance any relevant product, arrangement or intermediary fee for that mortgage and is looking to switch to a new mortgage deal on their current property. Further, inactive lenders and administrators acting for unregulated entities, must review their customer books and develop and implement a communication strategy for contacting relevant consumers to tell them it could be simpler for them to re-mortgage. The communication exercise must be completed by 1 September 2020.

The modification of the responsible lending rules should make it easier for a borrower who is a mortgage prisoner to switch to a new lender and this, together with the proposed notification obligations, could increase redemption rates where there are a significant number of mortgage prisoners held by a lender.

The FCA previously recognised that the affordability rules applicable to new lenders (being whether the consumer can afford to service the mortgage, accounting for income and expenditure and includes consideration of future changes, taking account of likely future interest rates and the extent to which the customer is borrowing in to retirement) was an obstacle to new lenders being able to facilitate Switching. The Consultation sets out proposals as to how to modify these rules so that a borrower Switching who is up to date with their mortgage payments and is not taking on additional borrowing (other than to fund any product or arrangement fee) can pass the affordability test if the new product is cheaper than the existing product. The FCA is also consulting pursuant to the Consultation on imposing on mortgage administrators and servicers who act for unregulated lenders an obligation to notify all relevant borrowers of that unregulated lender serviced by that administrator or servicer of the fact that the borrower may be able to switch to a cheaper product following the change in rules. These notices would only apply to residential borrowers (excluding lifetime mortgages) who were on a reversion rate and who were up to date with payments for the previous 12 months. The proposed modification of the rules should make it easier for a borrower who is a mortgage prisoner to switch to a new lender and this could increase redemption rates where there are a significant number of mortgage prisoners held by a lender.

The regime under the FSMA regulating financial promotions restricts the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Seller) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court. Failure by the Seller to comply with the financial promotion regime may render the Loans unenforceable and may adversely affect the Issuer's ability to make payments on the Notes. The FCA's *Mortgages and Home Finance: Conduct of Business Sourcebook ("MCOB")*, sets out the FCA's rules for regulated mortgage activities. The original version of 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, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract will be unenforceable against the Borrower except with the approval of a court. In addition, a Borrower who is a private person may, under section 138D of FSMA, be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA rule (including the rules in MCOB), and may set off the amount of the claim (or exercise analogous rights in Scotland) against the amount owing by the Borrower under the loan or any other loan that the Borrower has taken. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after the Mortgage Regulation Date may commit a criminal offence, but this will not render the contract unenforceable against the Borrower.

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

The FCA has the power to render unenforceable any contracts made in contravention of its product intervention rules. The Financial Services Act 2012 ("**FS 2012**") permits the FCA to make temporary product intervention rules ("**TPIRs**") prohibiting authorised persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. TPIRs are intended to offer protection to consumers in the short term whilst either the FCA or the industry develop more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a TPIR, the FCA's rule may provide: (i) for the relevant agreement or obligation to be unenforceable; (ii) for the recovery of any money or other property paid or transferred under the agreement; or (iii) for the payment of compensation for any loss sustained under the relevant agreement or obligation. In March 2013 the FSA published a policy statement "*The FCA's use of temporary product intervention rules*" following a consultation addressing when and how the FCA will consider making TPIRs. The FCA will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make these rules if it deems prompt action is necessary to reduce or prevent that detriment. In particular, the FCA will consider factors such as the potential scale of detriment in the market and potential scale of detriment to individual customers, whether particular groups of customers (especially vulnerable customer groups) are more likely to suffer detriment and whether the use of TPIRs will have any unintended consequences.

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

All Loans originated by the Seller on or after the Mortgage Regulation Date were intended to be Regulated Mortgage Contracts under FSMA.

Changes to mortgage regulation and to the regulatory structure in the United Kingdom may adversely affect payment on the Notes

The FCA's mortgage market review in October 2012 gave rise to new rules which came into effect on 26 April 2014 through amendments to MCOB. Key changes include a requirement for lenders to undertake

affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process. Mortgages entered into on or after 26 April 2014 must comply with these rules. These rules only apply to a Loan entered into before that date if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Loan generally as a regulated mortgage contract. To the extent that further advances are made which constitute new loans, or a loan is varied and in so doing a new loan is created under the new terms and such loans are regulated mortgage contracts, then these new rules apply although, as noted in the section entitled "*Weighted Average Lives of the Class A Notes*", further advances are no longer offered or agreed to by the Seller in relation to the Portfolio.

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013 and: (a) published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and (b) began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. This is in addition to regulatory reforms being made as a result of the implementation of directive 2014/17/EU of the European Parliament and the Council of 4 February 2014 on credit agreements for consumers relating to residential immovable property (the "**Mortgage Credit Directive**") from 21 March 2016 (see *Mortgage Credit Directive* below).

Following the FCA's feedback statement (FS16/3) relating to areas of the mortgage sector that might raise competition concerns meriting further investigation, the FCA published the terms of reference (MS16/2) for its mortgages market study in December 2016, which is focussed on first charge residential mortgages. The FCA published its Mortgages Market Study Final Report on 26 March 2019 (MS16/2.3). Overall, the FCA found that competition in the mortgage market is working well, but it has identified a number of ways in which the market could work better for some people, including the ability for consumers who are up-to-date with payments and not seeking to borrow more to switch products. Under Policy Statement PS19/27 which came into effect on 28 October 2019, the FCA have amended their responsible lending rules and guidance to help remove potential barriers to consumers switching to a more affordable mortgage and to reduce the time and costs of switching for all relevant consumers. The changes will mean that mortgage lenders can choose to carry out a modified affordability assessment where a consumer has a current mortgage, is up-to-date with their mortgage payments (and has been for the last 12 months), does not want to borrow more, other than to finance any relevant product, arrangement or intermediary fee for that mortgage and is looking to switch to a new mortgage deal on their current property.

The modification of the responsible lending rules should make it easier for a borrower who is a mortgage prisoner to switch to a new lender and this, together with the proposed notification obligations, could increase redemption rates where there are a significant number of mortgage prisoners held by a lender

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

Under the Financial Services Act 2012: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) the FCA has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules.

Any further changes to MCOB arising from the FCA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or changes in the regulatory structure or the Financial Services Act 2012, may adversely affect the Loans, the Seller, the Issuer, the Administrator and their respective businesses and operations.

Mortgage Credit Directive

The Mortgage Credit Directive (2014/17/EU) (the "**Mortgage Credit Directive**") came into force on 21 March 2014. Member States, including the United Kingdom, were required to implement the Mortgage Credit Directive into national law by 21 March 2016. The Mortgage Credit Directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a Member State or the UK on residential immovable property, or secured by a right relating to residential immovable property; and (b) credit agreements the purpose of which is to provide finance to purchase or retain rights in land or in an existing or proposed residential building. The Consumer Credit Directive also extends to unsecured credit agreements the purpose of which is to renovate residential immovable property involving a maximum total amount of credit of €75,000. The Mortgage Credit Directive does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees but does apply to buy to let mortgages.

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

The Mortgage Credit Directive was implemented in the UK through the Mortgage Credit Directive Order 2015 and the Mortgage Credit Directive Instrument 2015, which amended the FCA Handbook (including MCOB). Whilst certain provisions of the Mortgage Credit Directive Order came into force before 21 March 2016, the Mortgage Credit Directive Order took effect for most purposes on 21 March 2016.

The FCA published its Policy Statement PS15/9 on implementing the directive and on the new regime for second charge firms on 27 March 2015, together with final rules on the second charge mortgage regime (the majority of which came into effect on 21 March 2016) The changes required to implement the Mortgage Credit Directive are still relatively recent and it therefore remains to be seen whether these will have a material impact in relation to the loans,

Any future changes to MCOB that are necessitated by the mortgage market review, the mortgages market study, the Mortgage Credit Directive and the Mortgage Credit Directive Order, may adversely affect the Loans, the Seller, the Issuer and/or the Administrator and their respective businesses and operations.

The UK's approach to implementation has been to minimise the impact of the Mortgage Credit Directive on the UK mortgage market by building on the existing UK regulatory regime (rather than copy out the directive into UK legislation).

Current regulation of consumer credit

In the United Kingdom, the OFT was historically responsible for the issue of licences under and the enforcement of the CCA, related consumer credit regulations and other consumer protection legislation. However, in April 2014, the regulation of the consumer credit market transferred from the OFT to the FCA. In connection with the transfer of responsibility for the regulation of consumer credit activities from the OFT to the FCA on 1 April 2014, the Regulated Activities Order has been amended to bring a number of consumer credit related activities (which were previously licensable under the CCA) within the scope of the FSMA framework. From this date: (a) carrying on certain credit-related regulated activities (such as entering into a regulated credit agreement as lender or exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement (e.g. servicing)) otherwise than in accordance with permission from the FCA will render the credit agreement unenforceable without FCA approval; and (b) the FCA has power to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of any TPIRs. Additionally, the Financial Services Act 2012 provides for formalised cooperation to exist between the FCA and the Ombudsman,

particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

A credit agreement is regulated by the CCA where (a) the borrower is or includes an "individual" as defined in the CCA, (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA did not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998, or lower amounts for credit agreements made before that date and (c) the credit agreement is not an exempt agreement under the CCA (for example, it is intended that a Regulated Mortgage Contract under the FSMA is an exempt agreement under the CCA).

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

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

The Consumer Credit Act 2006 (the "CCA 2006") amended and updated the CCA, and introduced an "unfair relationship" test applicable to all new credit agreements made on or after 6 April 2007, and to all existing credit agreements from 6 April 2008, except Regulated Mortgage Contracts under the FSMA (save for Consumer Credit Back Book Mortgages). The test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee such as the Issuer. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion. However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR (as defined below).

The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The FCA "Principles for Businesses" may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary. A recent Supreme Court judgment has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditors) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

An alternative dispute resolution scheme for consumer credit matters was established on 6 April 2007 and is run by the Financial Ombudsman Service (as described below). The scheme is mandatory for all businesses licensed under the CCA. The responsibility for regulating consumer credit matters was transferred from the OFT to the FCA from 1 April 2014. The FCA set a deadline of 29 August 2019 by which consumers needed to make any PPI complaints or lose their right to have them assessed by firms or the FOS (although consumers continue to be able to bring claims in court). A consumer may be able to still submit a complaint if they were sold the policy after 29 August 2017, the complaint is about a claim being turned down by an insurer or the consumer can clearly show that there were exceptional circumstances that prevented them from making a complaint by the deadline.

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

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement is also unenforceable for any period when the lender fails to comply with further requirements as to periodic matters such as statements and arrears notices, (b) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure, and (c) interest upon default fees will be restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Charges payable for early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies from 11 June 2010. These changes to the CCA may result in adverse effects on the Issuer's ability to make payment in full on the Notes when due.

Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Seller has given or, as applicable, will give warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 20 Business Days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one "**Mortgage Account**") and their Related Security from the Issuer.

Potential application of consumer credit regulation

The definition of a Regulated Mortgage Contract now includes Consumer Credit Back Book Mortgages. Certain provisions of the CCA are retained with regards to Consumer Credit Back Book Mortgages. In particular, if the contract would be enforceable against the borrower only on an order of the court as a result of the application of any relevant provision of the CCA, the contract remains enforceable only on an order of the court. Similarly, if the contract would be void, or part of the contract would be void, as a result of the application of the relevant provision of the CCA the contract, or that part of the contract, is void. If a creditor would not be entitled to enforce a contract as a result of a failure to comply with any relevant provision of the CCA, then for the purposes only of correcting the failure to comply with that provision of the CCA, the contract is treated as if it were a regulated agreement and the creditor may enforce the contract only if the creditor has corrected the failure to comply. If a creditor would not be entitled to enforce a contract because a period of non-compliance applies to the contract under the CCA, then for the purposes only of bringing the period of non-compliance to an end, the contract is treated as if it were a regulated agreement and the creditor may enforce the contract only if the period of non-compliance has ended. If a creditor would not be entitled to enforce a contract because of a provision of the CCA, then the creditor may enforce the contract only if the creditor has given the notice required by the CCA to the borrower. If a creditor would not be entitled to enforce the security provided in relation to a contract as a result of a failure to comply with any relevant provision of the CCA, then for the purposes only of correcting the failure to comply with the relevant provision of the CCA, the contract is treated as if it were a regulated agreement and the creditor may enforce the security only if the creditor has corrected the failure to comply.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to agreements made between 1 July 1995 and 30 September 2015 and affect some of the Loans. The Consumer Rights Act 2015 has revoked the UTCCR as from 1 October 2015.

The UTCCR 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 and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term).

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

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

The lead enforcement body for the UTCCR was the OFT before 1 April 2014, and is the Competition and Markets Authority (the "CMA") from 1 April 2014. The qualifying body in relation to regulated mortgage contracts and mortgage loans originated by lenders authorised under FSMA was the FSA before 1 April 2013 and is the FCA from 1 April 2013. The lead enforcement body was and is responsible for enforcing the UTCCR in relation to other mortgage loans.

In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provided that, for locked-in Borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In the context of the OFT's investigation into credit card default fees, the OFT in April 2006 issued a statement of its view of the principles that credit card issuers should follow in setting default fees, and that the principles are likely to apply to analogous default fees in other contracts such as mortgages. The principles are in essence that terms imposing default fees should not have the object of raising more in revenue than is reasonably expected to be necessary to recover certain limited administrative costs incurred as a result of a borrower's default.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the Administration Services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. The FCA's MCOB requires that, for Regulated Mortgage Contracts (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance. In January 2012, the FSA published finalised guidance entitled "Unfair contract terms: improving standards in consumer contracts", which largely reiterated and clarified its previous guidance. This guidance sets out the FCA's interpretation of Schedule 2 to the 1999 Regulations (which gives an indicative and non-exhaustive list of terms which may be regarded as unfair), explaining that terms which allow a firm to unilaterally vary the terms of its contract are less likely to be unfair if, *inter alia*, (i) there is a valid reason which is specified in the contract, or (ii) in relation to variations to interest rates and other charges specifically, the term provides that the variation will be for a "valid reason" (which may not be specified in the contract) and the contract provides for the firm to give the consumer notice at the earliest opportunity thereafter and the consumer is free to dissolve the contract immediately. The guidance states that FCA might consider a valid reason for changing an interest rate to be one which allows the lender: (a) to respond proportionately to changes in general law or decisions of the Financial Ombudsman Service; (b) to meet new regulatory requirements; (c) to reflect new industry guidance and codes of practice which raise standards of consumer protection; (d) to respond proportionately to changes in the Bank of England base rate, other specified market rates or indices or tax rates; or (e) to reflect other legitimate cost increases or reductions associated with providing a particular product or service. As of 1 April 2013, the FCA has power to enforce the UTCCR in relation to Regulated Mortgage Contracts originated by lenders authorised under the FSMA.

The May 2005, January 2007 and January 2012 guidance (the "**Previous Guidance**") were removed from the FCA's website because they no longer reflect the FCA's current view on unfair contract terms. In July

2015, the CMA issued a guidance note on unfair contract terms in the CRA, which applies to any contracts entered into on or after 1 October 2015. However, the July 2015 guidance makes it clear that the CRA generally carries forward rather than changes the substance of the protections provided to consumers under earlier legislation and the Previous Guidance. As such, even with changes in regulatory structure in the United Kingdom that came into effect on 1 April 2013, in respect of loans originated before 1 October 2015, the Previous Guidance remains the most specific guidance on this topic.

Whilst the CMA and FCA have 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 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 is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

In July 2012, the Law Commission and the Scottish Law Commission launched a consultation in order to review and update the recommendations set out in their 2005 Report on Unfair Terms in Contracts. In March 2013, the Law Commission and the Scottish Law Commission published their advice, in a paper entitled "Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills". This advice paper repeated the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to notices and some additions to the "grey list" of terms which are indicatively unfair. The Law Commission and the Scottish Law Commission also recommended that the UTCCR should expressly provide that, in proceedings brought by consumers, the court is required to consider the fairness of the term, even if the consumer has not raised the issue, where the court has available to it the legal and factual elements necessary for that task. Such reforms were reflected in the Consumer Rights Act 2015 (the "**CRA 2015**") which received Royal Assent on 26 March 2015.

CRA 2015 came into force on 1 October 2015 and contains provisions which repeal and replace the Unfair Terms in Consumer Contracts Regulations 1999 with a regime under Part 2 of that Act. The regime under the CRA 2015 is substantially similar to that under the UTCCR but differs in certain detail and is extended in certain respects both in scope and content. In particular, the CRA 2015 contains a list of terms which may be regarded as unfair, which is substantially similar to that applicable under the UTCCR but slightly reworded and with the addition of three new categories. To avoid assessment for fairness as being the main subject matter of the contract or relating to appropriateness of consideration, a term will, in addition to being "transparent" (which adopts the current concept of plain and intelligible language), also need to meet a new requirement to be "prominent". For this purpose, a term is prominent if it is brought to the consumer's attention in such a way that an average consumer would be aware of the term (for this purpose, "average consumer" means a consumer who is reasonably well-informed, observant and circumspect).

Terms falling within the list of potential unfair terms may be assessed for fairness whether or not they relate to the main subject matter of the contract or the adequacy of consideration. Further, a term will not escape assessment for fairness on the basis that it has been individually negotiated. More generally, the CRA 2015 applies to notices as well as terms. Written terms must be legible. Terms in secondary contracts (i.e., ones which affect the rights and obligations of the consumer and trader under the main contract, but excluding a contract settling a claim under the main contract) may be reviewed for fairness even if the secondary contract is not itself a consumer contract. There will be an express duty on a court to consider the fairness of terms in a consumer contract even if the parties to the case do not raise it as an issue, provided that the court has sufficient legal and factual information to allow it to do so. This reflects decisions of the Court of Justice of the European Union about the duties of national courts. No assurance can be given that the changes in regulation of unfair terms under the CRA 2015 and the courts' interpretation of the unfair terms provisions in that Act (together with the guidance issued under the CRA 2015 by the Competition and Markets Authority or by the Financial Conduct Authority which is intended to be used to assist regulatory bodies such as the Financial Ombudsman Service, financial services firms, consumers and the courts with the interpretation of the unfair terms regime) will not have a material adverse effect on the Seller, the Issuer and their respective businesses and operations.

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 firms should consider under the CRA when drafting and reviewing variation terms in their 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 has stated that the guidance should be read with the material already in the unfair contract terms library on the FCA website and will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts they issue which contain variation terms. 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 Competition and Markets Authority (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 Act as it was the UTCCRs". In general, there is little reported case law on the UTCCR and/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. It is therefore possible that any Loans which have been made to Borrowers covered by the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Notes. 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 Issuer and/or the Administrator and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans.

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. For example, in March 2015 the FCA withdrew some unfair contract terms material from its website, and further material was withdrawn in May 2016. Guidance withdrawn by the FCA relating to unfair contract terms should not be relied on as it may no longer reflect the FCA's view on unfair terms.

No assurance can be given that any such changes in guidance on the UTCCR and the CRA, or reform of the UTCCR and the CRA, will not have a material adverse effect on the Seller, the Issuer, the Administrator or its businesses and operations.

Distance Marketing Regulations

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

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

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

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

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

Financial Ombudsman Service

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

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

Consumer Protection from Unfair Trading Regulations 2008

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

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

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

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Loans, the Seller or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment and, as discussed further below, in certain circumstances the Consumer Protection (Amendment) Regulations 2014 may provide consumers with a

right to unwind agreements. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator.

On 14 March 2013, the EU Commission published the results of its review on the application of the Unfair Practices Directive. The EU Commission did not propose extending the directive but noted a need for intensified national enforcement and greater co-operation in cross-border enforcement and stated its intention to consider further how it can play a more active role in enforcement and to continue to perform in-depth reviews of how the directive works in practice.

The Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014. The legislation gives consumers a direct right of action including a right to unwind agreements within 90 days of entering into the contract if a misleading or aggressive practice under the CPUTR was a significant factor in the consumer's decision to enter into the contract. The amendments to CPUTR also extend the regime so that it covers misleading and aggressive demands for payment. The legislation applies to demands for payment for restricted-use credit (where the credit must be used to finance a particular transaction) where the misleading or aggressive commercial practice:

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

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

Regulatory Developments Regarding Fairness

In July 2019, the FCA and the Competition and Markets Authority (the CMA) entered into a memorandum of understanding in relation to consumer protection (the MoU) which replaced the original memorandum of understanding entered into between the FCA and the CMA on 12 January 2016. The MoU states that the FCA will consider fairness within the meaning of the CRA and the UTCCR, of standard terms, and within the meaning of the CRA of negotiated terms, in financial services contracts entered into by authorised firms or appointed representatives and within the meaning of the Consumer Protection from Unfair Trading Regulations 2008 (the CPUTR), of commercial practices in financial services and claims management services of an authorised firm or appointed representative. In the MoU 'authorised' includes having an interim permission and a 'relevant permission' includes an interim permission.

The FCA's consideration of fairness under the CRA, UTCCR and CPUTR 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;
- other credit related regulated activities; and
- claims management services.

MCOB rules for Regulated Mortgage Contracts require that, (a) charges for a payment shortfall can be objectively justified as 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 (b) from 15 December 2016, when a payment is made which is not sufficient to cover a payment shortfall and the firm is deciding how to allocate the payment between (i) the current month's periodic instalment of capital or interest (or both), (ii) the payment shortfall; and (iii) interest or charges resulting from the payment shortfall, the firm must set 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 the level of the charge 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. However, an early repayment charge may be assessable for fairness under the UTCCR on other grounds.

Repossessions

Since 2008 there has been in place a pre-action protocol for repossessions based on mortgage or home purchase plan arrears in respect of residential property in England and Wales 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 a moratorium is subject to the wishes of the relevant Borrower and may not apply in cases of fraud. The protocol is addressed to residential mortgage lenders and may have adverse effects in markets experiencing above average levels of possession claims.

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

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

Part I of the Home Owner and Debtor Protection (Scotland) Act 2010 (the "**HODPA**"), imposes additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. Under the HODPA, the heritable creditor has to obtain a court order to exercise its power of sale (in addition to initiating the enforcement process by the service of the two month "calling up" notice) unless the borrower has surrendered the property voluntarily. In addition, the HODPA requires the heritable creditor, in applying for a court order, to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, as well as imposing further procedural requirements. This may restrict the ability of the Seller (or, if it has taken legal title, the Issuer) as heritable creditor of the Scottish Mortgages to exercise its power of sale and this could affect the Issuer's ability to make payments on the Notes.

There can be no assurance that any delay in starting and/or completing repossession actions by the Seller would not result in the amounts recovered being less than if the Seller did not allow any such delays

(which may ultimately affect the ability of the Issuer to make payments of interest and principal on the Notes when due). The protocol, the Repossession Act, the HODPA and MCOB requirements for mortgage possession cases may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

Redemption of Scottish Mortgages

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that standard security and interest but potentially not ancillary charges such as early repayment charges. The specified sums recoverable under the standard security may therefore be less than expected, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

Private Housing (Tenancies) (Scotland) Act 2016

In 2016 the Scottish Parliament passed the Private Housing (Tenancies) (Scotland) Act 2016 which came into force on 1 December 2017. Existing assured tenancies and short assured tenancies in place before 1 December 2017 will continue until brought to an end or converted. Each qualifying tenancy agreement from 1 December 2017 will be a "private residential tenancy" which will (except in a very limited number of exceptions) provide tenants with security of tenure by restricting a landlord's ability to regain possession of the property to a number of specific eviction grounds.

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

Unauthorised capitalisations

A case in the Northern Ireland High Court in 2014 (not involving the Seller) brought to the attention of mortgage lenders generally and the FCA, concerns over whether mortgage lenders were capitalising arrears without the consent of the consumers and without taking into account the individual circumstances of the consumer, their ability to repay and/or the appropriateness of other actions. By doing so, mortgage lenders may in certain cases have been charging consumers amounts, including arrears charges and fees and interest thereon, which should not have been charged. It is possible that in such cases, redress will need to be made to consumers to put the consumer back into the position it would have been in had the arrears not been capitalised. It is not yet known precisely how such redress would be effected or calculated but it could involve payments by cheque or balance adjustments.

Any unauthorised capitalisation claims made by Borrowers in connection with their Loans, and any set-off by Borrowers in respect of such claims against the amount due by the Borrowers under their Loans, may adversely affect the ultimate amount received by the Issuer in respect of the relevant Loans, and the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes.

Potential effects of any additional regulatory changes

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

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class B Notes
<i>Currency:</i>	GBP	
<i>Initial Principal Amount:</i>	£600,000,000	£66,667,000
<i>Note Credit Enhancement:</i>	Subordination of Class B Notes, excess Available Revenue Receipts	Excess Available Revenue Receipts
<i>Reserve Credit Enhancement for the Class A Notes:</i>	General Reserve Fund	N/A
<i>Liquidity Support:</i>	General Reserve Fund applied to make up Income Deficit. Application of amounts standing to the credit of the Retained Principal Ledger to fund any Class A Target Amortisation Amount Shortfall during the Revolving Period. Principal Receipts applied to make up Remaining Income Deficit (subject to conditions as set out in "Overview of Credit Structure and Cashflow – Income Deficiency")	N/A
<i>Issue Price:</i>	100%	
<i>Interest Rate:</i>	Compounded Daily SONIA + Margin or Step-Up Margin, as applicable	Compounded Daily SONIA + Margin
<i>Margin:</i>	Up to and excluding the Step-Up Date, 0.53% p. a.	0.00% p. a.
<i>Step-Up Margin:</i>	From and including the Step-Up Date, 1.06% p. a.	N/A
<i>Interest Accrual Method:</i>	The actual number of days in a period divided by 365 (or 366 days if the relevant calculation is being made in respect of an Interest Period ending in a leap year)	
<i>Calculation Date:</i>	The fifth Business Day prior to each Interest Payment Date.	
<i>Payment Dates:</i>	Interest and Principal will be payable quarterly in arrear on the Interest Payment Dates falling in March, June,	

Class A Notes**Class B Notes**

	September and December in each year.	
<i>Business Day Convention:</i>	Modified Following	
<i>First Interest Payment Date:</i>	The Interest Payment Date falling in June 2020	
<i>First Interest Period:</i>	The period from the Closing Date to but excluding the Interest Payment Date falling in June 2020	
<i>Step-Up Date:</i>	The Interest Payment Date falling in December 2024	
<i>Pre-Step-Up Date Redemption profile:</i>	During the Revolving Period, mandatory redemption in part of the Class A Notes up to the Class A Target Amortisation Amount in accordance with the Class A Note Target Amortisation Schedule; upon the Revolving Period End Date, pass through redemption on each Interest Payment Date. Please refer to Condition 9 (<i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i>).	
<i>Post-Step-Up Date Redemption profile:</i>	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (<i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i>).	
<i>Other Early Redemption in Full Events:</i>	Tax/illegality/clean up call. Please refer to Condition 9 (<i>Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation</i>).	
<i>Final Maturity Date:</i>	The Interest Payment Date falling in December 2057	
<i>Form of the Notes:</i>	Registered	
<i>Application for Listing:</i>	Ireland	
<i>ISIN:</i>	XS2104129486	XS2104129569
<i>Common Code:</i>	210412948	210412956

	Class A Notes	Class B Notes
FISN CFI	The FISN and CFI codes as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN	
<i>Minimum Denomination:</i>	£100,000 and £1,000 thereafter	
<i>Expected Ratings:</i> <i>(Fitch/Moody's)</i>	AAAsf/Aaa(sf)	N/A

OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

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

Ranking of Payments of Interest:

Payments of interest on the Class A Notes and the Class B Notes will be paid in Sequential Order. Payments of interest on the Class B Notes rank behind payments made to the General Reserve Fund.

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

Any reference to a "Class" of Noteholders shall be a reference to the Class A Notes and the Class B Notes, as the case may be, or to the respective holders thereof.

Ranking of Payments of Principal:

Payments of principal on the Class A Notes and the Class B Notes will be paid in Sequential Order.

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

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

Most Senior Class:

The Class A Notes whilst they remain outstanding and thereafter the Class B Notes.

Sequential Order:

In respect of payments of interest and principal to be made to the Class A Notes and Class B Notes: firstly, to the Class A Notes and secondly, to the Class B Notes, in accordance with the relevant Priority of Payments.

Security:

The Issuer's obligations in respect of the Notes are secured and will share the same Security together with the other secured obligations of the Issuer in accordance with the Deed of Charge as described in further detail in Condition 6 (*Security*). The security granted by the Issuer includes:

- (a) a first fixed charge over the benefit of the Issuer in the Loans and the Related Security;
- (b) a charge at law over indebtedness comprising an obligation or liability to pay money secured by each registered charge of which it is registered as proprietor at the Land Registry of England and Wales (the "**Land Registry**") (such registration

to occur following a Perfection Trigger Event);

- (c) a first fixed charge over the benefit of each Authorised Investment;
- (d) first fixed charges over the Transaction Account, any Swap Collateral Accounts and other bank accounts of the Issuer established on or after the Closing Date in accordance with the Account Bank Agreement or the other Transaction Documents;
- (e) assignment by way of security of all right, title, interest and benefit of the Issuer in the further advance insurance, the lease insurance and the local search insurance (together, the "**Insurance Policies**");
- (f) an assignment by way of security of the benefit under each relevant Transaction Document; except that the assignment by way of security of all of the Issuer's right, title, interest and benefit under the Swap Agreement shall be subject to any rights of set off or netting provided for thereunder;
- (g) a Scottish Supplemental Charge in terms of which the Issuer assigns its interest in the relevant Scottish Declaration of Trust (and the trust created thereunder) to the Trustee; and
- (h) a first floating charge over the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever present and future including its uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security or absolute assignment as described above) and extending over all of its property, assets, rights or revenues as are situated in Scotland or governed by Scots law (whether or not the subject of the fixed charges or assignments described above).

If the legal title to any of the Scottish Mortgages is transferred to the Issuer, then the Issuer also undertakes to execute and deliver to the Trustee as continuing security for the payment or discharge of the Secured Amounts a standard security or standard securities over the Issuer's whole right, title and interest as heritable creditor under the Scottish Mortgages relating to the said Scottish Loans (each a "**Scottish Sub-Security**").

Certain other Secured Amounts (including certain obligations owed to the Swap Provider under the Swap Agreement) rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

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

Interest Deferral: Interest due and payable on the Class B Notes may be deferred in accordance with Condition 8.10 (*Interest Accrual*).

Gross-up:

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

Redemption:

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

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

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

Scheduled Amortisation of Class A Notes: On each Interest Payment Date falling in the Revolving Period and prior to the service of an Enforcement Notice, the Class A Notes shall be redeemed in an amount required to reduce the Principal Amount Outstanding of the Class A Notes to the target principal balance set out alongside the relevant Interest Payment Date in the Class A principal payment schedule (the **Class A Principal Payment Schedule**) set out in the Appendix to the Conditions (such amount, the **Class A Target Amortisation Amount**). If on any Interest Payment Date any element of such amount remains unpaid it shall not be an Event of Default in relation to the Notes and such amounts may be paid on any subsequent Interest Payment Dates.

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

- (a) non-payment by the Issuer of principal in respect of the Most Senior Class of Notes within 7 days following the due date (provided that, for the avoidance of doubt, a failure to redeem the Class A Notes up to the Class A Target Amortisation Amount on the relevant Interest Payment Date pursuant to Condition 9.2(a) (*Mandatory Redemption in part*) shall not constitute a default in the payment of such principal) or non-payment by the Issuer of interest within 14 days following the due date (provided that, for the avoidance of doubt, a deferral of interest in respect of the Class B Notes in accordance with Condition 8.10 (*Interest Accrual*) shall not constitute a default in the payment of such interest);
- (b) breach of contractual obligations by the Issuer under the Transaction Documents which are incapable of remedy or which are, if capable of remedy, not remedied within 30 days;
- (c) Issuer Insolvency Event; or
- (d) it being illegal for the Issuer to perform or comply with its obligations.

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

Governing Law: English law.

OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

Prior to an Event of Default:

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

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

Following an Event of Default:

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

Noteholders Meeting provisions:

Initial meeting

Adjourned meeting

Notice period:

No less than 21 clear days and not more than 42 clear days.

No less than 14 clear days and not more than 42 clear days.

Location:

A venue in the United Kingdom as notified to Noteholders.

A venue in the United Kingdom as notified to Noteholders.

Quorum:

One or more persons holding or representing in aggregate a majority of the Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting (other than a Reserved Matter (which must be proposed separately to each Class of Noteholders), which requires one or more persons holding or

At an adjourned meeting one or more persons being or representing Noteholders of that Class or those Classes, whatever the Principal Amount Outstanding of the Notes then outstanding held or represented by them (other than Reserved Matter (which must be proposed separately to each Class of Noteholders), which requires one or more

representing in the persons holding or aggregate not less than 75 representing not less than in per cent. of the Principal aggregate 25 per cent. of the Amount Outstanding of the Principal Amount relevant Class or Classes of Outstanding of the relevant Notes then outstanding). Class or Classes of Notes then outstanding).

Required majority for Extraordinary Resolution:

Not less than 75 per cent. of votes cast

Not less than 75 per cent. of votes cast

Written Resolution:

100 per cent. of the Principal Amount Outstanding of the relevant Class of Notes outstanding. A Written Resolution has the same effect as an Extraordinary Resolution.

Reserved Matters:

Broadly speaking, the following matters are Reserved Matters:

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

Relationship between Classes of Noteholders:

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

Subject to the provision in respect of a Reserved Matter, an Extraordinary Resolution of holders 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 Class.

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

Seller as Noteholder:

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

Relationship between

The Trust Deed provides that the Trustee shall, except where expressly

Noteholders and other Secured Creditors:

provided otherwise and prior to the redemption in full of the Notes, have regard solely to the interests of the Noteholders and shall have regard to the interests of the other Secured Creditors only to pay such parties any monies received and payable to it and to act in accordance with the applicable Priority of Payments.

Provision of Information to the Noteholders under the Securitisation Regulation:

Skipton Building Society (as originator) will procure that the Cash Manager will:

- (a) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation and in the form of the template required by the Securitisation Regulation;
- (b) publish on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the Securitisation Regulation and in the form of the template required by the Securitisation Regulation;
- (c) publish on the website of European DataWarehouse at <https://editor.eurodw.eu/home> any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Such information will also be made available, on request, to potential holders of the Notes; and
- (d) within 15 days of the issuance of the Notes, make available copies of the Transaction Documents (which, in the case of each Scottish Declaration of Trust, will be in redacted form), the STS Notification and this Prospectus.

For the purposes of Article 7(1) and (2) of the Securitisation Regulation, the reports and information set out above shall be published by means of a securitisation repository or (where no securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation) by means of the website of European DataWarehouse at <https://editor.eurodw.eu/home>, being a website which conforms with the requirements set out in Article 7(2) of the Securitisation Regulation. The information referred to paragraphs (a) and (b) above shall be made available simultaneously and no later than one month following the due date for the payment of interest. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

Information required to be made available prior to pricing to potential investors in the Notes pursuant to Article 7 of the Securitisation Regulation was made available by means of the website of European DataWarehouse at <https://editor.eurodw.eu/home>.

Skipton Building Society will be responsible for compliance with Article 7 of the Securitisation Regulation for the purposes of Article 22(5) of the Securitisation Regulation.

Bank of England Reporting:

Skipton Building Society and the Issuer will procure that the Cash Manager will publish a monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework. Such reports will be published on European DataWarehouse at

<https://editor.eurowd.eu/home>, the first investor report being provided no earlier than the date falling one month from the Closing Date.

For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Reports will also be made available to the Seller, the Swap Provider, Rating Agencies, relevant competent authorities and, upon request, to potential investors in the Notes.

OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW

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

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

"**Available Revenue Receipts**" will, broadly, include the following:

- (a) Revenue Receipts on the Loans received during the immediately preceding Collection Period less Permitted Withdrawals;
- (b) interest payable to the Issuer on the Transaction Account and income from any Authorised Investments received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Swap Agreement on or in respect of such Interest Payment Date, other than:
 - (i) any amounts to be credited to any Swap Collateral Accounts; and
 - (ii) any amounts received by the Issuer in respect of Swap Tax Credits;
- (d) any Swap Collateral Account Surplus;
- (e) any amounts standing to the credit of the General Reserve Fund equal to the General Reserve Fund Excess, provided that the General Reserve Fund Excess Conditions (if applicable) are met;
- (f) in respect of the first Interest Period, all amounts representing the Initial Revenue Advance, if any;
- (g) other net income of the Issuer received during the immediately preceding Collection Period excluding any interest, distributions or redemption or sale proceeds received in respect of amounts standing to the credit of any Swap Collateral Accounts and without double-counting the amounts described in paragraphs (a) to (e) above; and
- (h) amounts deemed to be Available Revenue Receipts in accordance with item (e) of the Pre-Enforcement Principal Priority of Payments.

If the Cash Manager determines that there would be a deficit on an Interest Payment Date to pay items (a) to (f) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall pay or provide for such deficit by applying (1) amounts standing to

the credit of the General Reserve Fund and (2) (only in respect of any senior expenses of the Issuer which rank in priority to the Class A Notes in the relevant Priority of Payments (the "**Senior Expenses**") and interest payments due on the Class A Notes) Principal Receipts (if any), subject to certain conditions. See "*Overview of Credit Structure and Cashflow - Income Deficiency*" below.

"**Available Principal Receipts**" will, broadly, include the following:

- (a) Principal Receipts on the Loans received during the immediately preceding Collection Period;
- (b) amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f) and (i) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (c) any amounts standing to the credit of the Retained Principal Ledger; and
- (d) in respect of the first Interest Period only, any funds representing the excess of the proceeds of the issue of the Notes over the Initial Consideration,

less:

- (x) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period which are to be applied to cover Remaining Income Deficits; and
- (y) the amount of Principal Receipts to the extent comprised in paragraph (a) above used or to be used by the Issuer to purchase Further Advances made during the immediately preceding Collection Period.

Summary of Priority of Payments:

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

Pre-Enforcement Revenue Priority of Payments	Pre-Enforcement Principal Priority of Payments	Post-Enforcement Priority of Payments
<p>(a) Fees, costs and expenses of the Trustee and any Appointee;</p> <p>(b) any costs and fees of the Agents, any third parties, amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained under item (h) below), any costs and expenses of the Corporate Services Provider and any costs and expenses associated with any transfer of administration to a substitute administrator;</p> <p>(c) any costs and fees of each of the Administrator, Cash Manager, Account Bank, Swap Collateral Account Bank, Back-Up Administrator Facilitator, Back-Up Administrator (if appointed) and Back-Up Cash Manager (if appointed);</p> <p>(d) any amounts due to the Swap Provider in respect of the Swap Agreement (excluding Swap Subordinated Amounts);</p> <p>(e) Class A interest;</p> <p>(f) an amount sufficient to eliminate any debit on the Class A Principal Deficiency Sub-Ledger;</p> <p>(g) (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Required Amount;</p> <p>(h) Issuer Profit Amount;</p> <p>(i) an amount sufficient to eliminate any debit on the Class B Principal Deficiency Sub-Ledger;</p> <p>(j) Swap Subordinated Amounts;</p> <p>(k) Class B interest;</p> <p>(l) interest payment to the Subordinated</p>	<p>(a) during the Revolving Period, in or towards repayment of the principal amount outstanding on the Class A Notes, up to the Class A Target Amortisation Amount for such Interest Payment Date (including any such amounts which remain unpaid from previous Interest Payment Dates);</p> <p>(b) during the Revolving Period, in or towards crediting the Retained Principal Ledger for the purposes of purchasing any Additional Loans on the relevant Additional Sale Date;</p> <p>(c) upon and following the Revolving Period End Date, to redeem the Class A Notes until the Principal Amount Outstanding of the Class A Notes has been reduced to zero;</p> <p>(d) to redeem the Class B Notes; and</p> <p>(e) remaining amounts to be applied as Available Revenue Receipts.</p>	<p>(a) Fees, costs and expenses of the Trustee and any Appointee (and any Receiver appointed by the Trustee);</p> <p>(b) any costs and fees of the Agents and the Corporate Services Provider;</p> <p>(c) any costs and fees of each Administrator, Cash Manager, Account Bank, Swap Collateral Account Bank, Back-Up Administrator Facilitator, Back-Up Administrator (if appointed), and Back-Up Cash Manager (if appointed);</p> <p>(d) any amounts due to the Swap Provider in respect of the Swap Agreement (excluding Swap Subordinated Amounts);</p> <p>(e) Class A interest;</p> <p>(f) to redeem the Class A Notes;</p> <p>(g) Class B interest;</p> <p>(h) to redeem the Class B Notes;</p> <p>(i) Swap Subordinated Amounts;</p> <p>(j) payment of interest and principal to the Subordinated Loan Provider;</p> <p>(k) Issuer Profit Amount;</p> <p>(l) corporation tax payable by the Issuer; and</p> <p>(m) Deferred Consideration to the Seller.</p>

Pre-Enforcement Revenue Priority of Payments	Pre-Enforcement Principal Priority of Payments	Post-Enforcement Priority of Payments
Loan Provider; (m) principal payment to the Subordinated Loan Provider; and (n) Deferred Consideration to the Seller.		

Key Structural Features:

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

- availability of the General Reserve Fund, initially funded by a Subordinated Loan on the Closing Date up to the General Reserve Required Amount (being an amount equal to 1.5 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date) and replenished on each Interest Payment Date up to the General Reserve Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. The General Reserve Fund (prior to repayment in full of the Class A Notes) will be credited to the Transaction Account. Moneys standing to the credit of the General Reserve Fund will be applied to make up any Income Deficit. Any amount credited to the General Reserve Fund in excess of the General Reserve Required Amount shall, provided that the General Reserve Fund Excess Conditions (if applicable) are met, form part of Available Revenue Receipts;
- availability of Principal Receipts to make up any Remaining Income Deficit. See the section entitled "*Overview of Credit Structure and Cashflow – Income Deficiency*" below for limitations on the use of Principal Receipts for this purpose;
- during the Revolving Period, the application of amounts standing to the credit of the Retained Principal Ledger as Available Principal Receipts to fund: (i) any Class A Target Amortisation Amount Shortfall; and (ii) the purchase of Additional Loans by the Issuer on any Additional Sale Date during the Revolving Period. On the Interest Payment Date immediately following the Revolving Period End Date, all amounts standing to the credit of the Retained Principal Ledger shall be applied as Available Principal Receipts, no further amounts may be credited to the Retained Principal Ledger and as of and from such date there shall be no requirement to maintain the Retained Principal Ledger.
- payments of principal and payments of interest on the Class A Notes will be made *pari passu* and *pro rata* amongst each other;
- payments of principal and interest on the Class B Notes will be subordinated to payments on the Class A Notes;
- availability of the rate of interest provided by the Account Bank in respect of collections transferred to the Transaction Account. The Transaction Account is subject to the Account Bank Agreement, under which, the Account Bank has agreed to pay SONIA less a margin in respect of sums in the Transaction Account. However, the Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the Transaction Account in Authorised Investments pursuant to the terms of the Cash Management Agreement;
- availability of the fixed rate swap provided by the Swap Provider to hedge against the possible variance between the

fixed interest rates payable in respect of certain Loans and the floating rate interest payable in respect of the Notes; and

- it is expected that during the life of the Notes, the Available Revenue Receipts will, assuming that all the Loans are fully performing, be sufficient to pay the interest amounts payable in respect of all the Class A Notes, the Senior Expenses of the structure and retaining the Issuer Profit Amount.

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

Income Deficiency:

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of Senior Expenses, interest amounts on the Class A Notes and the elimination of debit balances on the Principal Deficiency Ledger (excluding the Class B Principal Deficiency Sub-Ledger). To the extent that Available Revenue Receipts are insufficient to pay items (a) to (f) inclusive of the Pre-Enforcement Revenue Priority of Payments in full (the amount of any deficit being an "**Income Deficit**"), the Cash Manager will, on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Income Deficit by applying amounts standing to the credit of the General Reserve Fund.

Any amounts so withdrawn from the General Reserve Fund will be applied to pay Senior Expenses, interest on the Class A Notes and to eliminate any debit balances on the Class A Principal Deficiency Sub-Ledger in the order set out in the Pre-Enforcement Revenue Priority of Payments.

If following application of Available Revenue Receipts and amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a remaining income deficit on such Interest Payment Date to pay Senior Expenses and interest amounts on the Class A Notes under items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments (the amount of any such deficit being a "**Remaining Income Deficit**"), the Cash Manager will on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Income Deficit by applying Principal Receipts (if any) in accordance with the Pre-Enforcement Revenue Priority of Payments.

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

Principal Deficiency Ledger:

The Principal Deficiency Ledger of the Issuer will record as a debit to the ledger (i) any Losses on the Portfolio and (ii) the application of any Principal Receipts to meet any Remaining Income Deficit. The Principal Deficiency Ledger will be divided into two sub-ledgers which will correspond to each of the Class A Notes and the Class B Notes. The sub-ledger for each Class of Notes will show separate entries for each Class of Notes.

Debits will be recorded as follows:

- (i) *first*, on the Class B Principal Deficiency Sub-Ledger until the debit balance of that sub-ledger is equal to the then aggregate Principal Amount Outstanding of the Class B Notes; and
- (ii) *second*, on the Class A Principal Deficiency Sub-Ledger until the debit balance of that sub-ledger is equal to the then aggregate Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, the Issuer shall apply any excess Available Revenue Receipts to extinguish or reduce any balance on the Principal Deficiency Ledger. Any Available Revenue Receipts applied in order to extinguish or reduce any balance on the Principal Deficiency Ledger on an Interest Payment Date, will be applied as follows:

- (i) *first*, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class A Notes on the Class A Principal Deficiency Sub-Ledger; and
- (ii) *second*, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class B Notes on the Class B Principal Deficiency Sub-Ledger.

On each Interest Payment Date, the Issuer shall also apply any amount standing to the credit of the General Reserve Fund to extinguish or reduce any balance on the Class A Principal Deficiency Sub-Ledger (see "*Overview of Credit Structure and Cashflow - Income Deficiency*" above).

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

Retained Principal Ledger:

On the Closing Date, the Issuer will establish the Retained Principal Ledger on the Transaction Account. On each Interest Payment Date during the Revolving Period, the Cash Manager will credit the Retained Principal Ledger with Available Principal Receipts (after redeeming the Class A Notes up to the Class A Target Amortisation Amount) in accordance with the Pre-Enforcement Principal Priority of Payments.

On each Additional Sale Date, amounts may be withdrawn from the Retained Principal Ledger to fund the Issuer's purchase of Additional Loans.

On the Interest Payment Date immediately following the Revolving Period End Date, all amounts standing to the credit of the Retained Principal Ledger shall be applied as Available Principal Receipts, no further amounts may be credited to the Retained Principal Ledger and as of and from such date there shall be no requirement to maintain the Retained Principal Ledger.

Following service of an Enforcement Notice on the Issuer, monies standing to the credit of the Retained Principal Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

**Transaction Account and
Cash Management:**

The Administrator will ensure that all payments due under the Loans are made by Borrowers into the Collection Account. Amounts credited to the Collection Account from (and including) the Closing Date that relate to the Loans will be identified on a daily basis (or, if such day is not a Business Day, the next following Business Day) (each such aggregate daily amount, a "**Daily Loan Amount**") and the Seller will transfer an amount equal to the Daily Loan Amount from the Collection Account into the Transaction Account on the next Business Day after that Daily Loan Amount is identified as received in the relevant Collection Account. On each Interest Payment Date amounts standing to the credit of the Transaction Account will be applied by the Cash Manager in accordance with the relevant Priority of Payments.

OVERVIEW OF THE PORTFOLIO AND ADMINISTRATION

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

Sale of Portfolio:

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

Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Initial Portfolio to the Issuer on the Closing Date.

On each Additional Sale Date during the Revolving Period, the Seller may (but is not obliged to) sell additional loans (the **Additional Loans**) and their Related Security to the Issuer subject to the satisfaction of certain conditions. The interest in any Additional Loans will be transferred to the Issuer on the relevant Additional Sale Date (with effect as of the relevant Additional Cut-off Date) and the Issuer will pay for such Additional Loans and their Related Security using Available Principal Receipts (after making payments on the Class A Notes to reduce the Principal Amount Outstanding of the Class A Notes to the Class A Target Amortisation Amount on the immediately preceding Interest Payment Date) on the relevant Additional Sale Date.

The term **Loans** in this Prospectus shall include any Initial Loan included in the Initial Portfolio and any Additional Loan to be sold by the Seller to the Issuer on any Additional Sale Date, together with its Related Security.

The Loans and Related Security are governed by English Law, other than the Scottish Loans and Related Security, which are governed by Scots law.

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

Features of Loans:

Certain features of the Loans included in the Provisional Portfolio as at 31 December, 2019 (the **Initial Cut-off Date**) are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Loans set out in "*The Portfolio – Statistical Information on the Provisional Portfolio*". The Loans comprise loans to prime Borrowers and are secured by first priority charges over freehold and leasehold properties in England and Wales or, as the case may be, first ranking standard securities over heritable or long lease properties in Scotland.

<i>Type of Borrower</i>	Prime
<i>Type of mortgage</i>	Repayment, Part and Part and Interest Only
<i>Number of Loans (including Further Advances)</i>	5,859

	Weighted average	Minimum	Maximum
<i>Current Balance*</i>	£ 151,390	£ 9,439	£ 940,528
<i>Current LTV Ratio (%)**</i>	63.95%	1.87%	94.56%
<i>Seasoning (years)</i>	2.23	0.18	17.70
<i>Remaining Term (years)</i>	22.33	0.92	34.66

* Current balance calculated as a simple average

** Non-indexed figures used

Consideration:

The consideration from the Issuer to the Seller in respect of the sale of the Initial Portfolio together with its Related Security shall be: (i) Initial Consideration of £ 666,793,781.82, being an amount equal to the Current Balance of the Initial Loans of the Seller determined as at the close of business on 31 January 2020, which is due and payable on the Closing Date and (ii) Deferred Consideration, in each case, payable in accordance with the Mortgage Sale Agreement to the Seller.

The consideration for the Additional Loans (the **Additional Loan Consideration**) will be paid by the Issuer using amounts standing to the credit of the Retained Principal Ledger up to 5 Business Days following the relevant Additional Loan Offer Date (the **Additional Sale Date**).

Any Deferred Consideration will be paid to the Seller in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

Any reference to the "**Current Balance**" of any Loan means, on any date, the aggregate balance of the amounts charged to the Borrower's account in respect of a Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Seller's normal charging practices and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Seller's

normal charging practices but which is secured or intended to be secured by the related Mortgage, as at the end of the Business Day immediately preceding that given date,

less any repayment or payment (including, if permitted, by way of set-off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

See the section entitled "*The Portfolio*" for further information.

The consideration from the Issuer to the Seller in respect of the sale of Further Advances to the Issuer shall be the Further Advance Purchase Price, which will, if sufficient, be met through Principal Receipts on the date falling 5 Business Days after the last day of the calendar month in which the Further Advance is made.

Representations and Warranties:

The Seller will make certain representations and warranties to the Issuer and the Trustee on (i) the Closing Date in respect of the Initial Portfolio; (ii) each Additional Sale Date in respect of any Additional Loans sold by the Seller to the Issuer on each Additional Sale Date; (iii) the last calendar day in each month during which an Advance Date has occurred in respect of the relevant Further Advances; (iii) the last calendar day in each month during which a Switch Date has occurred in respect of the relevant Product Switch; and (iv) each Substitution Date in respect of the relevant Substitution Loans.

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

- first ranking mortgage;
- no right of set-off;
- current loan amount not exceeding £1,000,000;
- minimum payment made (not less than one monthly payment);
- no Loan is more than one monthly payment in arrears; and
- final Loan repayment date not falling beyond three years prior to the Final Maturity Date.

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

Additional Loan Conditions:

In order for any Additional Loans to be sold to the Issuer, certain conditions (the **Additional Loan Conditions**) must be complied with as at the relevant Additional Cut-off Date. See the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*" for further information.

Substitution Criteria:

On repurchase of the Loans as described below, the Seller may transfer Substitute Loans to the Issuer as consideration for such repurchase. This is subject to the satisfaction of certain Substitution Conditions which include the following:

- no Event of Default is continuing;
- no Seller Insolvency Event has occurred;
- if required, the Swap Agreement will be appropriately varied or replaced in order to hedge against the interest rate payable on the Substitute Loan(s) and the floating rate of interest payable on the Notes;
- the Substitute Loan and Related Security constitute the same ranking and priority security over a Property as the security provided in respect of the relevant repurchased Loan;
- the Seller represents and warrants to the Issuer and the Trustee in respect of each Substitute Loan and Related Security in the form of the Loan Warranties as at the relevant Substitution Date.

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

Repurchase of Loans:

The Seller shall repurchase any Loan and its Related Security in the following circumstances:

- upon material breach of any of the representations or warranties given by the Seller on the Closing Date (in respect of the Initial Loans) or on any Additional Sale Date (in respect of any Additional Loans), as the case may be (and, with respect to certain of the representations and warranties, also on the date that the appointment of Skipton Building Society as Administrator is terminated), which have not been remedied by the Seller within 30 Business Days of being notified by the Issuer of such breach;
- in respect of any Additional Loans, upon non-compliance with any of the Additional Loan Conditions as tested on the relevant Additional Cut-off Date (which is either not capable of remedy or if the Seller failed to remedy it within 90 days of receiving notice of such non-compliance from the Issuer);
- upon material breach of any of the representations or warranties given by the Seller (i) in respect of a Further Advance, on the last calendar day in each month during which an Advance Date has occurred, (ii) in respect of a Product Switch, the last calendar day in each month during which a Switch Date has occurred or (iii) in respect of a Substitute Loan, on a Substitution Date (in each case which is not capable of remedy or is not remedied within 30 Business Days of being notified by the Issuer); and
- in certain circumstances upon making a Product Switch, Further Advance or substitution if the Seller has notified the Issuer that certain conditions have not been met. See "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*".

The Seller will also repurchase the Loans and their Related Security in the following circumstances:

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

As an alternative to selling the Further Advance to the Issuer, if the Available Principal Receipts are insufficient to pay the consideration for any Further Advance or if the Seller does not wish a Loan which is the subject of a Product Switch to remain in the Portfolio (as applicable), the Seller may elect to repurchase the relevant Loan and its Related Security from the Issuer on the last day of the calendar month in which the Further Advance or Product Switch is made.

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

Consideration for Repurchase:

An amount at least equal to the Current Balance of the Loans to be repurchased as of the date of completion of the repurchase.

Such consideration may be satisfied by a cash payment by the Seller and/or by the transfer of Substitute Loans to the Issuer.

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

Perfection Trigger Events:

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

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

Administration of the Portfolio:

The Administrator agrees to service on behalf of the Issuer the Loans and their Related Security. The appointment of the Administrator may be terminated by the Issuer and/or the Trustee (subject to the terms of the Administration Agreement) upon the occurrence of an Administrator Termination Event (see "*Administrator Termination Event*" in the "*Non-Rating Triggers Table*"), provided that a substitute administrator has been appointed and such appointment to be effective not later than the date of such termination.

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

Following the occurrence of a Back-Up Administrator Event, the Issuer with the assistance of the Back-Up Administrator Facilitator shall require the Administrator, within 60 days, to use best efforts to appoint a Back-Up Administrator acceptable to the Trustee who would be willing to replace the Administrator on terms substantially similar to those set out in the Administration Agreement (but subject as set out under the section entitled "*The Administrator – Back-Up Administrator*").

Upon the occurrence of an Administrator Termination Event and the termination of the appointment of the Administrator, in accordance with the provisions of the Administration Agreement, the Back-Up Administrator or other replacement Administrator, as applicable, shall enter into a replacement administration agreement and administer the Loans on behalf of the Issuer.

Delegation:

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

TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
Swap Provider (or any guarantor thereof):	(i) the long-term counterparty risk assessment from Moody's must be at least A3(cr) in respect of the Collateral Trigger Requirements and it must be at least Baa1(cr) in respect of the Transfer Trigger Requirements; or (ii)(a) in respect of an Initial Fitch Rating Event the long-term issuer default rating (" IDR ") of the Swap Provider (or its successor or assignee) or any guarantor thereof must be rated at least as high as "A" (or its equivalent) by Fitch or the short-term IDR of the Swap Provider (or its successor or assignee) or any guarantor thereof must be rated at least as high as "F1" (or its equivalent) by Fitch, or (b) in respect of a Subsequent Fitch Rating Event the IDR of the Swap Provider (or its successor or assignee) or any guarantor thereof must be rated at least as high as "BBB-" (or its equivalent) by Fitch or the short-term IDR of the Swap Provider (or its successor or assignee) or any guarantor thereof must be rated at least as high as "F3" (or its equivalent) by Fitch.	The consequences of breach (with respect to Moody's only, the " Collateral Trigger Requirements " or the " Transfer Trigger Requirements " and with respect to Fitch only, the " Initial Fitch Rating Event " or the " Subsequent Fitch Rating Event ") may include the requirement to provide collateral or replace the Swap Provider or procure a guarantee of such Swap Provider's obligations or such other remedial action acceptable to the Rating Agencies which would maintain the rating of the Class A Notes. If none of these remedial measures is taken within the timeframes stipulated in the Swap Agreement, such Swap Agreement may be terminated early and a termination payment may become payable either by the Issuer or the Swap Provider. See the section entitled " <i>Key Structural Features – Ratings Downgrade of Swap Provider</i> ".
Account Bank:	(i) Fitch: the short-term issuer default rating of the Account Bank is downgraded to less than F1 and the long-term issuer default rating of the Account Bank is downgraded to less than A; or (ii) Moody's: the long-term deposit rating of the Account Bank is downgraded below a rating of A3 (or (in each case) such other short-term or long term rating which is otherwise acceptable to the relevant Rating Agency from time to time).	The consequences of breach may be that the Issuer will be required (within 60 calendar days) to arrange for the transfer (at its own cost) of the Transaction Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Account Bank Agreement in order to maintain the ratings of the Notes at their then current ratings unless the Issuer has arranged a guarantee of its obligations by a suitably rated third party. However, the Issuer may also remedy such breach of the Ratings Trigger by other remedial action acceptable to the Rating Agencies which would maintain the rating of the Class A Notes. Any termination of the appointment of the Account Bank will not occur until a replacement has been appointed

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
Seller:	Long-term issuer default ratings from Fitch of at least BBB- and long-term, unsecured and unsubordinated debt obligations from Moody's of at least Baa3 (or such other long term rating which is otherwise acceptable to the relevant Rating Agency) (a " Seller Downgrade Event ").	Under the Mortgage Sale Agreement, upon a Seller Downgrade Event the Seller shall be obliged to prepare the documentation required to perfect legal title to the Loans and Related Security, but shall not be required to give notice of the transfer of the equitable or beneficial interest in the Loans to the Borrowers nor complete any other step necessary to perfect legal title to the Loans or the Related Security to the Issuer. See the section entitled " <i>Sale of the Portfolio under the Mortgage Sale Agreement</i> ".
Administrator (or any successor thereof):	<p>If at any time: (a) the Administrator's long term counterparty risk assessment from Moody's ceases to be at least Baa3(cr) or if a long term counterparty risk assessment from Moody's is not available, the long-term, unsecured, unguaranteed and unsubordinated debt obligations cease to have a rating from Moody's of at least Baa3 (or such other long term rating which is otherwise acceptable to Moody's); or (b) the Administrator ceases to have a long-term issuer default rating from Fitch of at least BBB- (or such other long term rating which is otherwise acceptable to Fitch); or (c) the Administrator's long-term, unsecured, unguaranteed and unsubordinated debt obligations or its counterparty ratings are not rated by Moody's or Fitch does not provide a long-term issuer default rating in respect of the Administrator and the Rating Agencies have informed the Issuer or the Trustee in writing, or there is a public announcement from either of the Rating Agencies, that the continued appointment of the then current Administrator would, unless a back-up administrator is appointed, adversely affect the ratings of the Class A Notes (each a "Back-Up Administrator Event").</p> <p>At any time when there is a back-up administrator appointed, such appointment may be terminated without a replacement back up administrator being simultaneously appointed if at the time of such termination none of the circumstances referred to in the definition of Back-Up Administrator Event has</p>	Under the Administration Agreement the Administrator, with the assistance of the Back-Up Administrator Facilitator shall, within 60 days, use best efforts to appoint a Back-Up Administrator.

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
	occurred or is continuing.	
Cash Manager (or any successor thereof):	<p>If at any time: the long term counterparty risk assessment from Moody's ceases to be at least Baa3(cr) or if a long term counterparty risk assessment from Moody's is not available, the long-term, unsecured, unguaranteed and unsubordinated debt obligations of the Cash Manager cease to be rated at least Baa3 by Moody's (or such other long term rating as is otherwise acceptable to Moody's) (a "Back-Up Cash Manager Event").</p> <p>At any time when there is a back-up cash manager appointed, such appointment may be terminated without a replacement back-up cash manager being simultaneously appointed if at the time of such termination none of the circumstances referred to in the definition of Back-Up Cash Manager Event has occurred or is continuing.</p>	Under the Cash Management Agreement the Cash Manager shall, within 60 days, use best efforts to appoint a Back-Up Cash Manager.

Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
<p>Administrator Termination Event</p> <p>See the section entitled "<i>The Administrator</i>" for further information on this.</p>	<ul style="list-style-type: none"> (i) Administrator payment default; (ii) Failure to comply with any of its other covenants or obligations; or (iii) Administrator Insolvency Event. 	<p>The Issuer or the Trustee may terminate the appointment of the Administrator.</p> <p>If a back-up administrator has been appointed, the Back-Up Administrator will replace the Administrator and shall provide the Administration Services in accordance with a replacement administration agreement as replacement administrator.</p> <p>If a back-up administrator has not been appointed, the Issuer shall appoint a replacement administrator in accordance with a replacement administration agreement.</p>
<p>Perfection Trigger Events</p> <p>See the section entitled "<i>The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement</i>" for further information on this.</p>	<ul style="list-style-type: none"> (i) Seller Insolvency Event; (ii) Severe Credit Quality Deterioration Event; and (iii) the Seller defaults in the performance or observance of any of its other obligations under the Transaction Documents, including failure to repurchase any Loan under the Mortgage Sale Agreement, and such default continues unremedied for longer than the remedy period permitted by the relevant Transaction Documents. 	<p>The legal transfer by the Seller to the Issuer of all the Loans and their Related Security as soon as reasonably practicable.</p>
<p>Cash Manager Termination Event</p> <p>See section entitled "<i>Cashflows and Cash Management</i>" for further information on this.</p>	<p>Following the termination of the appointment of the Cash Manager under the Cash Management Agreement.</p>	<p>The Issuer or the Trustee may terminate the appointment of the Cash Manager.</p> <p>If a back-up cash manager has been appointed, the Back-Up Cash Manager will replace the Cash Manager and shall provide the cash management services in accordance with the terms of a replacement Cash Management Agreement as replacement cash</p>

Nature of Trigger	Description of Trigger	Consequence of Trigger
		<p>manager.</p> <p>If a back-up cash manager has not been appointed the Issuer shall appoint a replacement cash manager pursuant to a replacement Cash Management Agreement.</p>

FEES

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

Please note that that where a back-up administrator, replacement administrator, back-up cash manager or replacement cash manager has been appointed, the Back-Up Administrator, replacement Administrator, Back-Up Cash Manager or replacement Cash Manager is likely to charge fees and such fees are likely to be paid in priority in cashflow ahead of all outstanding Notes quarterly in arrear on each Interest Payment Date.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Administration Fees	0.2 per cent. per annum (inclusive of VAT) of the aggregate amount of the Portfolio at the opening of business on the preceding Collection Period	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash Management Fees	0.01 per cent. per annum of the Principal Amount outstanding of the Notes each year (inclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	Estimated at £ 66,000 each year (exclusive of VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at € 7,790 (exclusive of VAT)	Ahead of all outstanding Notes	On or about the Closing Date

As at the date of this Prospectus, the standard rate of UK value added tax ("VAT") is 20%.

WEIGHTED AVERAGE LIVES OF THE CLASS A NOTES

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

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 current principal balance of a pool of Loans. CPR does not purport to be either an historical description of the prepayment experience of any pool of loans or a prediction of the expected rate of prepayment of any Loans, including the Mortgages to be included in the Portfolio.

The following tables were prepared based on the characteristics of the Loans included in the Portfolio and the following additional assumptions (the "**Modelling Assumptions**");

- (a) there are no arrears or enforcements;
- (b) no Loan is sold by the Issuer;
- (c) there is no debit balance on any of the sub-ledgers of the Principal Deficiency Ledger on any Interest Payment Date;
- (d) the Seller is not in breach of the terms of the Mortgage Sale Agreement;
- (e) no Loan is repurchased by the Seller;
- (f) no Substitute Loans are purchased;
- (g) no Further Advances are made in respect of the Portfolio;
- (h) the portfolio mix of loan characteristics remains the same throughout the life of the Notes;
- (i) the ratio of the Principal Amount Outstanding of the Class A Notes to the aggregated Current Balances of the Provisional Portfolio as at the Closing Date is 90 per cent.
- (j) the interest rate on each Loan in the Portfolio is equal to the Seller Standard Variable Rate, the Seller Mortgage Variable Rate (or, as applicable, the Issuer Variable Rate), the Tracker Rate or a fixed rate, with the addition of any relevant margins above or below the applicable index. The Seller Standard Variable Rate is, as at the date of this Prospectus, equal to 4.95 per cent. The Seller Mortgage Variable Rate is, as at the date of this Prospectus, equal to 4.99 per cent. The Bank of England Base Rate is, as at the date of this Prospectus, 0.75 per cent.;
- (k) the Loans revert to their respective reversion margins in the first period after the reversion date;
- (l) the Notes are issued on 24 February 2020 and all payments on the Notes are received on the 20th day of every third calendar month commencing from June 2020. The collection dates are the end of each month preceding the Interest Payment Date;
- (m) in the case of tables stating "to call", the Notes are redeemed at their Principal Amount Outstanding on the Step-Up Date;
- (n) a Class A Target Amortisation Amount has been pre-determined up to the Step-up Date and is as follows when expressed as percentages rounded to two decimals;

Interest Payment Date falling in	Class A Target Amortisation Amount
----------------------------------	------------------------------------

Closing Date	100.00%
Jun-2020	92.77%
Sep-2020	87.65%
Dec-2020	82.77%
Mar-2021	78.14%
Jun-2021	73.70%
Sep-2021	69.52%
Dec-2021	65.54%
Mar-2022	61.69%
Jun-2022	58.09%
Sep-2022	54.66%
Dec-2022	51.38%
Mar-2023	48.27%
Jun-2023	45.27%
Sep-2023	42.46%
Dec-2023	39.78%
Mar-2024	37.24%
Jun-2024	34.80%
Sep-2024	32.48%
Dec-2024	0.00%

- (o) all Available Principal Receipts remaining after paying the Class A Notes down to the applicable Class A Target Amortisation Amount will be used to purchase Additional Loans during the Revolving Period, which is assumed to end immediately upon the Step-Up Date;
- (p) the Notes will be redeemed in accordance with the Conditions;
- (q) no Security has been enforced;
- (r) the assets of the Issuer are not sold by the Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;
- (s) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (t) the Loans continue to be fully performing;
- (u) the Initial Portfolio to be purchased on the Issue Date is identical to the Provisional Portfolio, which has the characteristics defined in the section entitled "*Statistical Information on the*

Provisional Portfolio" as at the Initial Cut-off Date and is purchased by the Issuer as at 31 January 2020;

- (v) mortgage loans that are indicated to revert to a standard variable rate are assumed to revert to the Seller Mortgage Variable Rate;
- (w) mortgage loans that are indicated as having maturity dates in the first, second, third and fourth quarters of a given year are assumed to mature in January, April, July and October, respectively, of such year; and
- (x) mortgage loans are assumed to have a minimum outstanding balance of £ 0.

The actual characteristics and performance of the Loans are likely to differ from the assumptions. The following tables 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 and mortgage rates 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 and weighted average mortgage rates of the Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Loans, or actual prepayment or loss experience, will affect the percentage of the initial amount outstanding of the Notes which are outstanding over time and 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 CPR.

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 issuance of the Notes to the related Interest Payment Date and (ii) adding the results and 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 Class A Notes. These average lives have been calculated on an Actual/365 (fixed) basis.

Weighted Average Lives of the Notes at the Specified CPRs

Possible Average Life of Class A Notes (years)		
CPR	Assuming Issuer Call on Step-Up Date	Assuming no Issuer Call
5%	3.84	7.33
10%	3.38	5.03
15%	2.96	3.73
20%	2.96	3.56
25%	2.96	3.44
30%	2.96	3.35

The average life of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution.

For the purposes of this Prospectus:

"Seller Mortgage Variable Rate" means any variable mortgage rate set by Skipton Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market in relation to a mortgage which was originated on or after 14 November 2012;

"Seller Standard Variable Rate" means any variable mortgage rate set by Skipton Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market in relation to a mortgage which was originated prior to 30 December 2009; and

"Seller Variable Rate" or **"SVR"** means the Seller Standard Variable Rate or the Seller Mortgage Variable Rate, as applicable.

For more information in relation to the risks involved in the use of the average lives estimated above, see the section entitled "*Risk Factors – Credit Structure – Yield and prepayment considerations*".

USE OF PROCEEDS

The Issuer will use the gross proceeds of £ 666,667,000 of the issue of the Notes (and the Initial Consideration Advance) to pay to the Seller the Initial Consideration of £ 666,793,781.82 payable by the Issuer for the Initial Loans included in the Portfolio to be acquired from the Seller on the Closing Date (see "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*").

ISSUER

The Issuer was incorporated in England and Wales on 13 November 2018 (registered number 11675660) and is a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is at Level 37, 25 Canada Square, London E14 5LQ. The telephone number of the Issuer's registered office is + 44(0) 203 855 0285.

The issued share capital of the Issuer comprises 50,000 ordinary shares of £ 1 each, 49,999 shares of which are partly paid to £ 0.25 each and 1 of which is fully paid and all of which are beneficially owned by Holdings (see the section entitled "*Holdings*" below).

The Issuer was established as a special purpose vehicle for the purposes of issuing the Notes. The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer. Except for the purpose of hedging interest-rate, the Issuer will not enter into derivative contracts for purposes of Article 21(2) of the Securitisation Regulation.

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. Save as disclosed in this Prospectus, the Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus. The Issuer has no employees.

As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2019.

The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 17 February 2020.

Under the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer certain directors and other corporate services for the Issuer in consideration for the payment of an annual fee to the Corporate Services Provider.

Directors and secretary

The following table sets out the directors of the Issuer and their respective business addresses and occupations.

<u>Name</u>	<u>Business address</u>	<u>Business Occupation</u>
CSC Directors (No. 1) Limited	Level 37, 25 Canada Square, London E14 5LQ	Corporate Director
CSC Directors (No. 2) Limited	Level 37, 25 Canada Square, London E14 5LQ	Corporate Director
Aline Sternberg	Level 37, 25 Canada Square, London E14 5LQ	Director
Anthony Chapman	Skipton Building Society, The Bailey, Skipton, North Yorkshire BD23 1DN	Group Treasurer

The directors and company secretaries of each of CSC Directors (No.1) Limited and CSC Directors (No. 2) Limited and their principal activities are as follows:

Name	Business address	Principal activities/business occupation
Jonathan Hanly	Level 37, 25 Canada Square, London E14 5LQ	Director
Constantinos Kleanthous	Level 37, 25 Canada Square, London E14 5LQ	Director
John Paul Nowacki	Level 37, 25 Canada Square, London E14 5LQ	Director
Vinoy Nursiah	Level 37, 25 Canada Square, London E14 5LQ	Director
Debra Parsall	Level 37, 25 Canada Square, London E14 5LQ	Director
Aline Sternberg	Level 37, 25 Canada Square, London E14 5LQ	Director
Catherine McGrath	Level 37, 25 Canada Square, London E14 5LQ	Director
Charmaine De Castro	Level 37, 25 Canada Square, London E14 5LQ	Director
Lara Nasato	Level 37, 25 Canada Square, London E14 5LQ	Director
CSC Corporate Services (UK) Limited	Level 37, 25 Canada Square, London E14 5LQ	Secretary

The company secretary of the Issuer is CSC Corporate Services (UK) Limited, whose principal office is at Level 37, 25 Canada Square, London E14 5LQ.

HOLDINGS

Holdings was incorporated in England and Wales on 13 November 2018 (registered number 11675568) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is Level 37, 25 Canada Square, London E14 5LQ. The telephone number of Holdings' registered office is + 44(0) 203 855 0285.

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

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

Holdings 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 Holdings and neither the Seller nor any company connected with the Seller can direct the Share Trustee and none of such companies has any control, direct or indirect, over Holdings or the Issuer or any other similar vehicle.

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

Directors

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
CSC Directors (No.1) Limited	Level 37, 25 Canada Square, London E14 5LQ	Corporate Director
CSC Directors Limited (No. 2)	Level 37, 25 Canada Square, London E14 5LQ	Corporate Director
Aline Sternberg	Level 37, 25 Canada Square, London E14 5LQ	Director

The directors and company secretaries 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>
Jonathan Hanly	Level 37, 25 Canada Square, London E14 5LQ	Director
Constantinos Kleanthous	Level 37, 25 Canada Square, London E14 5LQ	Director
John Paul Nowacki	Level 37, 25 Canada Square, London E14 5LQ	Director
Vinoy Nursiah	Level 37, 25 Canada Square, London E14 5LQ	Director
Debra Parsall	Level 37, 25 Canada Square, London E14 5LQ	Director
Aline Sternberg	Level 37, 25 Canada Square, London E14 5LQ	Director
Catherine McGrath	Level 37, 25 Canada Square, London E14 5LQ	Director

Name	Business Address	Business Occupation
Charmaine De Castro	Level 37, 25 Canada Square, London E14 5LQ	Director
Lara Nasato	Level 37, 25 Canada Square, London E14 5LQ	Director
CSC Corporate Services (UK) Limited	Level 37, 25 Canada Square, London E14 5LQ	Secretary

The company secretary of Holdings is CSC Corporate Services (UK) Limited whose registered office is at Level 37, 25 Canada Square, London E14 5LQ.

The accounting reference date of Holdings is 31 December.

SKIPTON BUILDING SOCIETY

Introduction to the Society

Skipton Building Society (the "**Society**") was established originally in 1853. It was incorporated in England under the Building Societies Act 1874 (the "**Act**") as the Skipton and District Permanent Benefit Building Society and adopted its present name in 1929. The principal office of the Society is The Bailey, Skipton, North Yorkshire BD23 1DN and its telephone number is +44 (0)1756 705 000.

The Society distributes products through multiple channels including its national network of branches, the Skipton Direct telephone service centre, by post and the internet. In 2018 the Society employed an average of 1,399 full- and part-time staff at its principal office and administrative centres, 769 staff at its branches and 7,346 staff within its subsidiaries.

As at 30 June 2019 the Society, together with its subsidiaries (the "**Group**"), had total Group assets of £ 24.2 billion, making it the fourth largest building society in the United Kingdom.

The Society is an entity which is subject to prudential, capital and liquidity regulation in the United Kingdom and it has regulatory authorisation and permissions which are relevant to the provision of servicing in relation to the loans comprising the Portfolio and other loans originated by the Society which are not sold to the Issuer.

The Society has significantly more than five years of experience in the origination, underwriting and servicing of mortgage loans similar to those included in the Portfolio.

Constitution

The Society is incorporated under the Act for an unlimited duration. The Society is a building society and is authorised by the PRA and regulated by the FCA and PRA, with reference number 153706.

The Society, as a building society, is a mutual organisation and, unlike a company incorporated under the Companies Act 2006, does not have equity shareholders in the usual sense. A share in the Society is not the same as a share in a company and voting power is not weighted according to the number or value of shares held. No individual member is entitled to more than one vote on any resolution proposed at a General Meeting. Holders of investment shares may withdraw funds from their share accounts subject to the Rules of the Society and the terms upon which their shares are issued. Depositors with, and lenders to, the Society are not members and accordingly have no voting rights.

Principal business areas and subsidiaries

General

The principal purpose of the Society, as stated in Clause 3 of its Memorandum, is that of making loans which are secured on residential property and funded substantially by its members. The Society's objective is to continue to be an independent, highly efficient and innovative seller of financial services while at the same time balancing the needs of its various stakeholders. To help achieve this objective the Society has invested in related businesses where appropriate opportunities were identified. The Group offers a range of financial services products and services to individuals, from mortgages and investments, financial advice, estate agency services and life and other insurance sales. The Group also provides a range of credit related services to businesses, including business finance through debt factoring.

Mortgage lending

The Society competes in the UK residential mortgage market with a range of products targeted at different customer segments. The competitive nature of the UK mortgage market means that innovation is a key marketing competence. The Society continually reviews its product offerings and aims to deliver innovative and keenly priced mortgages. The Society's mortgage lending is supplemented by Skipton International Limited, a subsidiary providing mortgages in Guernsey, Jersey and the UK. Amber Homeloans and North Yorkshire Mortgages, specialist lending subsidiaries, ceased new lending in March

2008 following a review of the risks surrounding their business and are now concentrating on managing their portfolio of loans in run-off.

While innovation is a key marketing competence, the Group's operational expertise lies in timely mortgage processing and arrears management. The Group continues to take appropriate action to manage losses on non-performing accounts and actively monitors the prudence of its lending policies, taking account of economic and other market conditions.

Savings

The Group continues to obtain the majority of its funding through retail member deposits. To address competition in this market the Group aims to offer members a varied and innovative mix of savings products which offer good value to the customer. During 2018, the Group increased its retail deposits by £ 1.1 billion to £ 16.1 billion.

Offshore deposits are also accepted via Skipton International Limited.

Estate agency

The Group offers estate agency services through the Connells group of companies which has 586 estate agency branches. In addition to this, through more than 300 Chartered Surveyors, Connells also provides residential survey and valuation services to homebuyers, lenders and other participants in the residential property market. Connells also has a growing lettings business with 304 lettings branches as at 31 December 2018. Connells benefits from its own diversification through an asset management business which acts as a natural mitigant in times when the core estate agency business is depressed.

Investment portfolio

The Group holds interests in a small number of companies comprising the Investment Portfolio, including Skipton Business Finance (a provider of debt factoring and invoice discounting to small and medium-sized enterprises) and Jade Software Corporation (a software solutions provider based in New Zealand that specialises in digital solutions and large enterprise IT solutions, and assists in the development of the Society's core technology).

Management

Board of Directors

The affairs of the Society are conducted and managed by a Board of Directors (the "**Board**") who are responsible for the Society's strategy and policy and are elected and serve in accordance with the Society's rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and in turn appoints and monitors executives who are responsible for the daily management of the Society.

The business address of the Society's Directors is at The Bailey, Skipton, North Yorkshire BD23 1DN. There are no potential conflicts between the duties to the Society of the Directors and their private interests and/or other duties. The members of the Board, their roles within the Society and their principal business occupation(s) are, as at the date of this Prospectus, as set out below.

Director/Date of Birth	Responsibility	Business Occupation	Date of Appointment
A P Bottomley (Jul 1965)	Customer Director	Building Society Executive Director	01/01/2016
A J Burton (Jan 1959)	Non-Executive Director	Company Director	03/05/2016
J R Coates	Non-Executive Director	Company Director	27/03/2017

(Sep 1951)

D P Cockrem (Nov 1962)	Non-Executive Director	Company Director	01/09/2015
I M Cornelius (Feb 1969)	Commercial and Strategy Director	Building Society Executive Director	11/06/2012
D J Cutter (Jan 1962)	Group Chief Executive	Building Society Executive Director	01/01/2000
R D East (March 1960)	Chairman	Company Director	29/11/2011
D A Hall (Nov 1955)	Non-Executive Director	Company Director	27/03/2017
H L Jackson (Aug 1965)	Non-Executive Director	Company Director	24/10/2018
M J Lund (Jul 1957)	Non-Executive Director	Company Director	25/04/2016
R S D M Ndawula (Feb 1974)	Group Finance Director	Building Society Executive Director	23/02/2015
H C Stevenson (Nov 1960)	Non-Executive Director	Business Consultant	01/03/2013

THE PORTFOLIO

THE LOANS

Introduction

The following is a description of some of the characteristics of the mortgage loans currently or previously offered by the Seller and includes details of mortgage loan types, the underwriting process, Lending Criteria and selected statistical information. In selecting which loans to sell to the Issuer, the Seller has identified the Provisional Portfolio. Each Loan in the Provisional Portfolio incorporates one or more of the features referred to in this section. From the Provisional Portfolio, the Seller will sell a Portfolio of Initial Loans and Related Security to the Issuer on the Closing Date.

Any Initial Loans sold to the Seller on the Closing Date will be randomly selected from the Provisional Portfolio. In addition, during the Revolving Period, the Seller may sell Additional Loans to the Issuer on any Additional Sale Date. The Loan Warranties in respect of the Initial Loans will be given on the Closing Date and in respect of the Additional Loans will be given on the relevant Additional Sale Date together with satisfaction of the Additional Loan Conditions.

Characteristics of the Loans

Origination of the Loans

The Mortgages included in the Provisional Portfolio were all made no earlier than 1 June 2001 and on or before 1 November 2019 and the Seller derived their mortgage lending business at the relevant times from the following sources:

- its branch networks throughout the United Kingdom;
- a centralised telephone-based lending operation; and
- intermediaries that included mortgage brokers and independent financial advisors.

The Additional Loans to be sold to the Issuer on any Additional Sale Date and to be included in the Portfolio were, or will be, all made no earlier than 1 June 2001 and may be originated on or after 31 December 2019.

Interest Payments

The Loans in the Portfolio have one or more of the following interest terms:

- **Fixed Rate Loans:** Loans subject to a fixed interest rate for a specified period of time and which at the expiration of that period generally convert to Variable Rate Loans or Tracker Rate Loans. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the fixed interest rate.
- **Tracker Rate Loans:** Loans subject to a variable rate of interest that is linked to the Bank of England base rate (the "**BoE Base Rate**") plus an additional fixed percentage (the "**Tracker Rate**"), usually for a fixed period but, in some instances, for the life of the Loan (the "**Life Tracker Rate Loans**"). At the end of any fixed period, generally the Loans may convert to Variable Rate Loans or remain as Tracker Rate Loans.
- **Discount Rate Loans:** Loans which allow the Borrower, for a set period of time or for the life of the Loan, to pay interest at a specified discount to the Seller Standard Variable Rate, the Seller Mortgage Variable Rate or Issuer Variable Rate, as the case may be. At the end of the discounted period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the discounted interest rate.

- **Capped (BoE Base Rate) Loans:** Tracker Rate Loans which have a rate of interest which will not increase above a specified rate for a set period of time or for the life of the Loan. At the end of the period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the capped interest rate.
- **Floored (BoE Base Rate) Loans:** Tracker Rate Loans which have a rate of interest which will not decrease below a specified rate for a set period of time or for the life of the Loan. At the end of the period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term during which the interest rate will not decrease below the fixed rate.
- **Capped (Variable) Loans:** Variable Rate Loans which have a rate of interest which will not increase above a specified rate for a certain period of time. At the end of the period, generally the Loans convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these Loans for a set period of time.
- **Variable Rate Loans:** Loans subject to a rate of interest linked to the Seller Standard Variable Rate, Seller Mortgage Variable Rate or Issuer Variable Rate, as the case may be, for the life of the Loan or until an alternative product that the Borrower qualifies for is selected by the Borrower. Variable Rate Loans will not usually have an early repayment charge.

Repayment Terms

Borrowers typically make payments of interest on, and repay principal of, their Loans using one of the following methods:

- **Repayment Loans:** the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the Borrower will have repaid the full amount of the principal of the Loan.
- **Interest Only Loans:** the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and the Borrower must repay that amount in one lump sum. Where Loans are interest only, proof is required that a suitable repayment mechanism has been put in place.
- **Part and Part Loans:** the Borrower is required to repay part of the principal amount of the Loan by making monthly payments of both interest and principal and to repay the remaining part of the principal amount of the Loan in one lump sum when the Loan matures.

Calculation of Current Balance

Skipton Building Society employs the methodology set out below in order to determine the balance of each Loan and the collections in respect of it.

The "**Current Balance**" of a Loan means, on any date, the aggregate balance of the amounts charged to the Borrower's account in respect of a Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Seller's normal charging practices and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant

Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Seller's normal charging practices but which is secured or intended to be secured by the related Mortgage, as at the end of the Business Day immediately preceding that given date,

less any repayment or payment (including, if permitted, by way of set-off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

Interest is charged on the Current Balance of each Loan (other than any part thereof which represents an insurance premium not due for payment by the Borrower).

Early Repayment Charges

If a Borrower wishes to repay the whole of an advance before the time agreed, the Borrower may do so. A Borrower may repay part of an advance before the time agreed provided such partial repayment is not prohibited under the terms of the Loan. In the case of repayment in full, the Borrower must pay to the Seller all sums owing to it in respect of such advance by way of principal, interest and costs (including, if the terms of the advance so provide, an early repayment charge) together with the Seller's expenses reasonably and properly incurred in connection with such repayment. Not all products offered by the Seller carry an early repayment charge.

Repayment charges will be calculated on the basis provided under the relevant offer of advance in relation to a Loan. In these cases, the Seller retains absolute discretion to waive or enforce early repayment charges in accordance with the Seller's policy from time to time. The amount of any early repayment charges which may become payable on the Loans that are sold to the Issuer will comprise Revenue Receipts.

Payment Holidays

Once Borrowers have held their mortgage for six months or more they may take payment holidays. Borrowers will need to give at least 4 working days before the payment holiday is due and consent must be given by the Society. As long as Borrowers have had no arrears, the holiday proposed would not take the Loan to value above 95%, and there are sufficient surplus payments to cover all amounts due during the proposed payment holiday, Borrowers may take up to three consecutive months' holiday. Borrowers cannot take more than a total of six months in any 12 month period. Interest will be capitalised during any payment holiday.

Seller Standard Variable Rate

The Seller's mortgage standard variable rate was formerly capped at 3 per cent. above base rate; however, given the continuation of exceptional circumstances in the economy, the Seller exercised its contractual right to remove this cap in exceptional circumstances, and increased its standard variable rate from 3.5 per cent. to 4.95 per cent. from 1 March 2010. The Seller intends to revert to the cap of 3 per cent. above base rate when it determines that exceptional circumstances (as described below) no longer exist.

The Seller's board agreed to apply two tests to define whether or not circumstances are exceptional, and determined that it would treat the general economic circumstances as exceptional where one or both of the following tests remains satisfied:

- (a) that the Bank of England Base Rate is less than or equal to 2.7 per cent.; and
- (b) that the Bank of England Base Rate minus the UK average Instant Access savings rate (as published monthly by the Bank of England) is less than or equal to 2.25 per cent. for each of the three proceeding months.

The general economic circumstances will be considered to remain exceptional for as long as either one of these tests continues to be satisfied.

Further Advances

A Borrower may apply to the Seller for a further amount to be lent to him or her under his or her Loan. This further amount will be secured by the same Property as the Loan, and will be added as a separate sub-account to the Loan. Any Further Advance made by the Seller and purchased by the Issuer will be added to the Current Balance of that Borrower's Loan on the relevant Advance Date. The aggregate of the outstanding amount of the Loan and the Further Advance may be greater than the original amount of the Loan.

Product Switches

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

A Loan which is subject to a Product Switch may remain in the Portfolio subject to the terms contained in the Mortgage Sale Agreement. See "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*".

Underwriting

The underwriting approach of the Seller has changed over time. Loans in the Portfolio may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination. The Seller has always adopted a rigorous manual underwriting assessment and since 2006 supported that by an automated credit scoring system, thus providing a combined scoring and system based approach to lending assessment. This assessment is made with reference to a number of components including:

- (a) credit score: calculation of propensity to go into arrears based on a combination of customer supplied and credit bureau data. The lending strategy was enhanced in 2016 to reflect improved score card data which is regularly reviewed to ensure customer credit scores are performing as expected;
- (b) affordability: in 2014, with the implication of MMR requirements under responsible lending, the Seller introduced a compliant affordability model. The Seller obtains documentation of income in every case via a number of different options e.g. payslips, P60s, accounts, SA302, income verification model and bank statements. Expenditure is measured by combining ONS modelled expenditure for the Borrower taking into account specific tax and national insurance rates, marital status, number of dependents plus other expenditure such as maintenance, nursery care, rental costs, existing debts and tuition fees;
- (c) Valuations are carried out in full or via automated valuation models ("AVM"). On purchase, AVMs are used up to 50% LTV, and on remortgage up to 75% LTV; and
- (d) All mortgage applications receive a manual underwrite assessment, by experienced staff, in addition to the automated scoring process.

The lending system is supported by a mandate structure within the processing up to offer stage, with authority limits varying according to seniority. Completions is a segregated function from the processing function.

System architecture has highly developed rules and policies with restricted access rights which when combined together provide further controls in what can be agreed, control of this system is by a separate and segregated function.

Team leaders perform a conduct risk check with underwriters within their team and there is a 100% file check after the completions stage to ensure adherence to offer conditions alongside a data quality check. In addition the Seller's Customer Conduct and Outcomes team check up to 5% of cases on a monthly basis.

Lending Criteria

The following is a summary of the lending criteria (the "**Lending Criteria**") applied by the Seller in originating the Loans, subject to any underwriting exception (as described below).

It should be noted that the Lending Criteria have changed over time and not all Loans in the Portfolio will have been originated under these terms. However, the lending criteria relevant to the origination of the Loans in the Portfolio were substantially similar to those set out below and any such changes over time have not affected the homogeneity (as determined in accordance with Article 20(8) of the Securitisation Regulation) of the loans comprising the Portfolio. Any material change to the Lending Criteria after the date of this Prospectus which would affect the homogeneity (as determined in accordance with Article 20(8) of the Securitisation Regulation) of the loans comprising the Portfolio or which would materially affect the overall credit risk or the expected average performance of the Portfolio will (to the extent such change affects the Loans included in the Portfolio from time to time) be disclosed (along with an explanation of the rationale for such changes being made) to investors by the Seller.

(a) *Property – location*

Each Property on which a Loan is secured is situated in either England, Wales or Scotland.

(b) *Property – Borrower's title*

Each Property is (i) a freehold, leasehold or commonhold residential property in England and Wales, the legal title to which is vested in the Borrower and is a good and marketable title or (ii) a heritable or long leasehold residential property in Scotland the title to which is vested in the Borrower and is a valid and marketable title.

(c) *Property – leasehold term*

In the case of a leasehold residential property located in England, Wales or Scotland, the term of the lease must be at least 85 years remaining on such lease.

(d) *Property – valuation*

A valuation report is required, to be performed by a panel valuer, being an Associate or Fellow of the Royal Institution of Chartered Surveyors with a minimum of 2 years' post-qualified experience at the time of such valuation listed in the Seller's panel of valuers (or in limited circumstances one of the Seller's own surveyors) or is otherwise acceptable to the Seller acting as a Prudent Mortgage Lender. The Seller also uses automated valuation models and drive-by valuations.

(e) *Property – construction*

Each Property must be of a traditional construction (as defined by the valuer), in a satisfactory condition and of a suitable type. For Properties less than ten years old, a suitable certificate or guarantee is required.

(f) *Property – occupiers*

Each Borrower must disclose the details of every person who, at the date upon which the Loan is entered into had attained the age of 17 and is in or about to be in actual occupation of the relevant Property and each such person must either be named as a Borrower or have signed a deed of consent in the form of the pro forma contained in the Standard Documentation which was applicable at the time the mortgage was executed and which has the effect of postponing any present or future rights or interests as he or she may have or acquire over or in respect of the

relevant Property, and making such interests subject to the rights, interests and remedies of the Seller under the relevant mortgage. In relation to each Scottish Loan, where the mortgage securing the Property is not in joint names, the Borrower must grant or (as applicable) obtain an affidavit, declaration, consent or renunciation, in terms of Matrimonial Homes (Family Protection) (Scotland) Act 1981 and/or (as applicable) the Civil Partnership Act 2004 in connection with such Scottish Loan and its related mortgage so as to ensure that the relevant Property is not subject to any right of occupancy.

(g) *Property – use*

A Loan will not be granted in relation to property which is used for commercial purposes (other than on an informal basis e.g. use of a room as an office).

(h) *Loan – loan to value ratio*

The LTV is calculated by dividing the initial principal amount advanced at completion of the Loan (excluding any completion fees) by the lesser of the valuation or purchase price of the Property. For the purpose of calculating the applicable LTV, any builder's deposit or incentives are accounted for in the relevant valuation or deducted from the relevant purchase price.

What is an acceptable LTV will depend on the nature of the product and borrowers (e.g. first time buyers or buy-to-let loans), the value of the Property and the credit rating of the borrowers.

(i) *Loan – repayment methods*

Loans may be capital and interest repayment loans, part and part loans or interest only loans. Where Loans are interest only, proof is required that a suitable repayment mechanism has been put in place. Interest only loans are restricted to a maximum LTV of 70 per cent. (in relation to interest only loans) or 80 per cent. (in relation to part and part loans).

(j) *Loan – term*

Loans usually have a term of up to 25 years. Loans with a term of up to 35 years are considered on a repayment (capital and interest) basis only.

(k) *Borrower – capacity and status*

Borrowers must all be private individuals. Borrowers must have a minimum age of 18 and must have been in continuous employment for at least six months.

(l) *Borrower – credit history*

The Borrower's credit and employment history may be assessed with the aid of one or more of the following:

- (i) electoral register or other proof of occupancy;
- (ii) full credit search for the previous six years supplied by a credit reference agency;
- (iii) copy of the most recent pay slips, P60s, personal and or business bank statements, employment contracts and/or confirmation of salary details from employer;
- (iv) historical business accounts (for example if self-employed/owner of limited company), account certificates or SA302s; or
- (v) previous mortgage statements.

(m) *Borrower – income and affordability*

A full income and expenditure assessment will be carried out to calculate free disposable income to ensure that the Loan is affordable, at the point of origination and going forwards. Affordability and reasonableness checks are carried out to validate income and expenses.

Lending decisions are based on an assessment of affordability for each individual application. Consideration is given to the lifestyle and spending pattern of applicants and consideration is given to long term affordability to allow for future rate increases. FCA guidelines on responsible lending require that lenders no longer rely on standard income multiples across the board. Prior to 2005, the Seller employed standard income multiples as part of its lending criteria. With the implication of MMR requirements under responsible lending the Seller has introduced a compliant affordability model in January 2014 and reviewed the income sources it is prepared to accept. The Seller continues to obtain documentation of income in every case via a number of different options e.g. payslips, P60s, accounts, SA302, auto income verification and bank statements. Expenditure is measured by combining ONS modelled expenditure for the Borrower taking into account specific tax and national insurance rates, marital status, number of dependents, geographic location and property type plus other expenditure such as maintenance, nursery care, rental costs, debts and tuition fees. The net effect of total gross income minus total modelled and non modelled expenditure provides the net disposable income and this is then measured against a stressed monthly payment calculated at the Seller Mortgage Variable Rate plus 2.0 per cent. presently 6.99 per cent. over the mortgage term required on a capital and interest method.

(n) *Borrower – Deposit*

Applicants should be able to demonstrate having saved a personal deposit, and the Seller reserves the right to ask for proof of deposit if it feels appropriate to do so. The provision of a cash deposit is considered very important. The Seller will not accept applications that have any form of vendor deposit funding.

Evidence of the deposit is required in all cases where there is a new build property.

For the purposes of this section and where used elsewhere in this Prospectus, the following words shall have the meanings set out below:

"Prudent Mortgage Lender" means a prudent residential mortgage lender lending to borrowers in England and Wales and Scotland who generally satisfies the lending criteria of traditional sources of residential mortgage capital.

Underwriting exception

On a case-by-case basis the Seller may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low LTV ratio, overall affordability position, high credit score and track record with the organisation. Any such exceptions would have been approved by one of a specifically refined group of suitably qualified and experienced delegated mandate holders. These exceptions are closely monitored by Credit Risk and are reported monthly to the Seller's Credit Risk Committee.

Changes to the underwriting policies and Lending Criteria

Any material changes from the Seller's prior underwriting policies and Lending Criteria shall be disclosed without undue delay to the extent required under Article 20(10) of the Securitisation Regulation.

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.

Interest Only Loans

In relation to Interest Only Loans, the Seller verifies that the Borrower has a suitable repayment mechanism in place and will only accept a limited range of such repayment vehicles. Repayment vehicles must cover the full outstanding capital owed and the Seller will decline the application if this repayment mechanism is deemed to be unacceptable.

Insurance Policies

(a) *Borrower's Insurance*

It is a condition of each Loan that each Borrower is to effect and maintain (at their own expense) a property insurance policy (or, in the case of leasehold properties, provide full details of such policy to the Seller) in an amount sufficient to recover the reinstatement value of the Property.

(b) *Other Insurances*

The Seller also has policies in place to cover the following risks:

- *Forfeiture or irritancy of lease* – this policy applies to Loans relating to a leasehold interest. The policy covers the cost of attempting to prevent a termination of a lease following the breach of its terms by a Borrower or, following a termination of the lease, the shortfall in recoveries as a result of such termination (the "**Lease Insurance**").
- *Further Advance Indemnity* – where the Mortgage in respect of a Loan is enforced following the making of a Further Advance this policy covers the shortfall in recoveries attributable to any adverse entries against the Property between the date of the original Loan and the date of the Further Advance which would have been discovered had a local search been undertaken at the time of the relevant Further Advance (the "**Further Advance Insurance**").
- *Local Search Indemnity* – this policy covers losses due to adverse entries in respect of local search and defective titles as at the date of the original advance under the Loan (the "**Local Search Insurance**").

Selection of the Portfolio

The Initial Loans in the Portfolio were selected using a random selection process from the mortgage loans in the Seller's mortgage book which met the warranties set out in "*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Representations and Warranties*" on the Closing Date.

The Additional Loans in the Portfolio will be selected using a random selection process from the mortgage loans in the Seller's mortgage book which meet the warranties set out in "*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Representations and Warranties*" on each relevant Additional Sale Date.

Initial Loans have not been, nor will Additional Loans be, selected to be sold to the Issuer with the aim of rendering losses on the Loans sold to the Issuer, measured over a period of 4 years, higher than the losses over the same period on comparable assets held on the balance sheet of Skipton Building Society.

The Seller applied to each Loan the same sound and well-defined criteria for credit-granting as applied to all other mortgage loans originated by it. The same clearly established processes for approving and, where relevant, amending, renewing and refinancing the Loans also apply to all other mortgage loans originated by Skipton.

Confirmations of the Seller

For the purposes of Article 5 of the Securitisation Regulation, the Seller has made available the following information (or has procured that such information is made available):

- (a) confirmation that the Seller was a credit institution as defined in paragraphs (1) and (2) of Article 4(1) of Regulation (EU) No 575/2013 at the time of origination of the Loans in the Portfolio, as to we refer to Loan Warranty (b) in the section of this Prospectus headed "*Sale of the Portfolio under the Mortgage Sale Agreement – Representations and Warranties - Loans*";
- (b) confirmation that the Seller (as originator) will retain on an ongoing basis a material net economic interest in accordance with Article 6 of the Securitisation Regulation and that the risk retention will be disclosed to investors in accordance with Article 7 of the Securitisation Regulation; and
- (c) confirmation that the Seller (as originator) will make available the information required by Article 7 of the Securitisation Regulation in accordance with the frequency and modalities provided for in such article, as to which we refer to section of this Prospectus headed "*Cashflows and Cash Management*".

The Seller confirms that it has made available, prior to pricing, information required by Article 7(1)(a) of the Securitisation Regulation to the extent such information has been requested by a potential investor.

Other characteristics

The Loans comprised in the Portfolio as at the Cut-Off Date are homogeneous for purposes of Article 20(8) of the Securitisation Regulation, on the basis that all such Loans: (i) have been underwritten by the Seller in accordance with similar underwriting standards applying similar approaches with respect to the assessment of a potential borrower's credit risk; (ii) are repayment loans or Interest-Only Loans or a combination of both, entered into substantially on the terms of similar standard documentation for residential mortgage loans; (iii) are serviced by the Administrator pursuant to the Administration Agreement in accordance with the same servicing procedures with respect to monitoring, collections and administration of cash receivables generated from such Loans; and (iv) form one asset category, namely residential loans secured with one or several mortgages on residential immovable property in England, Wales and Scotland.

The Loans comprised in the Portfolio as at the Cut-Off Date do not include: (i) any transferable securities for purposes of Article 8 or Article 20(8) of the Securitisation Regulation; (ii) any securitisation positions for purposes of Article 20(9) of the Securitisation Regulation; or (iii) any derivatives for purposes of Article 21(2) of the Securitisation Regulation, in each case on the basis that such Loans have been entered into substantially on the terms of similar standard documentation for residential mortgages loans. The Loans comprised in the Portfolio as at the Cut-Off Date will be transferred to the Issuer after selection for inclusion in the Portfolio without undue delay for purposes of Article 20(11) of the Securitisation Regulation.

Further information in respect of individual loan level data may be obtained by means of a securitisation repository or (where no securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation) by means of the website of European DataWarehouse at <https://editor.eurowdw.eu/home>, being a website which conforms to the requirements set out in Article 7(2) of the Securitisation Regulation, or any other website which may be notified from time to time provided that such replacement or additional website conforms to the requirements set out in Article 7(2) of the Securitisation Regulation. The website and the contents thereof do not form part of this Prospectus.

SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT

Mortgage Sale Agreement

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

The Portfolio

Pursuant to the terms of the Mortgage Sale Agreement, the Seller will sell its interest in a portfolio of Initial Loans and their associated mortgages or, in Scotland, standard securities (the "**Mortgages**" and, together with the other security for the Initial Loans, the "**Related Security**") and all moneys derived therefrom from time to time (collectively referred to herein as the "**Initial Portfolio**") to the Issuer on the Closing Date. The consideration due to the Seller in respect of the Initial Portfolio will be the aggregate of:

- (a) £ 666,793,781.82 as Initial Consideration; and
- (b) an obligation of the Issuer to pay, at a later date, the Deferred Consideration in respect of the sale of the Portfolio.

On each Additional Sale Date during the Revolving Period, the Seller may sell additional loans (the **Additional Loans**) and their Related Security to the Issuer. Pursuant to the terms of the Mortgage Sale Agreement, during the Revolving Period the Seller may deliver to the Issuer a notice identifying the Additional Loans offered thereunder (an **Additional Loan Notice**) (the date of any Additional Loan Notice being an **Additional Loan Offer Date**). Pursuant to such Additional Loan Notice, on the Additional Loan Offer Date the Seller will offer to sell with full title guarantee to the Issuer and the Issuer shall subject to the satisfaction (as at the Additional Cut-off Date) of certain conditions (the "**Additional Loan Conditions**") agree to purchase the relevant Additional Loans and their Related Security set out therein as of the Additional Cut-off Date, provided that the Issuer has sufficient funds standing to the credit of the Retained Principal Ledger. If the Issuer purchases any Additional Loans and Related Security set out in the Additional Loan Notice, the sale date shall take place up to 5 Business Days immediately following the Additional Cut-off Date and such date shall be referred to as an "**Additional Sale Date**". The consideration for the sale of the Additional Loans and Related Security will consist of:

- (a) the payment of the Additional Loan Consideration on the relevant Additional Sale Date by the Issuer, using amounts standing to the credit of the Retained Principal Ledger;
- (b) an obligation of the Issuer to pay, at a later date, the Deferred Consideration in respect of the sale of the Portfolio,

(the **Additional Sale Purchase Price**).

In order for any Additional Loans to be sold to the Issuer on an Additional Sale Date, the Additional Loan Conditions must be complied with as at the relevant Additional Cut-Off Date.

Each sale by the Seller to the Issuer of Loans in the Portfolio (including pursuant to a substitution, as described below) will be given effect to by (a) as regards English Loans, an assignment and (b) as regards Scottish Loans, a Scottish Declaration of Trust.

Any Deferred Consideration will be paid to the Seller in accordance with the Pre-Enforcement Revenue Priority of Payments or, if applicable, the Post-Enforcement Priority of Payments.

The Issuer shall, subject to the satisfaction of certain conditions, purchase Further Advances made by the Seller under a Loan.

Perfection Trigger Events

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

Legal assignment or assignment (as applicable) of the Loans and their Related Security to the Issuer (including, where applicable, their registration or recording in the relevant property register) will be completed as soon as reasonably practicable after the earliest to occur of any of:

- (a) a "**Seller Insolvency Event**", as follows:
- (i) the Seller becomes insolvent or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act (on the basis that the reference in such section to £ 750 was read as a reference to £10 million), Sections 123(1)(b), (d) and (e), and Section 123(1)(c) of the Insolvency Act (on the basis that the words "for a sum exceeding £ 10 million" were inserted after the words "extract registered bond" and "extract registered protest") or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or building society liquidator or building society special administrator or similar officer over the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or a distress, execution or diligence or other process is enforced upon the whole or any substantial part of its undertaking or assets and is not discharged within 60 days); or
 - (ii) an order is made or an effective resolution is passed for the winding-up of the Seller, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction (a) with or by any of its subsidiaries or (b) the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the Most Senior Class; or
 - (iii) if the Seller (otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (b) above), ceases or, through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or its mortgage administration business,
- except in the case of the events described in paragraphs (i) to (iii) above occurring for the purposes of or pursuant to a Permitted Transfer, as defined below;
- (b) a "**Severe Credit Quality Deterioration Event**": if the Seller determines, as at any date, that its CET1 Ratio has fallen below 7.00%;
- (c) the Seller defaults in the performance or observance of any of its other obligations under the Transaction Documents, including failure to repurchase any Loan under the Mortgage Sale Agreement, and such default continues unremedied for longer than the remedy period permitted by the relevant Transaction Documents,

each of (a), (b) and (c) being a "**Perfection Trigger Event**".

"**Permitted Transfer**" means:

- (i) an amalgamation of the Seller and one or more other building societies under section 93 of the Building Societies Act; or
- (ii) a transfer by the Seller of all or substantially all of its engagements (being 90 per cent. or more of the Issuer's engagements including its obligations under the Trust Deed and the Agency

Agreement) or (on terms which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders) any smaller part of its engagements, in both cases under section 94 of the Building Societies Act; or

- (iii) a transfer by the Seller of its business to a company under sections 97 to 102D of the Building Societies Act (including any transfer of business to a subsidiary of another mutual society pursuant to section 97 of the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007) (the "**Funding and Mutual Societies Transfers Act**") or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act); or
- (iv) an alteration in the status of the Seller by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an institution authorised under the FSMA or to a body which is regulated on a similar basis to an institution authorised under the FSMA; or
- (v) any other reconstruction or amalgamation or transfer, in each case the terms of which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders.

CET1 Ratio means the ratio (expressed as a percentage) of Common Equity Tier 1 as at such date to the Risk Weighted Assets as at the same date, in each case calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the Capital Requirements Regulation) or, as the context requires, a consolidated basis.

Common Equity Tier 1 means, as at any date, the sum of all amounts that constitute common equity tier 1 capital of the Seller as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the Capital Requirements Regulation) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations but without taking into account any transitional, phasing-in or similar provisions.

Risk Weighted Assets means, as at any date, the aggregate amount of the risk weighted assets of the Seller as at such date, as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the Capital Requirements Regulation) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations.

For so long as the Seller ceases to be assigned a long term unsecured, unsubordinated debt obligation rating from Moody's of at least Baa3 or a long-term issuer default rating from Fitch of at least BBB- (or such other long term rating which is otherwise acceptable to the relevant Rating Agency) (a "**Seller Downgrade Event**"), the Seller shall be obliged to prepare the documentation required to perfect legal title to the Loans and Related Security, but shall not be required to give notice of the transfer of the equitable or beneficial interest in the Loans to the Borrowers nor complete any other step necessary to perfect legal title to the Loans or the Related Security to the Issuer.

The title information documents and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller has undertaken that, until perfection of the assignments or assignments contemplated by the Mortgage Sale Agreement, all the title information documents and customer files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

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

Representations and Warranties

Except as stated otherwise, the Seller will give the following representations and warranties in the Mortgage Sale Agreement, with respect to itself, the Loans originated by it and their Related Security, to the Issuer and the Trustee on each of the following dates:

- (i) the Closing Date (in respect of the Initial Portfolio); or
- (ii) the relevant Additional Sale Date (in respect of Additional Loans); or
- (iii) the relevant Substitution Date (in respect of Substitute Loans);

the ("**Loan Warranties**"); and

(iv) in respect of Further Advances, the representations and warranties set out at paragraphs (b) to (w) (inclusive), (y), (z), (bb), (dd), (ee), (ff), (gg), (pp), (qq), (rr), (ss), (vv), (ww), (xx), (yy), (zz), (aaa), (bbb), (ccc) and (fff) are given on the last calendar day of each month during which an Advance Date has occurred (the "**Further Advance Warranties**");

(v) in respect of Product Switches, the representations and warranties set out at paragraphs (e), (f), (g), (i), (y), (bb), (yy), (zz), (aaa), (bbb), (ccc) and (fff) are given on the last calendar day of each month during which a Switch Date has occurred (the "**Product Switch Warranties**"),

- (a) (i) in relation to the Initial Loans, the particulars of the Loans set out in the Mortgage Sale Agreement and each Scottish Declaration of Trust are true, complete and accurate in all material respects as at the Closing Date; (ii) in relation to any Additional Loans, the particulars of any Additional Loans set out in any Additional Loans Notice delivered by the Seller to the Issuer on a given Additional Loan Offer Date and each relevant Scottish Declaration of Trust are true, complete and accurate in all material respects as at the relevant Additional Sale Date; and (iii) in relation to any Substitute Loans, the particulars of any Substitute Loans set out in any Substitute Loan Notice delivered by the Seller to the Issuer on a given Substitution Date and each relevant Scottish Declaration of Trust are true, complete and accurate in all material respects as at the relevant Substitution Date;
- (b) the Seller was, at the time of the origination of each Loan, a credit institution as defined in paragraphs (1) and (2) of Article 4(1) of Regulation (EU) No 575/2013.
- (c) each Loan was originated by the Seller as principal in the ordinary course of business and was originated, and is denominated, in Sterling.
- (d) each Loan was originated by and made by the Seller on its own account pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio;
- (e) no Loan sold by the Seller had, at the time of such sale, a Current Balance of more than £1,000,000.
- (f) each Loan sold by the Seller was made no earlier than 1 June 2001 and each Loan in the Portfolio matures for repayment no later than three years prior to the Final Maturity Date for the Notes;
- (g) no lien or right of set-off or counterclaim or other right of deduction has arisen between any Borrower and the Seller or any other party which would entitle such Borrower to reduce the amount of any payment otherwise due under the Loan.
- (h) the Loans and their Related Security are not subject, either totally or partially, to any lien, assignment, charge or pledge to any third parties or are otherwise in a condition that could be foreseen to adversely affect the enforceability of the sale to the Issuer.
- (i) prior to the making of each Initial Advance and any further advance in respect of each Loan prior to the Closing Date, each Further Advance and each Product Switch, the Lending Criteria of the

Seller and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions as are made on a case by case basis and which would be acceptable to a Prudent Mortgage Lender.

- (j) each Loan was made and its Related Security taken or received on the terms of the Standard Documentation of the Seller without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect subject only to such exceptions as are made on a case by case basis and which would be acceptable to a Prudent Mortgage Lender.
- (k) the brochures, application forms, offers, offer conditions and marketing material, if any, distributed by the Seller to the Borrower when offering a Loan to a Borrower:
 - (i) do not conflict in any material respect with the terms applicable to the relevant Loan and its Related Security at the time that the Loan was entered into; and
 - (ii) do not conflict with, and would not prohibit or otherwise limit the terms of, the Transaction Documents or the matters contemplated thereby.
- (l) no Loan was 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 Seller.
- (m) to the best of the Seller's knowledge, at the time of origination of the relevant Loan, no Borrower either (i) appeared on a register available to the Seller of persons with an adverse credit history or (ii) had a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made was significantly higher than for comparable exposures held by the Seller which are not included in the Portfolio.
- (n) to the best of the Seller's knowledge, no Borrower had been in arrears with another mortgage lender at any point during the 36 months prior to the date of such Borrower's Initial Advance under its Loan.
- (o) to the best of the Seller's knowledge, no Borrower has filed for bankruptcy, been sequestered, entered into an individual voluntary arrangement, or debt arrangement scheme (in terms of the Debt Arrangement and Attachment (Scotland) Act 2002 and the Debt Arrangement Scheme (Scotland) Regulations 2011, both as amended), or had a non-appealable county court judgment, Scottish court decree for payment or bankruptcy order entered or made against them or has incurred material damages as a result of a missed payment within six years prior to the date of origination of the relevant Loan, or has undergone a debt-restructuring process with regard to his/her non-performing exposures within three years prior to the Closing Date in respect of the Initial Portfolio, and the Additional Sale Date in respect of the relevant Additional Loan.
- (p) each Loan has been entered into by the Seller and the relevant Borrower in accordance with all applicable laws to the extent that failure to comply with those laws would have a material adverse effect on the enforceability or the collectability of that Loan or its Related Security.
- (q) each Borrower has made at least one Monthly Payment with respect to each Loan.
- (r) the Seller has full recourse to the relevant Borrower under the relevant Loan.
- (s) other than with respect to Monthly Payments, the Borrower is not, and has not been, since the date of the relevant Mortgage and so far as the Seller is aware, in material breach of any obligation owed in respect of the relevant Loan or under the Related Security and accordingly no steps have been taken by the Seller to enforce any Related Security and the Seller is not aware of any fraud in relation to any Loan or Related Security.
- (t) no Loan is considered by the Seller as being in default within the meaning of Article 178(1) of Regulation (EU) No.575/2013 (the "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 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 CRR.

- (u) no Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired debtor" as described in Article 20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto.
- (v) no Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the LCR Regulation of paragraph 2(k) of Article 177 of Regulation (EU) No. 2015/35 (or, in each case, if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation).
- (w) as at the Closing Date or on the date when any new Loans and their Related Security are included in the Portfolio, as applicable, each Loan has a standardised risk weight equal to or smaller than 40 per cent. on an exposure value-weighted average basis for the Portfolio as such terms are described in Article 243 of the CRR.
- (x) the total amount of Arrears of Interest or principal, together with any fees, commissions and premiums payable at the same time as such interest payment or principal repayment, on any Loan is not as at the relevant Cut-off Date (or, in respect of any Substitute Loan, the Substitution Date, or in respect of any Additional Loan, the Additional Sale Date) in respect of such Loan more than the Monthly Payment payable in respect of such Loan in respect of the month in which such date falls.
- (y) the Current Balance on each Loan and its Related Security constitutes a valid debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute legal, valid, binding and enforceable obligations of the Borrower and each Loan and its Related Security is non-cancellable (except that (i) the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest; (ii) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and, for the avoidance of doubt, such laws include but are not limited to, the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999 and the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015; and (iii) this representation shall not apply in respect of any early repayment charges or redemption fees).
- (z) interest on each Loan is charged and paid by the relevant Borrower in accordance with the provisions of the Standard Documentation of the Seller and is payable monthly in advance.
- (aa) in relation to any Loan in respect of which interest is calculated or will be calculated by reference to the Issuer Variable Rate, the Issuer or, following the service of an Enforcement Notice, the Trustee has a right (but not the obligation) to set the Issuer Variable Rate at any time and from time to time and such Issuer Variable Rate is and will be binding on, and enforceable against, the relevant Borrower pursuant to the terms and conditions applicable to the relevant Loan and/or the Mortgage (the "**Mortgage Terms**") (except that (i) the Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest; (ii) enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the courts' discretion in relation to equitable remedies and, for the avoidance of doubt, such laws include but are not limited to, the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999, the Unfair Contract Terms Act 1977 and the Consumer Rights Act 2015 (and include any guidance issued in the United Kingdom by the Competition and Markets Authority or the Financial Conduct Authority relating to the interpretation, scope and application of the unfair terms regime under those enactments); and (iii) this representation shall not apply in respect of any early repayment charges or redemption fees).
- (bb) no agreement for any Loan or variation of such agreement is or includes a regulated consumer credit agreement (as defined in Section 8 of the CCA) or constitutes any other agreement regulated or partly regulated by the CCA (other than Sections 140A to 140D of the CCA) or, to

the extent that it is so regulated or partly regulated, all the requirements of the CCA have been complied with in all material respects (or to the extent of any non-compliance, such non-compliance would not be such as to prevent enforcement of that Loan or any of its material terms by the Seller).

- (cc) all of the Borrowers are individuals and were aged 18 years or older at the date of entering into the relevant Loan and its Related Security and the identity of each Borrower has been verified by the Seller in accordance with procedures which would be acceptable to a Prudent Mortgage Lender.
- (dd) the whole of the Current Balance on each Loan and all further advances made prior to the Closing Date, prior to the Additional Sale Date in respect of Additional Loans, prior to the Substitution Date in respect of Substitution Loans, or prior to the Advance Date in respect of Further Advances, and interest, fees, costs, expenses and any other amounts payable under or in respect of such Loan are secured by a Mortgage over a residential property.
- (ee) each Mortgage constitutes a valid and subsisting first ranking charge by way of legal mortgage (in relation to the English Loans) or first priority standard security (in relation to the Scottish Loans) over the relevant Mortgaged Property.
- (ff) each Mortgage has first priority for the whole of the Current Balance on the Loan and interest on such Current Balance and all fees, costs, expenses and other amounts payable under or in respect of such Loan or Mortgage.
- (gg) neither the Seller nor its assignees are under an obligation to make further amounts available or to release retentions or to pay fees or other sums relating to any Loan or its Related Security to any Borrower.
- (hh) all of the Mortgaged Properties are residential properties situated in England, Wales or Scotland.
- (ii) each Mortgaged Property is either freehold, leasehold, commonhold or heritable and if a Mortgaged Property is leasehold, written notice has been given to the landlord of the creation of the relevant Mortgage.
- (jj) in respect of each Loan secured on leasehold Mortgaged Property, the relevant leasehold interest had, as at the date when the Loan was originated, an unexpired term left to run of not less than 30 years after the maturity of the relevant Loan.
- (kk) every person who, at the date upon which a Mortgage over property situated in England and Wales was granted, and was in or about to be in actual occupation of the relevant property, other than: (i) in the case of a Loan originated for the purpose of a purchase, where such person is under the age of 17; (ii) in the case of a Loan originated on or after 7 May 2003 for the purpose of a remortgage under the "Skipton Remortgage Conveyancing Service", where such person is a child of a Borrower under the age of 25; (iii) in the case of a Loan originated prior to 7 May 2003 for the purpose or a remortgage under the "Skipton Remortgage Conveyancing Service", where such person is under the age of 17; (iv) in the case of a Loan originated for the purpose of a remortgage not under the "Skipton Remortgage Conveyancing Service", where such person is under the age of 17; (v) in the case of a Further Advance where the Borrower is the sole Borrower; (vi) where the Borrowers are joint borrowers acting in their capacity as trustees; or (vii) where the Seller has acted as a Prudent Mortgage Lender in respect of owner occupied mortgage loans in making such Loan, is either named as a Borrower or has signed a deed of consent in the form of the pro forma contained in the Standard Documentation and, in relation to each Mortgage over property situated in Scotland, all necessary MH/CP Documentation has been obtained so as to ensure that neither the relevant property nor the relevant Mortgage is subject to or affected by any statutory right of occupancy.
- (ll) each Borrower has a good and marketable title to the Mortgaged Property free from any encumbrance which:
 - (i) would materially adversely affect such title; and

- (ii) a Prudent Mortgage Lender would regard as unacceptable for security purposes.
- (mm) not more than 6 months prior to the granting of each Mortgage, the Seller received a Valuation Report from a Valuer on the relevant Mortgaged Property (or such other form of valuation as would be acceptable to a Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Prudent Mortgage Lender.
- (nn) prior to the inception of each Mortgage (except in the case of a remortgage or a Further Advance), the Seller:
 - (i) instructed its solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Mortgaged Property and to undertake such other searches, investigation, enquiries and other actions on behalf of the Seller as are set out in the instructions which the Seller issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out in the case of English Loans in the UK Finance Mortgage Lenders' Handbook for England and Wales and, in the case of Scottish Loans, the UK Finance Mortgage Lenders' Handbook for Scotland (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would have been acceptable to a Prudent Mortgage Lender at the relevant time; and
 - (ii) received a report on title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer in paragraph (i) above, relating to such Mortgaged Property the contents of which were such as would have been acceptable to a Prudent Mortgage Lender at that time.
- (oo) each Mortgaged Property was at the time of inception of the Mortgage required to be insured to an amount not less than the full reinstatement cost as determined by the relevant valuer under:
 - (i) a Buildings Insurance Policy arranged by the Borrower in accordance with the Mortgage Conditions; or
 - (ii) with respect to leasehold Mortgaged Properties, a Buildings Insurance Policy arranged by the relevant landlord,

and in all cases: (A) against risks usually covered by a comprehensive building insurance policy; and (B) the Seller has received no notice from the Borrower that any Mortgaged Property has ceased to be insured.
- (pp) the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold and/or assigned by the Seller to the Issuer free and clear of all Security, claims and equities (including, without limitation, rights of set-off or counterclaim).
- (qq) all steps necessary to perfect the Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.
- (rr) save for Title Deeds held at the Land Registry or Registers of Scotland (as applicable) and Title Deeds existing in dematerialised forms, Title Deeds relating to each of the Loans and their Related Security are held by, or are under the control of the Seller, the Administrator or the Seller's solicitors, licensed conveyancers or (in Scotland) qualified conveyancers to the order of the Seller.
- (ss) there is no restriction on the assignment of the Loans and their Related Security and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the Mortgage Sale Agreement without breaching any term or condition applying to any of them.

- (tt) the Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan, Mortgage or its Related Security, other than waivers and acquiescence such as a Prudent Mortgage Lender might make.
- (uu) the Issuer will not have any liability for costs or fees payable by the Seller in connection with the making of the Loan or the granting of the Related Security.
- (vv) the Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loan and all such accounts, books and records are up to date and in the possession of the Seller or held to its order.
- (ww) neither the Seller nor, as far as the Seller is aware, any of its agents has received written notice of any litigation or dispute (subsisting, threatened or pending) in respect of any Borrower, a Mortgaged Property, Loan, Related Security or Insurance Policy which (if adversely determined) might have a material adverse effect on the value of any Loan.
- (xx) there are no authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or perform its obligations under the Mortgage Sale Agreement to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence and, with the exception of sending notification of assignment to the Borrowers, all formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken.
- (yy) to the best knowledge and belief of the Seller, no corporate action has been taken or is pending, no other steps have been taken and no legal proceedings have been commenced or are threatened or are pending for (i) the winding-up, liquidation, dissolution, administration or reorganisation of the Seller, (ii) the Seller to enter into any composition or arrangement with its creditors generally or (iii) the appointment of a receiver, administrative receiver, trustee or other similar officer in respect of the Seller or any of its property, undertaking or assets, and no documents have been filed with the court for the appointment of an administrator and no notice of intention to appoint an administrator has been served, and no steps have been taken by the Seller with a view to obtaining a moratorium in respect of any indebtedness of the Seller or for the purpose of proposing a company voluntary arrangement, and no event equivalent to any of the foregoing has occurred in or under the laws of any relevant jurisdiction applicable to the Seller.
- (zz) the Seller is and has been in material compliance with the requirements of MCOB in so far as they apply to any of the Loans, Related Security or Insurance Policies at all relevant times, and the Seller has at all relevant times held all authorisations, approvals, licenses, consents and orders required by it under the FSMA in connection with the Loans, Related Security and Insurance Policies.
- (aaa) to the extent that any Loan and its Related Security and any guarantee in relation to that Loan is subject to UTCCR or the CRA 2015 no official proceedings have been taken by the FCA or by a qualifying body as defined in the 1999 Regulations against the Seller, pursuant to the UTCCR or by the CMA or other relevant regulator under the CRA 2015 or otherwise which might prevent or restrict the use in such agreement of any material term or the enforcement of any such term.
- (bbb) no action has been taken by any official body in relation to any Loan (whether on its own or taken together with any related agreement) under which it is alleged that such Loan gives rise to an unfair relationship under Sections 140A to 140D of the CCA.
- (ccc) no Loan is a second charge loan, a right to buy loan, a family purchase loan, a tenant purchase loan, a LIBOR loan, a buy to let loan, a guarantor loan, a construction loan, a consent to let loan, a commercial loan or a loan which would allow overpayment and subsequent re-drawing of such overpayments without prior consent from the Seller (an "**Excluded Loan**").
- (ddd) the Loans sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement are "financial assets" as defined in International Accounting Standard 32 (IAS 32).

- (eee) no Related Security or Ancillary Right in respect of a Loan is stock or a marketable security (as such terms are defined for the purposes of section 122 of the Stamp Act 1891), a chargeable security (as such term is defined for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of the Finance Act 2003 and section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013) and Section 4(1) of the Land Transaction Tax and Anti-Avoidance of Devolved Taxes (Wales) Act 2017 as appropriate.
- (fff) no Loan has a fixed term reversion date falling later than 20 June 2030.

For the purposes of this section and where used elsewhere in this Prospectus, the following words shall have the meanings set out below:

"Buildings Insurance Policies" means all buildings insurance policies relating to Properties taken out (a) in the name of the relevant Borrower and (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property and each a **"Building Insurance Policy"**.

"MH/CP Documentation" means an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or the Civil Partnership Act 2004 (both as amended) in connection with a Scottish Mortgage or the Property secured thereby.

"Valuation Report" means the valuation report or reports for mortgage purposes obtained by the Seller from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller which may include the use of automated valuation models and drive-by valuations.

Representations will also be given by the Seller in respect of Further Advances and Product Switches on the last calendar day in each month during which an Advance Date and/or a Switch Date, as applicable, has occurred.

Additional Loan Conditions

In order for any Additional Loans to be sold to the Issuer, certain conditions (the **Additional Loan Conditions**) must be complied with as at the relevant Additional Cut-off Date:

- (i) the documents required to be delivered pursuant to the Mortgage Sale Agreement in connection with the sale and purchase of such Additional Loans are delivered to the Issuer;
- (ii) the Additional Loans are not in breach of any of the Loan Warranties as tested on the relevant Additional Cut-off Date;
- (iii) the purchase by the Issuer of the Additional Loans and any Related Security would not cause the then current rating of the Class A Notes to be downgraded, qualified or withdrawn;
- (iv) no Event of Default shall have occurred which is continuing or remains unwaived;
- (v) the General Reserve Fund is at the General Reserve Required Amount;
- (vi) no Revolving Period End Date has occurred or will occur as a result of the sale and purchase of such Additional Loan;
- (vii) if the Seller's short term issuer default rating is below F2 by Fitch or the Seller's short term unsecured, unsubordinated and unguaranteed debt rating is below P-2 by Moody's (or such other lower short term rating acceptable to the relevant Rating Agency) respectively as at the relevant Additional Cut-off Date, the Seller has, within three months prior to the relevant Additional Cut-off Date, delivered a solvency certificate to the Issuer and the Trustee in accordance with the Mortgage Sale Agreement;

- (viii) the weighted average current unindexed LTV of the Combined Portfolio will not exceed 75 per cent. as at the Additional Cut-Off Date;
- (ix) the Current Balance of the Loans in the Combined Portfolio (including Further Advances) with an Original LTV of more than 85 per cent. will not exceed 35 per cent of the aggregate Current Balance of the Loans in the Combined Portfolio as at the Additional Cut-Off Date;
- (x) the Current Balance of the Interest-Only Loans in the Combined Portfolio will not exceed 12 per cent of the aggregate Current Balance of the Loans in the Combined Portfolio as at the Additional Cut-Off Date;
- (xi) the Current Balance of the Loans to (i) individual borrowers who are self-employed, and (ii) in the case of joint borrowers, where the Borrower with the highest annual income is self-employed, in the Combined Portfolio will not exceed 25 per cent. of the aggregate Current Balance of the Loans in the Combined Portfolio as at the Additional Cut-Off Date;
- (xii) where such Additional Loan is subject to a fixed rate of interest, such Additional Loan will be included in the calculation of the notional amount in respect of the Fixed Rate Swap Transaction as at the start of the calendar month immediately following the date on which such Additional Loan is added to the Portfolio;
- (xiii) no Additional Loan has an indexed LTV of more than 95 per cent. as at the Additional Cut-Off Date;
- (xiv) each Additional Loan that is a Fixed Rate Loan will not have a reversion date falling later than 20 June 2030;
- (xv) the minimum interest rate of each Additional Loan that is a Tracker Rate Loan is Bank of England Base Rate plus 0.8 per cent; and
- (xvi) the minimum interest rate of each Additional Loan that is a Fixed Rate Loan is Bank of England Base Rate plus 0.8 per cent.

Combined Portfolio" means with respect to the Additional Loans to be sold to the Issuer on the next Additional Sale Date, the aggregate of the Portfolio and such Additional Loans.

Repurchase by the Seller

The Seller has agreed in the Mortgage Sale Agreement to repurchase any of the Loans together with their Related Security sold by it to the Issuer in the circumstances described below. The Seller does not have any discretionary rights of repurchase.

If:

- (a) any of the Loan Warranties given by the Seller are materially breached in respect of any Loan and/or its Related Security or any Loan Warranty proves to be materially untrue as at the Closing Date (in respect of the Initial Loans) or on any Additional Sale Date (in respect of any Additional Loans), as the case may be and this (where capable of remedy) has not been remedied within 30 Business Days of receipt by the Seller of notice from the Issuer in relation thereto, or
- (b) in respect of any Additional Loans, it is determined that an Additional Loan sold to the Issuer during the Revolving Period had not complied with any of the Additional Loan Conditions on the basis of the position in relation to such Additional Loans and data calculated as at the relevant Additional Cut-off Date, and such breach is either not capable of remedy or has not been remedied by the Seller within 90 days of receiving notice of such breach from the Issuer,

the Seller will, upon receipt of a further notice from the Issuer, purchase such Loan and its Related Security from the Issuer no later than 30 days after the date on which such notice was given. Consideration for such repurchase shall be provided on the date falling 5 Business Days after the completion of such repurchase and shall be deemed satisfied by payment in cash and/or the substitution of

equivalent Loan(s) (the "**Substitute Loans**") such that the aggregate of the Current Balance(s) of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the Current Balance(s) of the Loan(s) subject to repurchase.

A Loan and its Related Security may also be repurchased in certain circumstances where a Product Switch, Further Advance or, substitution is made. See "*Product Switches, Further Advances, Additional Loans and Substitution*" below.

The Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and (following the service of an Enforcement Notice) the Trustee of any breach of a Loan Warranty as soon as the Seller becomes aware of such breach.

No active portfolio management

The Seller's rights and obligations to sell Loans (including Additional Loans) and their Related Security to the Issuer and/or repurchase Loans and their Related Security from the Issuer pursuant to the Mortgage Sale Agreement (including with respect to breach of Loan Warranties, insufficient funds to fund a further Advance, breach of Conditions, breach of the Additional Loan Conditions, and interest rate hedging) do not constitute active portfolio management for purposes of Article 20(7) of the Securitisation Regulation.

Centre of main interests

Pursuant to the Mortgage Sale Agreement, the Seller shall confirm that its "centre of main interests" for the purposes of the EU Insolvency Regulation and the UNCITRAL Implementing Regulations is in England and Wales and that it has no "establishment" (as defined in the EU Insolvency Regulation and the UNCITRAL Implementing Regulations) other than in England and Wales.

Product Switches, Further Advances, Additional Loans and Substitution

A. Further Advances

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller or the Administrator (on behalf of the Seller) may make an offer to any Borrower for a Further Advance. If a Borrower requests, or the Seller or the Administrator (on behalf of the Seller) offers, a Further Advance under a Loan, the Seller or the Administrator (on behalf of the Seller) will be solely responsible for offering, documenting and funding that Further Advance. Any Further Advance made to a Borrower will be purchased by the Issuer on the last calendar day in the month during which the Further Advance is made by the Seller to the relevant Borrower (the "**Advance Date**").

A Further Advance will be purchased by the Issuer on the last calendar day in each month during which an Advance Date has occurred, and the Seller must, in relation to the Loan which is subject to the Further Advance, give the Further Advance Warranties set out in the Mortgage Sale Agreement on such date. Further, the Issuer must pay the Further Advance Purchase Price to the Seller on the date falling 5 Business Days after the last day of the calendar month in which the Further Advance is made, to the extent that the Issuer has sufficient Principal Receipts. The purchase price for the relevant Further Advance shall be an amount equal to the Current Balance of the Further Advance (the "**Further Advance Purchase Price**") and will be paid from Principal Receipts.

The Seller or the Administrator (on behalf of the Seller) is obliged to serve a notice (the "**Notice of Non-Satisfaction of Further Advance Conditions**") on the Issuer if at any time they have identified (beyond a reasonable doubt), but in any case on or before close of business on the last day in the calendar month during which the relevant Further Advance was made, that all or some of the following conditions (the "**Further Advance Conditions**") cannot be satisfied in relation to a Further Advance:

- (a) the Advance Date falls before the Step-Up Date;
- (b) no Event of Default has occurred and is continuing;
- (c) no Seller Insolvency Event has occurred;

- (d) no Administrator Insolvency Event has occurred;
- (e) if the Seller's short term issuer default rating is below F2 by Fitch or the Seller's short term unsecured, unsubordinated and unguaranteed debt rating is below P-2 by Moody's (or such other lower short term rating acceptable to the relevant Rating Agency), the Seller has provided to the Issuer and the Trustee a solvency certificate (in form and substance acceptable to the Trustee) signed by an authorised signatory of the Seller dated no earlier than the day falling three months prior to the relevant Advance Date;
- (f) the purchase of the Further Advance will not result in the aggregate principal balance outstanding of all Further Advances purchased by the Issuer exceeding 5 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date;
- (g) the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 5 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio;
- (h) each Loan and its Related Security which is the subject of the Further Advance complies, as at the last calendar day in each month during which an Advance Date has occurred, with the Further Advance Warranties on such date;
- (i) the original weighted average LTV ratio (calculated by dividing debt previously advanced (including any Further Advances made) by the valuation figure contained in a Valuation Report made at the time of the latest Loan advance) of the Loans in the Portfolio (including the relevant Further Advances) does not exceed 80 per cent.;
- (j) the current LTV ratio (as measured by the Current Balance of such Loan plus the relevant Further Advance divided by the latest valuation) is less than 95 per cent.;
- (k) the outstanding Current Balance of any Loans in the Portfolio (including any Further Advance) with an interest-only part does not exceed 25 per cent. of the aggregate Current Balance of the Loans in the Portfolio;
- (l) the General Reserve Fund is at the General Reserve Required Amount; and
- (m) if required, each Loan which is the subject of a Further Advance will be included in the calculation of the notional amount in respect of the Fixed Rate Swap Transaction as at the start of the calendar month immediately following the date on which the Further Advance is added to the Portfolio, provided that this condition shall not apply in respect of any Loan which is not included in the notional amount of the Fixed Rate Swap Transaction for the calculation period during which such Further Advance is added to the Portfolio.

If by close of business on the last calendar day of the month during which a Further Advance has been given:

- (a) a Notice of Non-Satisfaction of Further Advance Conditions has been given by the Seller to the Issuer and has yet to be revoked by the Seller; or
- (b) there are insufficient amounts available to the Issuer to pay the Further Advance Purchase Price,

then the Seller must repurchase the relevant Loan and its Related Security from the Issuer on the date falling 5 Business Days after the last day of the calendar month in which the Further Advance is made. Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the Current Balance(s) of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the Current Balance(s) of the Loan(s) subject to repurchase.

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

- (a) any of the representations or warranties made by it on the last calendar day in each month during which an Advance Date has occurred in respect of any Loan originated by it subject to a Further Advance was materially untrue as at such date; or
- (b) any of the Further Advance Conditions was in fact not satisfied in relation to a Further Advance on the last calendar day of the month in which the Advance Date occurred:
 - (i) despite no Notice of Non-Satisfaction of Further Advance Conditions having been given by the Seller to the Issuer no later than one Business Day prior to the last day of the relevant calendar month; or
 - (ii) where a Notice of Non-Satisfaction of Further Advance Conditions was given but was revoked by the Seller by the Business Day prior to the last day of such calendar month,

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

Neither the Seller nor the Administrator (as applicable) shall be permitted to issue any offer for a Further Advance to any Borrower with a Loan which is delinquent or which is in default.

Where used in this Prospectus, the following terms have the following meanings:

"Further Advance", means a further amount lent to a Borrower under his or her Loan after the Closing Date (or the Additional Sale Date, as the case may be), which amount is secured by the same Property as the Loan.

"Further Advance Warranties" means the warranties set out at paragraphs (b) to (w) (inclusive), (y), (z), (bb), (dd), (ee), (ff), (gg), (pp), (qq), (rr), (ss), (vv), (ww), (xx), (yy), (zz), (aaa), (bbb), (ccc) and (fff) in *"Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Representations and Warranties"*.

"Monthly Payment" means the amount which the relevant Mortgage Terms require a Borrower to pay on each Monthly Payment Day.

"Monthly Payment Day" means the date in each month on which interest (and principal in relation to a repayment mortgage) is due to be paid by a Borrower on a Loan under the applicable Mortgage Terms or, if any such day is not a Business Day, the next following Business Day.

B. Product Switches

A Loan will be subject to a **"Product Switch"** if there is any variation of the financial terms and conditions of the Loan other than:

- (i) an addition or a release of a party to the Loan;
- (ii) any variation agreed with a Borrower to control or manage arrears on the Loan;
- (iii) any variation which extends the maturity date of the Loan up to the Interest Payment Date falling in December 2054;
- (iv) any variation imposed by statute; and

- (v) any variation of a Loan from Repayment Loan to an Interest Only Loan or *vice versa*,

each a "**Permitted Variation**".

Such Permitted Variations may be made to the Loans without the requirement for the Seller to obtain any further consent or comply with any further condition.

The Seller or the Administrator (on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. If a Borrower requests, or the Seller or the Administrator (on behalf of the Seller) offers, a Product Switch under a Loan, the Seller or the Administrator (on behalf of the Seller) will be solely responsible for offering and documenting that Product Switch and such Product Switch shall be effective from the date stated in the relevant request or offer (the "**Switch Date**").

Any Loan which has been subject to a Product Switch will remain in the Portfolio unless the Seller has given a Notice of Non-Satisfaction of Product Switch Conditions. The Seller or the Administrator (on behalf of the Seller) is obliged to serve a notice (the "**Notice of Non-Satisfaction of Product Switch Conditions**") on the Issuer if at any time they have identified (beyond a reasonable doubt), but in any case on or before close of business on the last day in the calendar month during which the relevant Product Switch was made, that all or some of the following conditions (the "**Product Switch Conditions**") cannot be satisfied in relation to a Product Switch:

- (a) the Switch Date falls before the Step-Up Date;
- (b) no Event of Default has occurred and is continuing;
- (c) no Seller Insolvency Event has occurred;
- (d) no Administrator Insolvency Event has occurred;
- (e) if the Seller's short term issuer default rating is below F2 by Fitch or the Seller's short term unsecured, unsubordinated and unguaranteed debt rating is below P-2 by Moody's (or such other lower short term rating acceptable to the relevant Rating Agency), the Seller has provided to the Issuer and the Trustee a solvency certificate (in form and substance acceptable to the Trustee) signed by an authorised signatory of the Seller dated no earlier than the day falling three months prior to the relevant Switch Date;
- (f) the Product Switch will be effected by such means as would be adopted by the Seller, for the purpose of ensuring the validity and priority of the Loan, were such switch in respect of a loan advanced by the Seller which is not part of the Portfolio;
- (g) the Product Switch will be similar to switches offered to the Seller's mortgage borrowers whose mortgage loans do not form part of the Portfolio;
- (h) the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 5 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio;
- (i) each Loan and its Related Security which is the subject of a Product Switch complies with the Product Switch Warranties on the last calendar day of the month during which the relevant Product Switch is made;
- (j) the outstanding Current Balance of any Loans in the Portfolio (including any Product Switch) with an interest only part does not exceed 25 per cent. of the aggregate Current Balance of the Loans in the Portfolio;
- (k) the General Reserve Fund is at the General Reserve Required Amount; and

- (l) if required and where the Loan which is the subject of a Product Switch is or becomes subject to a fixed interest rate, such Loan will be included in the calculation of the notional amount in respect of the Fixed Rate Swap Transaction as at the start of the calendar month immediately following the date on which such Product Switch is made.

Product Switch Warranties means the warranties set out at paragraphs (e), (f), (g), (i), (y), (bb), (yy), (zz), (aaa), (bbb), (ccc) and (fff) in "*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Representations and Warranties*".

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

If by close of business on the last calendar day of the month during which a Product Switch has been effected a Notice of Non-Satisfaction of Product Switch Conditions has been given by the Seller to the Issuer and has not yet to be revoked by the Seller, then the Seller must repurchase the relevant Loan and its Related Security from the Issuer on the date being 5 Business Days after the last day of the calendar month in which the Switch Date falls. Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the Current Balance(s) of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the Current Balance(s) of the Loans subject to repurchase.

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

- (a) any representation or warranty made by it as at the last day of the calendar month in which the Switch Date falls in respect of any of its Loans which is subject to a Product Switch was materially untrue as at the date it was made; or
- (b) any of the Product Switch Conditions were in fact not satisfied on the last day of the calendar month in which the Switch Date falls:
 - (i) despite no Notice of Non-Satisfaction of Product Switch Conditions being given by the Seller to the Issuer on the last calendar day of the month during which the relevant Product Switch was effected; or
 - (ii) where a Notice of Non-Satisfaction of Product Switch Conditions was given but was revoked by the Seller prior to close of business on the last calendar day of the month during which the relevant Product Switch was effected,

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

Where in relation to a proposed Further Advance or a Product Switch, the Seller or the Administrator (on behalf of the Seller) proposes making a Further Advance or Product Switch (as applicable), the Seller may, despite the Seller not having given (in the case of the Further Advance) a Notice of Non-Satisfaction of Further Advance Conditions or (in the case of the Product Switch) a Notice of Non-Satisfaction of Product Switch Conditions (as applicable) to the Issuer, as alternatives to selling the Further Advance to the Issuer or the Loan which is the subject of a Product Switch remaining in the Portfolio (as applicable), elect to repurchase the relevant Loan and its Related Security from the Issuer on the date falling 5 Business Days after the last day of the calendar month in which the Advance Date or the Switch Date, (as applicable) falls for a consideration equal to its Current Balance. Any such election must be made prior to the last day of the calendar month in which the relevant Advance Date or Switch Date (as

applicable) falls. The Seller must pay to the Issuer the consideration for the relevant Loan and its Related Security which is the subject of a Further Advance or a Product Switch (as applicable) no later than 5 Business Days after the last day of the calendar month in which such Further Advance or Product Switch is made.

C. Substitute Loans

The Seller may offer the Issuer (and the Issuer shall accept) a Substitute Loan as consideration for the repurchase of a Loan which was (i) in breach of any representation or warranty, (ii) in relation to any Additional Loan, in breach of any Additional Loan Condition as at the relevant Additional Loan Condition Test Date, or (iii) in respect of which an unrevoked Notice of Non-Satisfaction of Further Advance Conditions or unrevoked Notice of Non-Satisfaction of Product Switch Conditions has been given by the Seller to the Issuer. Any Substitute Loan will be assigned to the Issuer (or, in the case of a Substitute Loan being a Scottish Loan, placed in trust pursuant to a Scottish Declaration of Trust) unless the Seller has given notice to the Issuer no later than one Business Day prior to the Substitution Date that any of the Substitution Conditions are not satisfied (a "**Notice of Non-Satisfaction of Substitution Conditions**") and such notice has not been revoked by the Seller no later than the Business Day prior to the date that the substitution is made (the "**Substitution Date**").

A Notice of Non-Satisfaction of Substitution Conditions may be given by the Seller to the Issuer if the Seller has identified beyond a reasonable doubt that any of the following conditions (the "**Substitution Conditions**") are not satisfied:

- (a) the Substitution Date falls before the Step-Up Date;
- (b) no Event of Default has occurred and is continuing;
- (c) no Seller Insolvency Event has occurred;
- (d) no Administrator Insolvency Event has occurred;
- (e) if the Seller's short term issuer default rating is below F2 by Fitch or the Seller's short term unsecured, unsubordinated and unguaranteed debt rating is below P-2 by Moody's (or such other lower short term rating acceptable to the relevant Rating Agency), the Seller has provided to the Issuer and the Trustee a solvency certificate (in form and substance acceptable to the Trustee) signed by an authorised signatory of the Seller dated no earlier than the day falling three months prior to the relevant Substitution Date;
- (f) the Substitute Loan and Related Security constitutes the same ranking and priority security over a Property as the security provided in respect of the relevant repurchased Loan;
- (g) the Substitute Loan and its Related Security complies with the Loan Warranties as of the relevant Substitution Date;
- (h) the substitution will not result in the Loan which is assigned being an Excluded Loan; and
- (i) if required and where such Substitute Loan is subject to a fixed rate of interest, such Substitute Loan will be included in the calculation of the notional amount in respect of the Fixed Rate Swap Transaction as at the start of the calendar month immediately following the date on which such Substitute Loan is added to the Portfolio.

If by close of business on the Business Day prior to the Substitution Date no Notice of Non-Satisfaction of Substitution Conditions has been given by the Seller to the Issuer, or has been so given and subsequently revoked by the Seller, the Seller must, in relation to the relevant Loan, give the Loan Warranties in respect of Substitute Loans as at the relevant Substitution Date. Where the Seller has served a Notice of Non-Satisfaction of Substitution Conditions on the Issuer which has not been revoked by close of business on the Business Day prior to the date that the Substitution is to be made, the Seller shall not be entitled to sell and assign/transfer the Substitute Loan(s) to the Issuer.

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

- (a) any representation or warranty made on the relevant Substitution Date by it in respect of any of its Substitute Loans was materially untrue as at the Substitution Date; or
- (b) any Substitution Condition was in fact not satisfied on the Substitution Date for a Substitute Loan:
 - (i) despite no Notice of Non-Satisfaction of Substitution Conditions being given by the Seller by close of business on the Business Day prior to the Substitution Date; or
 - (ii) where a Notice of Non-Satisfaction of Substitution Conditions was given but was revoked by the Seller by close of business on the Business Day prior to the Substitution Date,

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

The Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and (following the service of an Enforcement Notice) the Trustee of any breach of any Loan Warranty in respect of any of the relevant Loans subject to Further Advances, Product Switches or substitution as soon as it has identified such breach.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with the Mortgage Sale Agreement, other than certain aspects of it in relation to Scottish Loans and their Related Security which will be construed in accordance with Scots law, will be governed by English law.

STATISTICAL INFORMATION ON THE PROVISIONAL PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Portfolio of £ 813,418,781 as at 31 December 2019 (the "**Initial Cut-off Date**"). The Initial Portfolio has been randomly selected from the Provisional Portfolio. A Loan will be removed from the Provisional Portfolio if in the period from (and including) the Initial Cut-off Date to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not or would not comply with the representations and warranties given by the Seller in the Mortgage Sale Agreement on the Closing Date. The Provisional Portfolio was determined on or prior to the Initial Cut-off Date by the Seller in accordance with the procedures as described in "*Selection of the Portfolio*" above.

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

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

As of the Initial Cut-off Date, the Provisional Portfolio had the following characteristics:

Total outstanding current balance	£813,418,781
Number of Loans	5,859
Number of properties	5,373
Average current loan balance	£151,390
Weighted average current LTV (non-indexed)	63.95 %
Weighted average current LTV (indexed)	60.82 %
Weighted average current seasoning	2.23 years
Weighted average current interest rate	2.18 %
Weighted average original LTV	69.26 %
Weighted average remaining term	22.33 years

1. Current Balances as at the Cut-off Date

The following table shows the range of outstanding Current Balances of mortgage accounts in the Provisional Portfolio as at the Initial Cut-off Date and the date of origination. The figures in the following tables have been calculated on the basis of the number of Properties in the Provisional Portfolio. For the purposes of the second table below, "Original Loan Balance" refers to the amount outstanding on a given Loan as at the time of the latest loan advance.

Current Loan Balance	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0 - 15,000.....	621,046	0.08%	49	0.91%
15,001 - 20,000.....	1,149,074	0.14%	65	1.21%
20,001 - 30,000.....	3,173,641	0.39%	124	2.31%
30,001 - 40,000.....	5,177,031	0.64%	147	2.74%
40,001 - 50,000.....	7,949,600	0.98%	176	3.28%
50,001 - 60,000.....	11,606,381	1.43%	211	3.93%
60,001 - 70,000.....	16,544,874	2.03%	256	4.76%
70,001 - 80,000.....	20,850,955	2.56%	277	5.16%
80,001 - 90,000.....	23,796,869	2.93%	280	5.21%
90,001 - 100,000.....	28,488,794	3.50%	300	5.58%
100,001 - 125,000.....	78,261,238	9.62%	695	12.94%
125,001 - 150,000.....	93,114,054	11.45%	679	12.64%
150,001 - 200,000.....	152,005,529	18.69%	877	16.32%
200,001 - 250,000.....	113,611,372	13.97%	510	9.49%
250,001 - 500,000.....	216,300,018	26.59%	661	12.30%
500,001 - 750,000.....	33,153,303	4.08%	57	1.06%
Over 750,000.....	7,615,000	0.94%	9	0.17%
Total.....	813,418,781	100.00%	5,373	100.00%
Data shown at property level				
Min:.....	9,439			
Max:.....	940,528			
Average:.....	151,390			

Original Loan Balance	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0 - 15,000.....	84,168	0.01%	6	0.11%
15,001 - 20,000.....	342,712	0.04%	22	0.41%
20,001 - 30,000.....	1,033,064	0.13%	51	0.95%
30,001 - 40,000.....	2,058,551	0.25%	75	1.40%
40,001 - 50,000.....	4,428,082	0.54%	126	2.35%
50,001 - 60,000.....	7,391,648	0.91%	160	2.98%
60,001 - 70,000.....	10,713,516	1.32%	201	3.74%
70,001 - 80,000.....	14,981,882	1.84%	238	4.43%
80,001 - 90,000.....	19,915,865	2.45%	271	5.04%
90,001 - 100,000.....	23,167,720	2.85%	281	5.23%
100,001 - 125,000.....	71,706,243	8.82%	726	13.51%
125,001 - 150,000.....	93,253,930	11.46%	762	14.18%
150,001 - 200,000.....	155,404,954	19.11%	989	18.41%
200,001 - 250,000.....	121,947,428	14.99%	599	11.15%
250,001 - 500,000.....	236,150,940	29.03%	777	14.46%
500,001 - 750,000.....	40,998,494	5.04%	76	1.41%
Over 750,000.....	9,839,585	1.21%	13	0.24%
Total.....	813,418,781	100.00%	5,373	100.00%
Data shown at property level				
Min:.....	14,000			
Max:.....	1,000,000			
Average:.....	168,779			

2. Loan-to-Value Ratios as at the Cut-off Date

The following tables show the range of LTV ratios, which express the Current Balance of the aggregate of Loans in a mortgage account in the Provisional Portfolio as at the Initial Cut-off Date or the date of origination of the Loan, as applicable divided by the valuation as at origination of the Loan or the most recent valuation thereof (including indexed valuations where applicable — see "*The Loans — Lending Criteria — Valuations*"). For the avoidance of doubt, there have been no revaluations for the purposes of the issuance of the Notes. The figures in the following tables have been calculated on the basis of the number of Properties in the Provisional Portfolio. For the purposes of the third table below, "*Original LTV*" refers to the amount outstanding on a given Loan as at the time of the latest loan advance.

Current LTV (non-indexed)	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0% - 40%	118,187,330	14.53%	1,349	25.11%
40.01% - 50%	92,477,684	11.37%	619	11.52%
50.01% - 60%	122,261,315	15.03%	738	13.74%
60.01% - 70%	116,253,576	14.29%	674	12.54%
70.01% - 75%	65,595,080	8.06%	361	6.72%
75.01% - 80%	55,484,218	6.82%	315	5.86%
80.01% - 85%	77,169,046	9.49%	413	7.69%
85.01% - 90%	147,848,819	18.18%	790	14.70%
90.01% - 95%	18,141,712	2.23%	114	2.12%
Over 95%	-	0.00%	-	0.00%
Total	813,418,781	100.00%	5,373	100.00%
Data shown at property level				
Min:	1.87%			
Max:	94.56%			
Weighted Average:	63.95%			

Current LTV (indexed)	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0% - 40%	145,625,036	17.90%	1,576	29.33%
40.01% - 50%	115,603,512	14.21%	731	13.61%
50.01% - 60%	117,672,783	14.47%	684	12.73%
60.01% - 70%	117,306,379	14.42%	647	12.04%
70.01% - 75%	58,850,432	7.23%	318	5.92%
75.01% - 80%	70,088,573	8.62%	371	6.90%
80.01% - 85%	68,744,132	8.45%	380	7.07%
85.01% - 90%	84,687,351	10.41%	469	8.73%
90.01% - 95%	34,840,583	4.28%	197	3.67%
Over 95%	-	0.00%	-	0.00%
Total	813,418,781	100.00%	5,373	100.00%
Data shown at property level				
Min:	1.77%			
Max:	94.84%			
Weighted Average:	60.82%			

Original LTV	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0% - 40%.....	75,831,566	9.32%	834	15.52%
40.01% - 50%.....	79,565,258	9.78%	562	10.46%
50.01% - 60%.....	111,534,031	13.71%	727	13.53%
60.01% - 70%.....	92,069,286	11.32%	615	11.45%
70.01% - 75%.....	94,920,006	11.67%	583	10.85%
75.01% - 80%.....	60,030,313	7.38%	364	6.77%
80.01% - 85%.....	81,762,793	10.05%	465	8.65%
85.01% - 90%.....	199,145,292	24.48%	1,105	20.57%
90.01% - 95%.....	18,560,236	2.28%	118	2.20%
Over 95%.....	-	0.00%	-	0.00%
Total	813,418,781	100.00%	5,373	100.00%
Data shown at property level				
Min:.....	4.17%			
Max:.....	95.00%			
Weighted Average:.....	69.26%			

3. Repayment Type

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

Repayment Type	Current			
	Value (£)	% Portfolio	Number	% Portfolio
Repayment.....	761,960,861	93.67%	5,616	95.85%
Interest Only.....	35,305,513	4.34%	172	2.94%
Part & Part.....	16,152,407	1.99%	71	1.21%
Total	813,418,781	100.00%	5,859	100.00%
Data shown at loan level				

4. Geographical Distribution of Properties

The following table shows the distribution of Properties securing the Loans in the Provisional Portfolio throughout England, Wales and Scotland as at the Initial Cut-off Date. No such properties are situated outside England, Wales or Scotland. The Seller's lending criteria and current credit scoring tests do not take into account the geographical location of the property securing a Loan. The figures in the following table have been calculated on the basis of the Properties in the Provisional Portfolio.

Regional Distribution	Current			
	Value (£)	% Portfolio	Number	% Portfolio
East Anglia.....	27,847,500	3.42%	186	3.46%
East Midlands.....	64,007,721	7.87%	472	8.78%
Greater London.....	95,844,828	11.78%	329	6.12%
North.....	33,991,952	4.18%	298	5.55%
North West.....	85,613,063	10.53%	646	12.02%
Scotland.....	93,296,681	11.47%	783	14.57%
South East.....	151,021,459	18.57%	748	13.92%
South West.....	83,426,783	10.26%	530	9.86%
Wales.....	33,634,204	4.13%	261	4.86%
West Midlands.....	67,908,732	8.35%	467	8.69%
Yorkshire & Humberside.....	76,825,858	9.44%	653	12.15%
Total	813,418,781	100.00%	5,373	100.00%
Data shown at property level				

5. Interest Rate Type

The following table shows the distribution of Loan products in the Provisional Portfolio as at the Initial Cut-off Date. The figures in the following table have been calculated on the basis of the Loans in the Provisional Portfolio (including Further Advances).

Interest Payment Type	Current			
	Value (£)	% Portfolio	Number	% Portfolio
Fixed	730,560,946	89.81%	5,169	88.22%
Capped	-	0.00%	-	0.00%
Discount	1,508,456	0.19%	18	0.31%
Seller Variable Rate	15,814,631	1.94%	200	3.41%
Tracker	65,534,747	8.06%	472	8.06%
Total	813,418,781	100.00%	5,859	100.00%

Data shown at loan level

6. Seasoning of Loans

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

Seasoning (years)	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0 – 1.00.....	267,727,276	32.91%	1,649	28.14%
1.01 – 2.00.....	207,091,807	25.46%	1,344	22.94%
2.01 – 3.00.....	165,488,184	20.34%	1,084	18.50%
3.01 – 4.00.....	45,885,980	5.64%	375	6.40%
4.01 – 5.00.....	54,694,123	6.72%	501	8.55%
5.01 – 6.00.....	31,492,802	3.87%	344	5.87%
6.01 – 7.00.....	12,976,727	1.60%	157	2.68%
7.01 – 8.00.....	7,727,337	0.95%	86	1.47%
8.01 – 9.00.....	6,781,633	0.83%	79	1.35%
9.01 – 10.00.....	1,721,390	0.21%	27	0.46%
Over 10 years	11,831,521	1.45%	213	3.64%
Total	813,418,781	100.00%	5,859	100.00%

Data shown at loan level

Min:.....	0.18
Max:	17.70
Weighted Average:.....	2.23

7. Years to Maturity

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

Years to Maturity	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0 - 5.00	10,986,588	1.35%	236	4.03%
5.01 - 10.00	45,412,369	5.58%	643	10.97%
10.01 - 15.00	102,300,865	12.58%	990	16.90%
15.01 - 20.00	141,045,855	17.34%	1,011	17.26%
20.01 - 25.00	205,251,765	25.23%	1,254	21.40%
25+	308,421,339	37.92%	1,725	29.44%
Total	813,418,781	100.00%	5,859	100.00%

Data shown at loan level

Min:.....	0.92
Max:	34.66
Weighted Average:.....	22.33

8. Loan Purpose

The following table shows the purpose of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the number of Properties in the Provisional Portfolio.

Loan Purpose	Current			
	Value (£)	% Portfolio	Number	% Portfolio
Purchase	473,292,751	58.19%	2,882	53.64%
Remortgage	302,324,046	37.17%	2,179	40.55%
Debt Consolidation.....	37,801,983	4.65%	312	5.81%
Total	813,418,781	100.00%	5,373	100.00%

Data shown at property level

9. Interest Rate

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

Current Interest Rate	Current			
	Value (£)	% Portfolio	Number	% Portfolio
0% - 1.00%.....	-	0.00%	-	0.00%
1.01% - 2.00%.....	389,082,040	47.83%	2,608	44.51%
2.01% - 3.00%.....	374,408,731	46.03%	2,772	47.31%
3.01% - 4.00%.....	33,062,890	4.06%	244	4.16%
4.01% - 5.00%.....	14,980,603	1.84%	199	3.40%
5.01% - 6.00%.....	1,884,517	0.23%	36	0.61%
6.01% - 7.00%.....	-	0.00%	-	0.00%
7.01% - 8.00%.....	-	0.00%	-	0.00%
8.01% - 9.00%.....	-	0.00%	-	0.00%
Over 9%	-	0.00%	-	0.00%
Total	813,418,781	100.00%	5,859	100.00%

Data shown at loan level

Min:.....	1.24
Max:	5.20
Weighted Average:.....	2.18

10. Property Type

The following table shows property types in respect of the Loans in the Provisional Portfolio. The figures in the following table have been calculated on the basis of the number of Properties in the Provisional Portfolio.

Property Type	Current			
	Value (£)	% Portfolio	Number	% Portfolio
House	733,708,435	90.20%	4,876	90.75%
Flat	79,710,346	9.80%	497	9.25%
Total	813,418,781	100.00%	5,373	100.00%

Data shown at property level

Verification of data

The Provisional Portfolio has been subject to an agreed upon procedures review on a sample of loans selected from the Provisional Portfolio conducted by a third party and completed on or about 16 December 2019 with respect of the Provisional Portfolio in existence as of 30 November 2019 and no significant adverse findings have been found. This independent third party has also performed agreed upon procedures in order to verify the Provisional Portfolio with the Loan Warranties that are able to be tested, and no significant adverse findings have been found. 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.

Environmental performance of the Loans

As at the Cut-Off Date, the administrative records of Skipton Building Society do not contain any information related to the environmental performance of the property securing the Loans.

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 Seller was made available prior to pricing on the website of European DataWarehouse at <https://editor.eurodw.eu/home>. Such information will cover the period from 2014 and 2018. 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 Portfolio and, as such, it is expected that the performance of such loans, over a period of four years, would not be significantly different to the performance of the loans in the Portfolio.

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK 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 CPR Rates

In the following tables, quarterly industry constant prepayment rate ("**Industry CPR**") data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by monetary and financial institutions in a quarter by the quarterly balance of mortgages outstanding for monetary and financial institutions, and other specialist mortgage lenders in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

Industry CPR Rates		
Date	CPR rate for the quarter	4 quarter rolling average
Mar-1999	12.68%	
Jun-1999	16.26%	
Sep-1999	17.92%	
Dec-1999	16.96%	15.96%
Mar-2000	13.76%	16.23%
Jun-2000	15.50%	16.04%
Sep-2000	16.09%	15.58%
Dec-2000	15.90%	15.31%
Mar-2001	15.60%	15.77%
Jun-2001	18.42%	16.50%
Sep-2001	20.19%	17.53%
Dec-2001	19.88%	18.52%
Mar-2002	18.73%	19.30%
Jun-2002	21.62%	20.10%
Sep-2002	23.80%	21.01%
Dec-2002	23.01%	21.79%
Mar-2003	20.96%	22.35%
Jun-2003	22.27%	22.51%
Sep-2003	23.72%	22.49%
Dec-2003	24.25%	22.80%
Mar-2004	20.75%	22.75%
Jun-2004	22.27%	22.75%
Sep-2004	23.15%	22.61%
Dec-2004	19.75%	21.48%
Mar-2005	17.12%	20.57%
Jun-2005	19.58%	19.90%
Sep-2005	22.63%	19.77%
Dec-2005	22.78%	20.53%
Mar-2006	20.54%	21.38%
Jun-2006	22.20%	22.04%
Sep-2006	23.13%	22.16%
Dec-2006	22.84%	22.18%
Mar-2007	21.36%	22.38%
Jun-2007	22.51%	22.46%
Sep-2007	22.72%	22.36%
Dec-2007	20.63%	21.81%
Mar-2008	18.73%	21.15%
Jun-2008	19.21%	20.32%
Sep-2008	17.31%	18.97%

Dec-2008	13.82%	17.27%
Mar-2009	11.08%	15.36%
Jun-2009	10.34%	13.14%
Sep-2009	11.29%	11.63%
Dec-2009	11.21%	10.98%
Mar-2010	9.63%	10.62%
Jun-2010	10.63%	10.69%
Sep-2010	11.13%	10.65%
Dec-2010	10.79%	10.55%
Mar-2011	9.88%	10.61%
Jun-2011	10.49%	10.57%
Sep-2011	11.80%	10.74%
Dec-2011	11.26%	10.86%
Mar-2012	10.41%	10.99%
Jun-2012	10.66%	11.03%
Sep-2012	11.00%	10.83%
Dec-2012	11.25%	10.83%
Mar-2013	10.89%	10.95%
Jun-2013	12.50%	11.41%
Sep-2013	14.11%	12.19%
Dec-2013	14.50%	13.00%
Mar-2014	13.20%	13.58%
Jun-2014	13.92%	13.93%
Sep-2014	14.85%	14.12%
Dec-2014	14.52%	14.12%
Mar-2015	13.20%	14.12%
Jun-2015	14.27%	14.21%
Sep-2015	15.48%	14.37%
Dec-2015	15.71%	14.67%
Mar-2016	15.44%	15.23%
Jun-2016	15.13%	15.44%
Sep-2016	15.95%	15.56%
Dec-2016	15.47%	15.50%
Mar-2017	14.99%	15.39%
Jun-2017	14.89%	15.33%
Sep-2017	16.15%	15.38%
Dec-2017	16.42%	15.61%
Mar-2018	15.26%	15.68%
Jun-2018	15.42%	15.81%
Sep-2018	16.86%	15.99%
Dec-2018	16.42%	15.99%
Mar-2019	14.67%	15.84%
Jun-2019	14.65%	15.65%
Sep-2019	15.36%	15.27%

Source of repayment and outstanding mortgage information: Bank of England via Haver Analytics, UK Finance

Repossession Rate

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

Repossession Rate	
Year	Repossessions (%)
1985	0.25
1986	0.30
1987	0.32
1988	0.22

1989	0.17
1990	0.47
1991	0.77
1992	0.69
1993	0.58
1994	0.47
1995	0.47
1996	0.40
1997	0.31
1998	0.31
1999	0.27
2000	0.20
2001	0.16
2002	0.11
2003	0.07
2004	0.07
2005	0.12
2006	0.18
2007	0.22
2008	0.34
2009	0.43
2010	0.34
2011	0.33
2012	0.30
2013	0.26
2014	0.19
2015	0.09
2016	0.07
2017	0.07
2018	0.06

Source: UK Finance

House Price to Earnings Ratio

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the Annual Survey of Hours and Earnings referring to median gross weekly earnings in April of each year for those male employees whose earnings were not affected by their absence from work. While this is a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

House Price to Earnings Ratio	
Year	House Price to Earnings Ratio
1975	3.66
1976	3.50
1977	3.17
1978	3.08
1979	3.60
1980	4.04
1981	3.97
1982	3.80
1983	3.95
1984	3.99
1985	3.99
1986	4.15
1987	4.46
1988	5.18
1989	5.78

1990	5.46
1991	5.22
1992	4.84
1993	4.62
1994	4.57
1995	4.39
1996	4.35
1997	4.48
1998	4.63
1999	4.94
2000	5.51
2001	5.66
2002	6.37
2003	7.14
2004	7.66
2005	7.86
2006	8.09
2007	8.47
2008	7.81
2009	7.13
2010	7.37
2011	7.09
2012	7.03
2013	7.13
2014	7.61
2015	7.89
2016	8.24
2017	8.42
2018	8.44

Source: Land Registry/Office for National Statistics via Haver Analytics

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.

Date	House Price Index	Annual Change
Jan-2005	79.20	
Feb-2005	79.55	
Mar-2005	80.12	
Apr-2005	80.29	
May-2005	80.66	
Jun-2005	80.97	
Jul-2005	81.40	
Aug-2005	81.71	
Sep-2005	82.00	
Oct-2005	82.31	
Nov-2005	82.90	
Dec-2005	83.32	
Jan-2006	84.11	6.2%
Feb-2006	84.69	6.5%
Mar-2006	85.32	6.5%
Apr-2006	86.13	7.3%
May-2006	86.41	7.1%
Jun-2006	86.88	7.3%
Jul-2006	87.45	7.4%

Aug-2006	88.16	7.9%
Sep-2006	88.97	8.5%
Oct-2006	89.99	9.3%
Nov-2006	90.86	9.6%
Dec-2006	91.97	10.4%
Jan-2007	92.95	10.5%
Feb-2007	93.66	10.6%
Mar-2007	94.39	10.6%
Apr-2007	95.12	10.4%
May-2007	95.64	10.7%
Jun-2007	96.28	10.8%
Jul-2007	96.71	10.6%
Aug-2007	97.25	10.3%
Sep-2007	97.84	10.0%
Oct-2007	98.15	9.1%
Nov-2007	98.58	8.5%
Dec-2007	98.43	7.0%
Jan-2008	97.69	5.1%
Feb-2008	97.27	3.9%
Mar-2008	96.65	2.4%
Apr-2008	95.61	0.5%
May-2008	95.65	0.0%
Jun-2008	93.97	-2.4%
Jul-2008	92.17	-4.7%
Aug-2008	90.22	-7.2%
Sep-2008	88.33	-9.7%
Oct-2008	87.05	-11.3%
Nov-2008	85.02	-13.8%
Dec-2008	83.78	-14.9%
Jan-2009	82.68	-15.4%
Feb-2009	82.04	-15.7%
Mar-2009	81.64	-15.5%
Apr-2009	81.37	-14.9%
May-2009	82.07	-14.2%
Jun-2009	82.50	-12.2%
Jul-2009	83.24	-9.7%
Aug-2009	84.03	-6.9%
Sep-2009	85.02	-3.7%
Oct-2009	86.14	-1.0%
Nov-2009	86.85	2.1%
Dec-2009	87.54	4.5%
Jan-2010	88.05	6.5%
Feb-2010	88.58	8.0%
Mar-2010	88.68	8.6%
Apr-2010	88.76	9.1%
May-2010	88.80	8.2%
Jun-2010	88.81	7.6%
Jul-2010	88.90	6.8%
Aug-2010	88.84	5.7%
Sep-2010	88.93	4.6%
Oct-2010	88.58	2.8%
Nov-2010	87.88	1.2%
Dec-2010	87.90	0.4%
Jan-2011	87.93	-0.1%
Feb-2011	87.75	-0.9%
Mar-2011	87.41	-1.4%
Apr-2011	87.80	-1.1%
May-2011	87.08	-1.9%

Jun-2011	86.82	-2.2%
Jul-2011	87.13	-2.0%
Aug-2011	87.07	-2.0%
Sep-2011	87.17	-2.0%
Oct-2011	86.89	-1.9%
Nov-2011	87.24	-0.7%
Dec-2011	87.06	-1.0%
Jan-2012	87.16	-0.9%
Feb-2012	87.20	-0.6%
Mar-2012	87.46	0.1%
Apr-2012	87.59	-0.2%
May-2012	87.57	0.6%
Jun-2012	88.05	1.4%
Jul-2012	87.62	0.6%
Aug-2012	87.56	0.6%
Sep-2012	87.57	0.5%
Oct-2012	87.68	0.9%
Nov-2012	88.00	0.9%
Dec-2012	87.98	1.1%
Jan-2013	88.06	1.0%
Feb-2013	88.33	1.3%
Mar-2013	88.79	1.5%
Apr-2013	88.89	1.5%
May-2013	89.05	1.7%
Jun-2013	89.45	1.6%
Jul-2013	89.68	2.4%
Aug-2013	90.17	3.0%
Sep-2013	90.60	3.5%
Oct-2013	90.97	3.7%
Nov-2013	91.72	4.2%
Dec-2013	92.71	5.4%
Jan-2014	93.50	6.2%
Feb-2014	94.23	6.7%
Mar-2014	94.46	6.4%
Apr-2014	95.80	7.8%
May-2014	96.45	8.3%
Jun-2014	96.92	8.4%
Jul-2014	97.49	8.7%
Aug-2014	98.30	9.0%
Sep-2014	98.84	9.1%
Oct-2014	99.45	9.3%
Nov-2014	99.44	8.4%
Dec-2014	99.81	7.6%
Jan-2015	100.00	7.0%
Feb-2015	100.44	6.6%
Mar-2015	100.78	6.7%
Apr-2015	100.89	5.3%
May-2015	101.60	5.3%
Jun-2015	101.96	5.2%
Jul-2015	102.86	5.5%
Aug-2015	103.62	5.4%
Sep-2015	104.31	5.5%
Oct-2015	105.20	5.8%
Nov-2015	106.19	6.8%
Dec-2015	106.74	6.9%
Jan-2016	107.71	7.7%
Feb-2016	108.15	7.7%
Mar-2016	109.10	8.3%

Apr-2016	108.87	7.9%
May-2016	109.72	8.0%
Jun-2016	110.31	8.2%
Jul-2016	110.51	7.4%
Aug-2016	110.45	6.6%
Sep-2016	110.73	6.2%
Oct-2016	111.12	5.6%
Nov-2016	111.83	5.3%
Dec-2016	112.19	5.1%
Jan-2017	112.65	4.6%
Feb-2017	113.15	4.6%
Mar-2017	113.43	4.0%
Apr-2017	113.90	4.6%
May-2017	114.42	4.3%
Jun-2017	114.96	4.2%
Jul-2017	115.43	4.5%
Aug-2017	115.97	5.0%
Sep-2017	116.14	4.9%
Oct-2017	116.64	5.0%
Nov-2017	116.75	4.4%
Dec-2017	117.25	4.5%
Jan-2018	117.51	4.3%
Feb-2018	118.21	4.5%
Mar-2018	117.62	3.7%
Apr-2018	118.17	3.7%
May-2018	118.22	3.3%
Jun-2018	118.53	3.1%
Jul-2018	119.03	3.1%
Aug-2018	119.21	2.8%
Sep-2018	119.51	2.9%
Oct-2018	119.73	2.6%
Nov-2018	119.64	2.5%
Dec-2018	119.59	2.0%
Jan-2019	119.56	1.7%
Feb-2019	119.57	1.2%
Mar-2019	119.74	1.8%
Apr-2019	119.61	1.2%
May-2019	119.68	1.2%
Jun-2019	119.86	1.1%
Jul-2019	120.16	1.0%
Aug-2019	120.58	1.2%
Sep-2019	121.19	1.4%
Oct-2019	121.52	1.5%
Nov-2019	122.25	2.2%

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INFORMATION ON THE SELLER STANDARD VARIABLE RATES

The below table provides information on how the Seller's Standard Variable Rate has changed each month since 31 January 2014, as compared to each of the Bank of England Base Rate and SONIA Reference Rate at the relevant time, in order to allow an assessment of the Standard Variable Rate in relation to other market rates.

"**Bank of England Base Rate**" means the rate as advised from time to time by the Monetary Policy Committee of the Bank of England.

"**3-Month-LIBOR**" means the London Interbank Offered Rate for three-month sterling deposits at the relevant date.

"**SONIA**" means the Sterling Overnight Index Average (not compounded) at the relevant date.

"**Seller Standard Variable Rate**" means any variable mortgage rate set by Skipton Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market in relation to a mortgage which was originated prior to 30 December 2009.

"**Seller Mortgage Variable Rate**" means any variable mortgage rate set by Skipton Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market in relation to a mortgage which was originated on or after 14 November 2012.

Date	Bank of England Base Rate (%)	3 Month LIBOR (%)	SONIA (%)	Seller Standard Variable Rate (%)	Seller Mortgage Variable Rate (%)
31/01/2014	0.50	0.52125	0.4104	4.95	5.49
28/02/2014	0.50	0.52188	0.3904	4.95	5.49
31/03/2014	0.50	0.52219	0.3342	4.95	5.49
30/04/2014	0.50	0.52706	0.3984	4.95	5.49
30/05/2014	0.50	0.53063	0.4169	4.95	5.49
30/06/2014	0.50	0.55250	0.3807	4.95	5.49
31/07/2014	0.50	0.55963	0.4045	4.95	5.49
29/08/2014	0.50	0.55963	0.4005	4.95	5.49
30/09/2014	0.50	0.56525	0.4027	4.95	4.99
31/10/2014	0.50	0.55338	0.4227	4.95	4.99
28/11/2014	0.50	0.55275	0.4225	4.95	4.99
31/12/2014	0.50	0.56400	0.3565	4.95	4.99
30/01/2015	0.50	0.56338	0.4195	4.95	4.99
27/02/2015	0.50	0.56369	0.4442	4.95	4.99
31/03/2015	0.50	0.56963	0.4217	4.95	4.99
30/04/2015	0.50	0.56875	0.4529	4.95	4.99
29/05/2015	0.50	0.56719	0.4506	4.95	4.99
30/06/2015	0.50	0.57850	0.3947	4.95	4.99
31/07/2015	0.50	0.58156	0.4481	4.95	4.99
31/08/2015	0.50	0.58688	0.4526	4.95	4.99
30/09/2015	0.50	0.58313	0.3518	4.95	4.99
30/10/2015	0.50	0.58000	0.4482	4.95	4.99
30/11/2015	0.50	0.57075	0.4539	4.95	4.99
31/12/2015	0.50	0.59038	0.3475	4.95	4.99
29/01/2016	0.50	0.58938	0.4517	4.95	4.99
29/02/2016	0.50	0.59125	0.4545	4.95	4.99
31/03/2016	0.50	0.58813	0.4128	4.95	4.99
29/04/2016	0.50	0.59056	0.4584	4.95	4.99
31/05/2016	0.50	0.58819	0.4542	4.95	4.99
30/06/2016	0.50	0.55838	0.4416	4.95	4.99
29/07/2016	0.50	0.49388	0.4534	4.95	4.99
31/08/2016	0.25	0.38750	0.2018	4.70	4.74

30/09/2016	0.25	0.38275	0.1624	4.70	4.74
31/10/2016	0.25	0.40375	0.1999	4.70	4.74
30/11/2016	0.25	0.38463	0.2024	4.70	4.74
30/12/2016	0.25	0.36663	0.1618	4.70	4.74
31/01/2017	0.25	0.35588	0.2078	4.70	4.74
28/02/2017	0.25	0.35650	0.2030	4.70	4.74
31/03/2017	0.25	0.33744	0.1740	4.70	4.74
28/04/2017	0.25	0.32525	0.2108	4.70	4.74
31/05/2017	0.25	0.29381	0.2087	4.70	4.74
30/06/2017	0.25	0.30669	0.1940	4.70	4.74
31/07/2017	0.25	0.28613	0.2034	4.70	4.74
31/08/2017	0.25	0.27744	0.2109	4.70	4.74
29/09/2017	0.25	0.33500	0.1991	4.70	4.74
31/10/2017	0.25	0.43960	0.2096	4.70	4.74
30/11/2017	0.50	0.52138	0.4623	4.70	4.74
29/12/2017	0.50	0.52106	0.4123	4.70	4.74
31/01/2018	0.50	0.52231	0.4668	4.70	4.74
28/02/2018	0.50	0.58163	0.4612	4.70	4.74
30/03/2018	0.50	0.71180	0.4435	4.70	4.74
30/04/2018	0.50	0.71034	0.4507	4.70	4.74
31/05/2018	0.50	0.61149	0.4503	4.70	4.74
29/06/2018	0.50	0.67413	0.4399	4.70	4.74
31/07/2018	0.50	0.79825	0.4503	4.70	4.74
31/08/2018	0.75	0.80050	0.7042	4.95	4.99
28/09/2018	0.75	0.80025	0.6964	4.95	4.99
31/10/2018	0.75	0.81675	0.7002	4.95	4.99
30/11/2018	0.75	0.89338	0.7002	4.95	4.99
31/12/2018	0.75	0.91244	0.6998	4.95	4.99
31/01/2019	0.75	0.91200	0.7034	4.95	4.99
28/02/2019	0.75	0.85200	0.7050	4.95	4.99
31/03/2019	0.75	0.84838	0.7036	4.95	4.99
30/04/2019	0.75	0.81688	0.7109	4.95	4.99
31/05/2019	0.75	0.79588	0.7078	4.95	4.99
30/06/2019	0.75	0.77375	0.7060	4.95	4.99
31/07/2019	0.75	0.77263	0.7081	4.95	4.99
31/08/2019	0.75	0.75925	0.7103	4.95	4.99
30/09/2019	0.75	0.75800	0.7101	4.95	4.99
31/10/2019	0.75	0.80925	0.7106	4.95	4.99
30/11/2019	0.75	0.79313	0.7123	4.95	4.99
31/12/2019	0.75	0.79163	0.7098	4.95	4.99

THE ADMINISTRATOR

The Administrator

Under the Administration Agreement, Skipton Building Society will be appointed as the Administrator of the Loans together with their Related Security.

Skipton Building Society is an entity which is subject to prudential, capital and liquidity regulation in the United Kingdom and it has well documented and adequate policies, procedures and risk management controls relating to the servicing of mortgage loans. Such policies, procedures and risk management controls have been assessed and confirmed by the FCA and the PRA in the United Kingdom. Skipton Building Society has significantly more than five years of experience in servicing of mortgage loans similar to those included in the Portfolio.

This section describes the Administrator's administration procedures based on the current Skipton Building Society mortgage servicing policies. The Administrator will administer the Loans and their Related Security in the Portfolio in accordance with its policies applicable from time to time, but subject to the terms of the Administration Agreement. For a description of the Administrator's obligations under the Administration Agreement, see "*The Administration Agreement*".

Under the terms of the Administration Agreement, Skipton Building Society as Administrator will covenant to service the Loans in the Portfolio as if the same had not been sold to the Issuer but had remained on the books of Skipton Building Society and in accordance with Skipton Building Society's procedures and servicing and enforcement policies as they apply to the Loans from time to time. As such, Skipton Building Society as Administrator will service the Loans in the Portfolio in the same way as comparable mortgage loans which are not included in the Portfolio.

Administration Procedures

Administration procedures include:

- Managing of Mortgage Accounts in arrears;
- Issuing redemption statements, processing lump sum payments and early redemption fees;
- Collecting and distributing title deeds and any supporting documents as well as storage of deeds;
- Processing transfers of titles, notices of death, forfeitures and irritancies of leases, sale and exchange of land, account conversions, term amendments, deed amendments, compensation and enforcement notices;
- Dealing with all types of transactions posting and refunding fees, setting up direct debits, payment date changes and payment holidays;
- Dealing with all customer correspondence on other aspects of mortgages once the loan is drawn down, including changes in customer details and changes on the customer mortgage, i.e. product, repayment etc; and
- Notifying Borrowers of changes to interest rates applicable to the loans.

Payment of Interest and Principal

Pursuant to the terms and conditions of the Loans, Borrowers must pay the monthly amount required under the terms and conditions of the Loans on or before each monthly instalment due date, within the month they are due. Interest accrues in accordance with the terms and conditions of each Loan and is collected from Borrowers monthly.

Payments are monthly in arrear and payments of all Loans are payable in the month that they are due.

Collections

Payments by Borrowers in respect of amounts due under the Loans will be made into the non-interest bearing collection account held by the Seller (the "**Collection Account**") at the Collection Account Bank. Amounts credited to the Collection Account from (and including) the Closing Date that relate to the Loans will be identified on a daily basis (each such aggregate daily amount, a "**Daily Loan Amount**") and the Seller will transfer an amount equal to the Daily Loan Amount from the Collection Account into the Transaction Account by the next Business Day after that Daily Loan Amount is identified as received in the Collection Account.

The Seller will declare a trust over its Collection Account (the "**Collection Account Declaration of Trust**") in favour of, *inter alios*, the Issuer and itself (in its capacity as a beneficiary) absolutely as beneficial tenants in common. The Issuer's share of the capital of the trust (the "**Issuer Trust Share**") on any date shall be in an amount equal to the aggregate of the Daily Loan Amounts paid into the Collection Account from (and including) the Closing Date (or the Additional Sale Date, as the case may be) to (and including) such date less an amount equal to the payments made by the Seller into the Transaction Account from (and including) the Closing Date (or the Additional Sale Date, as the case may be) to (and including) such date.

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

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

Arrears and Default Procedures

Delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, recoveries and other asset performance remedies and actions are defined in accordance with the Seller's procedures and servicing and enforcement policies as they apply to the Loans from time to time.

Borrowers who have one month arrears become subject to collection activity by the Administrator. There are three stages to these procedures:

Early Arrears

At this stage:

- (a) telephone contact is attempted during the day and early evening via any contact telephone numbers held on the system for the borrower;
- (b) should such telephone contact prove unsuccessful or details be unavailable, the Borrower is contacted by letter, email and / or a text message is sent requesting contact;
- (c) automated arrears letters are issued, provided arrears remain outstanding two days after the "profile date" (being the usual payment date) and no diary notes have been set or other automated letters issued within the last 14 days; and
- (d) if no proactive contact or agreement has been achieved after two months, a field agent is instructed to visit the Borrower to attempt resolution.

Arrangement Management

At this stage:

- (a) the system identifies further defaults;
- (b) further action is taken in the form of telephone, letters, emails and texts; and
- (c) cases that are at least three full months payment outstanding are given notice of intention to take legal proceedings.

Serious Arrears and litigation

A Borrower will move to this stage if they have at least three full monthly payments or more outstanding. At this stage:

- (a) solicitors are instructed to commence proceedings;
- (b) a possession order and monetary judgment is obtained; and
- (c) the possession order is enforced when further default occurs.

Back-Up Administrator

Following the occurrence of a Back-Up Administrator Event, the Issuer with the assistance of the Back-Up Administrator Facilitator will require the Administrator to use best efforts to appoint a back-up administrator (the "**Back-Up Administrator**") acceptable to the Trustee who would be willing to replace the Administrator on terms substantially similar to those set out in the Administration Agreement, provided that:

- (i) where the Administrator determines that it is not practicable, taking into account the then prevailing market conditions, to agree terms substantially similar to those set out in the Administration Agreement with such Back-Up Administrator, the Administrator shall have certified in writing to the Trustee that, to the extent the terms are not substantially similar as aforementioned, such terms are fair and on commercial terms taking into account the then prevailing current market conditions, which certificate may be relied upon by the Trustee without liability and without further enquiry and shall be conclusive and binding on all parties and the Secured Creditors; and
- (ii) the Trustee shall not be obliged to enter into any such arrangements if to do so would, in the sole opinion of the Trustee, have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or (b) increasing the obligations or duties, or decreasing the protections, of the Trustee in the Transaction Documents and/or the Conditions.

If the Administrator does not appoint a Back-Up Administrator within 60 days of being required to do so by the Issuer, the Administrator or Back-Up Administrator Facilitator, as applicable shall immediately upon notice from the Issuer appoint as Back-Up Administrator such person as specified by the Issuer (provided such person is acceptable to the Trustee) in accordance with the provisos set out above. The Back-Up Administrator will enter into a back-up administrator agreement (the "**Back-Up Administration Agreement**") with, among others, the Issuer.

Following the occurrence of an Administrator Termination Event and upon the termination of the appointment of the Administrator under the Administration Agreement, the Back-Up Administrator will, following a written notice period to be agreed with the Back-Up Administrator, replace the Administrator under the terms of a replacement administration agreement.

If, following the appointment of a Back-Up Administrator due to a change in the prevailing circumstances then applicable to the Administrator, the requirement to have in place an appointed back-up administrator is no longer applicable, then the appointment of the Back-Up Administrator may be terminated in accordance with the provisions of the Back-Up Administration Agreement without the need for the simultaneous replacement of the Back-Up Administrator with a successor back-up administrator.

For the purposes of this section and where used elsewhere in this Prospectus, Back-Up Administrator Event shall have the meaning set out below:

"Back-Up Administrator Event" means, at any time when there is no incumbent back-up administrator appointed:

- (a) if the Administrator's long-term counterparty risk assessment from Moody's ceases to be at least Baa3(cr), or if a long-term counterparty risk assessment from Moody's is not available, the long-term, unsecured, unguaranteed and unsubordinated debt obligations cease to have a rating from Moody's of at least Baa3 (or such other long-term rating which is otherwise acceptable to Moody's); or
- (b) if the Administrator ceases to have a long-term issuer default rating from Fitch of at least BBB- (or such other long-term rating which is otherwise acceptable to Fitch) or
- (c) if the Administrator's long-term, unsecured, unguaranteed and unsubordinated debt obligations or its counterparty ratings are not rated by Moody's or Fitch does not provide a long-term issuer default rating in respect of the Administrator, and the Rating Agencies have informed the Issuer or the Trustee in writing, or there is a public announcement from either of the Rating Agencies, that the continued appointment of the then current Administrator would, unless a back-up administrator is appointed, adversely affect the then current ratings of the Class A Notes.

THE ADMINISTRATION AGREEMENT

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

Introduction

The parties to the Administration Agreement to be entered into on or about the Closing Date will be the Issuer, the Trustee, the Seller, the Back-Up Administrator Facilitator and the Administrator.

On the Closing Date, Skipton Building Society (in such capacity, the "**Administrator**") will be appointed by the Issuer under the Administration Agreement as its agent to administer the Loans and their Related Security that it will sell to the Issuer in its capacity as Seller. The Administrator will undertake to comply with any proper directions and instructions that the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Administration Agreement. The Administrator will be required to administer the Loans and their Related Security in the following manner:

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

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

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

Powers

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

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Administrator

The Administrator will undertake, in relation to the Loans and their Related Security that the Seller has sold to the Issuer, among other things, that it will:

- (a) administer the relevant Loans and their Related Security as if the same had not been sold to the Issuer but had remained on the books of the Seller and in accordance with the Seller's procedures and administration and enforcement policies as they apply to the Loans from time to time;
- (b) provide the services to be undertaken by it under the Administration Agreement in such manner and with the same level of skill, care and diligence as would a Prudent Mortgage Lender;

- (c) comply with any proper directions, orders and instructions which the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Administration Agreement and, in the event of any conflict, those of the Trustee shall prevail;
- (d) maintain all approvals, authorisations, permissions, consents and licenses required for itself in connection with the performance of its duties under the Administration Agreement, and prepare and submit on a timely basis all necessary applications and requests for any further approvals, authorisations, permissions, consents and licenses required for itself in connection with the performance of its duties under the Administration Agreement;
- (e) save as otherwise agreed with the Issuer, provide free of charge to the Issuer and the Seller, office space, facilities, equipment and staff sufficient to fulfil the obligations of the Issuer and the Seller under the Administration Agreement;
- (f) not knowingly fail to comply with any legal requirements in the performance of its duties under the Administration Agreement;
- (g) make all payments required to be made by it pursuant to the Administration Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;
- (h) use reasonable endeavours to procure that the Seller makes payments in respect of the Loans into the Transaction Account not later than one Business Day following receipt of the same by the Seller;
- (i) not without the prior written consent of the Trustee amend or terminate any of the Transaction Documents in any material respect except in accordance with their terms;
- (j) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan pursuant to the Mortgage Sale Agreement, notify the Issuer and the Seller in writing of such event; and
- (k) ensure that at all times the relevant Loans comply with the material terms of the CCA (to the extent that such relevant Loans are regulated by that Act).

Compensation of the Administrator

The Administrator will receive an Administration Fee for servicing the Loans. The Issuer will pay the Administrator its Administration Fee which shall be calculated in relation to each Interest Period on the basis of the number of days elapsed and a 365 day year (or 366 day year in a leap year) of 0.2 per cent. per annum (inclusive of any applicable VAT) on the aggregate Current Balance of the Loans which the Seller has sold to the Issuer comprising the Portfolio as at the opening of business on the first day of the preceding Collection Period. The Administration Fee is payable quarterly in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Pre-Enforcement Revenue Priority of Payments to pay them. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Final Maturity Date or on any earlier date on which an Enforcement Notice is served by the Trustee on the Issuer.

Removal or Resignation of an Administrator

If any of the following events (each an "**Administrator Termination Event**") shall occur:

- (a) default is made by the Administrator in the payment on the due date of any payment due and payable by it under the Administration Agreement or any other Transaction Document and such default continues unremedied for a period of thirty Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following service of an Enforcement Notice) the Trustee requiring the same to be remedied; or

- (b) default is made by the Administrator in the performance or observance of any of its other covenants and obligations under the Administration Agreement or any other Transaction Document, which: (i) in the opinion of the Trustee is materially prejudicial to the interests of the Noteholders (which determination shall be conclusive and binding on all other Secured Creditors); or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Trustee, is materially prejudicial to their interests, and in each such case, such default continues unremedied for a period of thirty Business Days after the earlier of the Administrator becoming aware of such default and receipt by the Administrator of written notice from the Issuer or (following service of an Enforcement Notice) the Trustee requiring the same to be remedied provided however that where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Administrator has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute an Administrator Termination Event if, within such period of thirty Business Days, the Administrator terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or (following service of an Enforcement Notice) the Trustee may in its absolute discretion specify to remedy such default or to indemnify the Issuer and/or the Trustee against the consequences of such default; or
- (c) an Administrator Insolvency Event occurs in relation to the relevant Administrator. (In this context, "**Administrator Insolvency Event**" has, for so long as the Seller is the Administrator, the same meaning as Seller Insolvency Event (as defined in "*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement*" above but any reference to the Seller shall be deemed to be replaced with a reference to the Administrator),

then (prior to the delivery of an Enforcement Notice and with the prior written consent of the Trustee) the Issuer or (after delivery of an Enforcement Notice) the Trustee (in the case of (a) or (b)) may, at once or at any time thereafter while such default continues, and (in the case of (c)) shall, at once, by notice in writing to the Administrator terminate its appointment as Administrator under the Administration Agreement with effect from a date (not earlier than the date of the notice) specified in the notice (which date shall be 90 days (or such other greater period agreed between the Issuer, the Administrator and the Back-Up Administrator (if appointed)), provided that a substitute administrator has been appointed and such appointment to be effective not later than the date of such termination.

Subject to the fulfilment of a number of conditions (including the appointment of a substitute administrator), an Administrator may voluntarily resign by giving not less than 12 months' notice to the Issuer and the Trustee, provided that a substitute administrator has been appointed and such appointment to be effective not later than the date of such termination. The substitute administrator is required to have experience of administering mortgages in the United Kingdom and to enter into an administration agreement with the Issuer and the Trustee substantially on the same terms as the relevant provisions of the Administration Agreement.

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

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

The administration fee payable to a substitute administrator will be agreed by the Issuer and the substitute administrator prior to its appointment.

Right of Delegation by an Administrator

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

- (a) the Issuer consents to the proposed subcontracting or delegation;

- (b) written notification has been given to each of the Rating Agencies;
- (c) where the arrangements involve the custody or control of any customer files and/or title information documents, the subcontractor or delegate has executed a written acknowledgement that those customer files and/or title information documents are and will be held to the order of the Issuer and the Trustee;
- (d) where the arrangements involve or may involve the receipt by the subcontractor or delegate of moneys belonging to the Issuer which are to be paid into the Transaction Account, the subcontractor or delegate has executed a declaration that any such moneys are held on trust for the Issuer and will be paid forthwith into the Transaction Account in accordance with the terms of the Administration Agreement;
- (e) the subcontractor or delegate has executed a written waiver of any security interest arising in connection with the delegated services;
- (f) the Issuer and the Trustee have no liability for any costs, charges or expenses in relation to the proposed subcontracting or delegation; and
- (g) the subcontractor or delegate has confirmed that it has and will maintain all approvals required for itself in connection with the fulfilment of its obligations under the agreement with the Administrator.

The provisos set out in paragraphs (a) and (b) above (among others) will not be required in respect of any delegation to (i) Skipton Building Society, (ii) a wholly-owned subsidiary of Skipton Building Society from time to time or (iii) persons such as receivers, lawyers or other relevant professionals.

Liability of the Administrator

The Administrator has agreed to indemnify each of the Issuer and the Trustee on an after tax basis against all losses, liabilities, claims, expenses or damages incurred as a result of negligence, fraud or wilful default by the Administrator in carrying out its functions as administrator under the Administration Agreement or any other Transaction Document to which it is party or as a result of a breach by the Administrator of the terms of the Administration Agreement or the other Transaction Documents to which it is party (in such capacity).

Back-Up Administrator Facilitator

Under the Administration Agreement, upon the occurrence of a Back-Up Administrator Event, the Issuer shall require the Administrator, with the assistance of the Back-Up Administrator Facilitator, within 60 days, to use reasonable endeavours to appoint a suitable back-up administrator in accordance with the terms of the Administration Agreement.

Governing law

The Administration Agreement and any non-contractual obligations arising out of or in connection with the Administration Agreement are governed by English law, provided that any terms of the Administration Agreement particular to Scots law will be construed in accordance with the laws of Scotland.

THE SWAP PROVIDER

J.P. Morgan AG is a stock corporation (*Aktiengesellschaft*) established and existing in accordance with the laws of the Federal Republic of Germany with registered address Taunusturm, Taunustor 1, 60310 Frankfurt am Main, Germany and registered with the Commercial Register B (*Handelsregister B*) of the local court (*Amtsgericht*) of Frankfurt am Main under registration number HRB 16861. The purpose of J.P. Morgan AG's business is banking transactions of all kinds with the exception of investment and bond transactions. J.P. Morgan AG is an indirect wholly owned subsidiary of JPMorgan Chase & Co., has a full banking licence pursuant to section 1 (1) of the German Banking Act (*Kreditwesengesetz*) (including, but not limited to, Nos. 1 to 5 (excluding *Pfandbrief* business) and 7 to 9) and conducts banking business with institutional clients, banks, corporate clients and clients from the public sector. J.P. Morgan AG does not have securities admitted to trading on a regulated market or an equivalent market.

KEY STRUCTURAL FEATURES

Credit Enhancement and Liquidity Support

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

- the Available Revenue Receipts are expected to exceed interest due and payable on the Class A Notes and senior costs and expenses of the Issuer (including retaining the Issuer Profit Amount);
- an Income Deficit on any Interest Payment Date may be funded by applying amounts standing to the credit of the General Reserve Fund and a Remaining Income Deficit on any Interest Payment Date may (subject to certain conditions) be funded by applying Principal Receipts;
- during the Revolving Period, the application of amounts standing to the credit of the Retained Principal Ledger as Available Principal Receipts to fund: (i) any Class A Target Amortisation Amount Shortfall; and (ii) the Additional Loan Consideration for Additional Loans to be purchased by the Issuer on any Additional Sale Date during the Revolving Period. On the Interest Payment Date falling on, or immediately following, the Revolving Period End Date, all amounts standing to the credit of the Retained Principal Ledger shall be applied as Available Principal Receipts, no further amounts may be credited to the Retained Principal Ledger and as of and from such date there shall be no requirement to maintain the Retained Principal Ledger;
- the payments of interest and principal on the Classes of Notes in Sequential Order and the deferral of interest payments on the Class B Notes where the Issuer has insufficient proceeds.
- losses allocable to the Classes of Notes in reverse Sequential Order in the Principal Deficiency Ledger, first to the Class B Principal Deficiency Sub-Ledger and then to the Class A Principal Deficiency Sub-Ledger;
- the Transaction Account earns interest at SONIA Reference Rate less a margin rate and amounts credited to the Transaction Account may be invested in Authorised Investments;
- a Subordinated Loan is provided by the Subordinated Loan Provider to fund the General Reserve Fund on the Closing Date, to cover any shortfall to the extent the Initial Consideration exceeds the proceeds from the issue of the Notes on the Closing Date, to meet the costs in connection with the issuance of the Notes and to provide for the difference between Revenue Receipts received by the Issuer during the first Collection Period and the payments which the Issuer will be required to make in accordance with items (a) to (k) of the Pre-Enforcement Revenue Priority of Payments on the First Interest Payment Date. Repayment of the Subordinated Loan is subordinated to payments on the Notes;
- the Issuer will enter into the Swap Agreement to hedge against the possible variance between the fixed interest rates due and payable by Borrowers on the Fixed Rate Loans and the floating rate interest payments in respect of the Notes.

For the purposes of this paragraph and where used elsewhere in this Prospectus, "**Sequential Order**" means, in respect of payments of interest and principal to be made to the Class A Notes and Class B Notes, firstly, to the Class A Notes and secondly, to the Class B Notes.

Each of these factors is considered in more detail below.

Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be available to pay the amounts payable under items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess will vary during the life of the Notes. Two of the

key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see the section entitled "*Key Structural Features – Credit Enhancement and Liquidity Support – Basis Risk for the Notes*") and the performance of the Portfolio.

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

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

Liquidity support provided by use of General Reserve Fund and Available Principal Receipts to fund Income Deficit and Remaining Income Deficit

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of items (a) to (f) inclusive of the Pre-Enforcement Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose, the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Income Deficit by applying amounts standing to the credit of the General Reserve Fund.

If following application of Available Revenue Receipts and amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a Remaining Income Deficit, the Cash Manager will on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Income Deficit by applying Principal Receipts (if any).

Payment of the Notes in Sequential Order and deferral of interest payments on the Notes

Payments of interest on the Classes of Notes will be paid in Sequential Order (so that payments on the Class B Notes will be subordinated to payments on the Class A Notes) in accordance with the relevant Priority of Payments.

Any shortfall in payments of interest on any Class of Notes (other than the Most Senior Class) will be deferred until the next Interest Payment Date and this will not constitute an Event of Default. On the next Interest Payment Date, the amount of interest scheduled to be paid on a Class of Notes will be increased to take account of any deferral of such amounts for such Class of Notes. The deferral process will continue until the Final Maturity Date of the Notes, at which point, all such deferred amounts (including interest thereon) will become due and payable. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes, then the relevant Noteholders may not receive all interest amounts.

It is not intended that any surplus will be accumulated in the Issuer, other than, for the avoidance of doubt, the Issuer Profit Amount and amounts standing to the credit of the General Reserve Ledger and (to the extent required up to the Revolving Period End Date) the Retained Principal Ledger.

Applying amounts standing to the credit of the Retained Principal Ledger

Prior to the service of an Enforcement Notice on the Issuer on each Interest Payment Date falling in the Revolving Period, the Issuer (or the Cash Manager on its behalf) shall apply all amounts standing to the credit of the Retained Principal Ledger as Available Principal Receipts. If there is a Class A Target Amortisation Amount Shortfall on such Interest Payment Date, amounts withdrawn from the Retained Principal Ledger will be applied towards such Class A Target Amortisation Amount Shortfall and then credited to the Retained Principal Ledger in accordance with the Pre-Enforcement Principal Priority of Payments. During the Revolving Period, the Additional Loan Consideration for any Additional Loans will be paid by the Issuer using amounts standing to the credit of the Retained Principal Ledger on the relevant Additional Sale Date.

Losses allocated to the Principal Deficiency Ledger

On each Calculation Date, the Cash Manager will determine the amount of Losses on the Portfolio which is allocable to the Notes.

A Principal Deficiency Ledger, comprising two sub-ledgers (one relating to each Class of Notes), will be established on the Closing Date in order to record any Losses on the Portfolio and the application of any Principal Receipts to meet any Remaining Income Deficit.

Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B Notes.

Losses and the amount of any Principal Receipts applied to fund a Remaining Income Deficit will be recorded as a debit to the Principal Deficiency Ledger as follows:

- (a) *first*, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes; and
- (b) *second*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Amounts allocated to the Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments as follows:

- (a) *first*, to the Class A Principal Deficiency Sub-Ledger to reduce the debit balance to zero; and
- (b) *second*, to the Class B Principal Deficiency Sub-Ledger to reduce the debit balance to zero.

Available Revenue Receipts allocated as described above will be applied in or towards redemption of the relevant Class of Notes as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

On each Interest Payment Date, the Issuer shall also apply any amount standing to the credit of the General Reserve Fund to extinguish or reduce any balance on the Principal Deficiency Ledger (other than on the Class B Principal Deficiency Sub-Ledger) (see "*Liquidity support provided by use of General Reserve Fund and Principal Receipts to fund Income Deficit and Remaining Income Deficit*" above).

Transaction Account

If, at any time (i) both the short term issuer default rating of the Account Bank is downgraded to less than F1 by Fitch and the long term issuer default rating of the Account Bank is downgraded to less than A by Fitch; or (ii) the long-term deposit rating of the Account Bank is downgraded below a rating of A3 by Moody's (or (in each case) such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency) (the "**Account Bank Required Minimum Rating**"), the Issuer will be required, in order to maintain the ratings of the Class A Notes at their then current rating, either (i) (within 60 days) to transfer (at its own cost) the balance of the Transaction Account to an account held with such bank or financial institution with a rating at least equal to the Account Bank Required Minimum Rating (a "**Replacement Account Bank**") on substantially similar terms to those set out in the Account Bank Agreement or (ii) (within 60 days) procure a guarantee of the Account Bank's obligations under the Account Bank Agreement from a guarantor bank or financial institution with a rating at least equal to the Account Bank Required Minimum Rating, or (iii) take such other remedial action as may be acceptable to the Rating Agencies in order to maintain the ratings of the Class A Notes.

In relation to (i) above, if where taking into account the then prevailing market conditions, the Issuer or the Cash Manager determines it is not practical to agree terms substantially similar to those set out in the Account Bank Agreement and the Issuer or the Cash Manager certifies in writing to the Trustee, that such terms are reasonable commercial terms taking into account the then prevailing current market conditions, a replacement agreement may be entered into on such reasonable commercial terms and the Trustee shall

be entitled to rely absolutely on such certification without any liability to any person for so doing (notwithstanding that the fee payable to the Replacement Account Bank may be higher). The Trustee shall not be obliged to agree to any such arrangements if to do so would, in its sole opinion, have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Trustee in the Transaction Documents and/or the Conditions.

All monies held by the Issuer will be deposited in the Transaction Account in the first instance. The Transaction Account is maintained with the Account Bank. The Account Bank has agreed to pay SONIA less a margin in respect of sums in the Transaction Account. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the Transaction Account in Authorised Investments.

Subordinated Loan

The Issuer will enter into the Subordinated Loan Agreement with the Subordinated Loan Provider on or about the Closing Date. Pursuant to the Subordinated Loan Agreement, the Subordinated Loan Provider will agree to make available to the Issuer the Subordinated Loan on the Closing Date. The Subordinated Loan will be a subordinate ranking loan which will be used by the Issuer to (a) fund the General Reserve Fund on the Closing Date (the "**General Reserve Fund Advance**"); (b) meet costs and expenses incurred by the Issuer in respect of the issuance of the Notes on the Closing Date (the "**Expenses Advance**"); (c) cover any shortfall to the extent the Initial Consideration exceeds the proceeds from the issue of the Notes on the Closing Date (the "**Initial Consideration Advance**"); and (d) provide for the difference between Revenue Receipts received by the Issuer during the first Collection Period and the payments, if any, which the Issuer will be required to make in accordance with items (a) to (k) of the Pre-Enforcement Revenue Priority of Payments on the First Interest Payment Date (the "**Initial Revenue Advance**" and, together with the General Reserve Fund Advance, the Expenses Advance and the Initial Consideration Advance, the "**Advances**"). The amount of the Subordinated Loan on the Closing Date will be £10,951,781.82.

The Subordinated Loan will bear interest until repaid at a rate calculated in accordance with the SONIA Reference Rate plus 0.5 per cent. per annum. Any unpaid interest will not fall due but will instead be due and payable on the next following Interest Payment Date on which sufficient funds are available to pay the unpaid amount and pending such payment, will itself bear interest. Interest in respect of the Subordinated Loan will be payable by the Issuer on each Interest Payment Date in accordance with the relevant Priority of Payments. The Issuer will repay the Advances, on each Interest Payment Date to the extent that it has Available Revenue Receipts to make such payment in accordance with the relevant Priority of Payments or on the Final Maturity Date (please see "*General Reserve Fund and General Reserve Ledger*").

The Subordinated Loan Provider will have the right to assign or novate its rights and/or obligations under the Subordinated Loan to a third party at any time.

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

Deed of Charge Retention Undertaking

In the Deed of Charge the Seller undertakes to the Issuer and the Trustee to hold a material net economic interest pursuant to Article 6 of the Securitisation Regulation and certain requirements as to providing investor information in connection with the retention of such interest, which include its obligations to provide all information required to be made available to Noteholders or the Swap Provider thereunder to the Issuer and the Trustee on request, subject always to any requirement of law regarding the provision of such information, provided that the Seller will not be in breach of such undertaking if the Seller fails to do so due to events, actions or circumstances beyond the Seller's control.

Swap Agreement

The interest rate on the Loans in the Portfolio is payable by reference, or linked, to the Seller Standard Variable Rate, Seller Mortgage Variable Rate (or the Issuer Variable Rate, as the case may be), the BoE Base Rate and certain fixed rates. However, the interest rate payable by the Issuer with respect to the

Notes is an amount calculated by reference to a Compounded Daily SONIA in respect of each Interest Payment Date commencing on the First Interest Payment Date.

To hedge against the possible variance between:

- (i) various fixed rates of interest payable on the Loans in the Portfolio; and
- (ii) the floating rate of interest payable on the Notes,

the Issuer will, on or about the Closing Date, enter into the Swap Agreement with the Swap Provider, being an agreement in the form of a 1992 ISDA Master Agreement (together with a Schedule and Swap Credit Support Annex thereto) and a swap confirmation documenting the fixed rate swap transaction thereunder. It is not intended that variances between the interest rate on Loans in the Portfolio payable by reference to the Standard Variable Rate and Tracker Rate will be hedged under the Interest Rate Swap Agreement, or any other swap agreement. The Swap Agreement is not designed to provide a perfect hedge for the Loans included in the Portfolio or eliminate all risks associated with the mismatch between rates payable in respect of such Loans and interest rates in respect of the Notes. However, the Fixed Rate Swap Transaction covers a major share of the interest rate risk present in the context of the Notes.

Cashflows under the Fixed Rate Swap Transaction

The Swap Agreement will govern the terms of the fixed rate swap transaction relating to the Fixed Rate Loans (the "**Fixed Rate Swap Transaction**").

Under the Fixed Rate Swap Transaction, the following amounts will be calculated in respect of each Interest Payment Date:

- (a) the amount produced by applying Compounded Daily SONIA in respect of the corresponding Interest Period ending on that Interest Payment Date to the Fixed Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the Fixed Rate Swap Transaction (the "**Fixed Interest Period Swap Provider Amount**"); and
- (b) the amount (the "**Fixed Interest Period Issuer Amount**") equal to the product of (i) 0.62 per cent. (which percentage may be revised from time to time as agreed between the Issuer (or the Cash Manager on behalf of the Issuer) and the Swap Provider) and (ii) the Fixed Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the Fixed Rate Swap Transaction.

The notional amount of the Fixed Rate Swap Transaction (the "**Fixed Notional Amount**") in respect of each calculation period thereunder will be equal to the weighted average of the aggregate Current Balances (calculated, for each calendar month falling in that calculation period, at the end of the preceding calendar month) of the Fixed Rate Loans in the Portfolio (other than those which are in possession or in respect of which three or more monthly payments have become due and are unpaid by a Borrower). In certain circumstances (including, but not limited to, a Seller Insolvency Event) the Current Balance of any Fixed Rate Loan in respect of which a Further Advance, Product Switch or Substitution is made on or after such event will be excluded from the calculation of the Fixed Notional Amount.

After the Fixed Interest Period Swap Provider Amounts and the Fixed Interest Period Issuer Amounts are calculated in respect of the Fixed Rate Swap Transaction in relation to an Interest Payment Date, the following payments will be made on or in respect of that Interest Payment Date: (i) if the relevant Fixed Interest Period Issuer Amount is greater than the relevant Fixed Interest Period Swap Provider Amount, then the Issuer will pay an amount equal to the difference between the two to the Swap Provider and (ii) if the relevant Fixed Interest Period Swap Provider Amount is greater than the relevant Fixed Interest Period Issuer Amount, then the Swap Provider will pay an amount equal to the difference between the two to the Issuer.

If a payment is to be made by the Swap Provider (other than payments to be credited to a relevant Swap Collateral Account), that payment will be included in the Available Revenue Receipts and will be applied on 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.

Estimation and Reconciliation

Where no Administrator Report or other relevant information on the basis of which the notional amount of the Fixed Rate Swap Transaction would ordinarily be determined has been received, in respect of any Collection Period, the Fixed Notional Amount shall be estimated by the Cash Manager by reference to the change in the notional amount of the Fixed Rate Swap Transaction over the three most recent calculation periods thereunder (or, where there are not at least three previous calculation periods, fewer than three calculation periods).

If an Administrator Report or such other relevant information is delivered in respect of any subsequent Collection Period, then (i) the Fixed Notional Amount will be calculated by the Cash Manager on the basis of the information in such Administrator Report or such other relevant information and (ii) one or more reconciliation payments may be required to be made, either by the Issuer or by the Swap Provider in respect of the Fixed Rate Swap Transaction, in order to account for any overpayment(s) or underpayment(s) made in respect of the Fixed Rate Swap Transaction during the relevant period of estimations.

Termination of the Swap Agreement

The Swap Agreement may be terminated early in, *inter alia*, the following circumstances (each, a "**Swap Early Termination Event**"):

- (a) if there is a failure by a party to pay amounts due under the 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 Swap Agreement by the Swap Provider 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) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Swap Agreement;
- (f) if the Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Swap Agreement and described below in "*Key Structural Features – Ratings Downgrade of Swap Provider*";
- (g) if the Trustee serves an Enforcement Notice on the Issuer pursuant to Condition 13 (*Events of Default*) of the Notes;
- (h) if there is a redemption of the Notes pursuant to Condition 9.4 (*Optional redemption in whole for taxation purposes*) of the Notes;
- (i) if the Issuer and the Swap Provider are unable to agree a revised floating rate that should apply to Fixed Rate Swap Transaction following the selection of Alternative Reference Rate applying to the Notes, following a Reference Rate Modification (if any), and the Issuer requests a termination;
- (j) if any amendment is made to any Transaction Document as a result of which the Swap Provider would be required to pay more or receive less were it to replace itself as Swap Provider unless it has consented in writing to such amendment;
- (k) if the Issuer ceases to be a non-financial counterparty under the clearing threshold for the purposes of EMIR; or
- (l) (other than as a result of the Swap Provider's own action or inaction), if any amendments, modifications or waivers are made to the underlying securitisation transaction contemplated by the Transaction Documents, or if the securitisation transaction changes in a way that would, in

the opinion of the Swap Provider acting in good faith and in a reasonable manner, cause the Swap Provider to be in breach of the requirements of the Securitisation Regulation.

Upon the occurrence of a Swap Early Termination Event either the Issuer or the Swap Provider may be liable to make a termination payment to the other party. 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 based on market quotations of the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties (or based upon loss in the event that market quotation cannot be determined). Any termination payment due from the Issuer to the Swap Provider (after netting such amount against the value of any Swap Collateral in respect of the Swap Agreement) will, subject to the terms set out in the section entitled "*Replacement upon early termination*" below, be made in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. Any such termination payment could be substantial.

The Issuer will apply any termination payment it receives from a termination of the Swap Agreement first to purchase a replacement swap in accordance with the Swap Collateral Account Priority of Payments. To the extent that the Issuer receives a premium under any replacement swap, it shall apply such premium first to make any termination payment due under the related terminated swap. Other than a Swap Collateral Account Surplus (if any), any such termination payment or premium received by the Issuer will not be available to meet the Issuer's obligations on the Notes or under the Transaction Documents.

Ratings Downgrade of Swap Provider

If, at any time following the Closing Date, the short-term or long-term, unsecured and unsubordinated debt obligations of the Swap Provider (or its guarantor), as applicable, are downgraded by a Rating Agency below the required ratings specified in the Swap Agreement for the Swap Provider (or its guarantor, as applicable), the Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the Issuer to terminate the Swap Agreement.

Taxation

The Issuer is not obliged under the Swap Agreement to gross up payments made by it if withholding taxes are imposed on payments made under the Swap Agreement.

The Issuer is required to give certain tax representations, and has agreed to deliver certain tax forms, to the Swap Provider. Provided that the Issuer gives accurate representations and complies with the obligation to provide such forms, the Swap Provider is obliged to gross up payments made by it to the Issuer if withholding taxes are imposed on payments made by it to the Issuer under the Swap Agreement. The imposition of withholding taxes on payments made by the Swap Provider or the Issuer under the Swap Agreement will constitute a Tax Event (as defined in the Swap Agreement) and will give the Swap Provider a right to terminate the Swap Agreement subject to the terms thereof.

The Issuer shall repay the amount of any Swap Tax Credits in relation to the Swap Agreement directly to the Swap Provider and not in accordance with any Priority of Payments.

Governing Law

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

Replacement of the Swap Agreement

Replacement upon early termination

In the event that the Swap Agreement is terminated prior to its scheduled termination date, and prior to the service of an Enforcement Notice or the redemption in full of all outstanding Notes, the Issuer shall use its reasonable efforts to enter into a replacement swap agreement. There can be no assurance that the Issuer will be able to enter into a replacement swap agreement or, if one is entered into, as to the terms of the replacement swap agreement or the credit rating of the replacement swap provider.

Depending on the circumstances prevailing in the market at the time, the Issuer or the replacement swap provider may be liable to make a payment to the other in order to enter into a replacement swap agreement (such payment, a "**Replacement Swap Premium**"). If a Replacement Swap Premium is payable by the replacement swap provider to the Issuer, any such amount received by the Issuer will be credited to any Swap Collateral Account and applied in accordance with the Swap Collateral Account Priority of Payments. If a Replacement Swap Premium is payable by the Issuer to the replacement swap provider, the Issuer may not have sufficient funds standing to the credit of any Swap Collateral Account in order to make such payment in accordance with the Swap Collateral Account Priority of Payments and therefore may be unable to enter into a replacement swap agreement.

Replacement in other circumstances

The Seller has the right, at any time upon giving prior notice to the Issuer, the Trustee and the Swap Provider, to require that the Fixed Rate Swap Transaction be transferred or novated by the Swap Provider to the Seller, provided that, *inter alia*, (i) certain requirements of the Rating Agencies (as set out in the Swap Agreement) are complied with or each of the Rating Agencies confirms that such transfer or novation will not have an adverse effect on the then current ratings of the Class A Notes and (ii) no unfunded additional amounts (including any swap termination payment) will become payable by the Issuer to the Swap Provider as a result of such transfer or novation.

Swap Credit Support Annex

On or around the Closing Date, the Swap Provider will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) with the Issuer (the "**Swap Credit Support Annex**") in support of the obligations of the Swap Provider under the Swap Agreement. Pursuant to the terms of the Swap Credit Support Annex, if at any time the Swap Provider is required to provide collateral in respect of any of its obligations under the Swap Agreement, such Swap Credit Support Annex will provide that, from time to time, subject to the conditions specified in the Swap Credit Support Annex and the Swap Agreement, the Swap Provider will make transfers of collateral to the Issuer in respect of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Credit Support Annex.

Swap Collateral

In the event that the Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Swap Agreement in accordance with the terms of the Swap Credit Support Annex, that collateral (and any interest and/or distributions earned thereon) will be credited to any Swap Collateral Account. Any cash credited to any Swap Collateral Account may be invested by the Cash Manager, acting in consultation with the Swap Provider in accordance with the terms of the Swap Agreement, the Swap Collateral Account Bank Agreement and the Cash Management Agreement, in eligible swap collateral investments (which includes money market funds). In addition, upon any early termination of the Swap Agreement or novation of the Swap Provider's obligations under the Swap Agreement to a replacement swap provider, (i) any Replacement Swap Premium received by the Issuer from a replacement swap provider and/or (ii) any termination payment received by the Issuer from the outgoing Swap Provider will be credited to any Swap Collateral Account.

Amounts standing to the credit of any Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) will not be available for the Issuer or the Trustee to make payments to the Secured Creditors generally, but may be applied by the Cash Manager only in accordance with the following provisions (the "**Swap Collateral Account Priority of Payments**"):

- (i) prior to the designation of an Early Termination Date (as defined in the Swap Agreement) in respect of the Swap Agreement, solely in or towards payment of any Return Amounts, Interest Amounts and Distributions (as defined in the Swap Credit Support Annex), on any day, directly to the Swap Provider in accordance with the terms of the Swap Credit Support Annex;
- (ii) following the designation of an Early Termination Date in respect of the Swap Agreement where (A) such Early Termination Date has been designated following an Event of Default (as defined in the Swap Agreement) in respect of which the Swap Provider is the Defaulting Party or an Additional Termination Event (as defined in the Swap Agreement) resulting from a ratings downgrade of the Swap Provider and (B) the Issuer enters into a replacement swap agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement, on the later of the day on which such replacement swap agreement is entered into and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
 - (a) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Swap Agreement being terminated or novated; and
 - (b) *second*, in or towards payment of any termination payment due to the outgoing Swap Provider; and
 - (c) *third*, the surplus (if any) (a "**Swap Collateral Account Surplus**") on such day to be transferred to the Transaction Account;
- (iii) following (1) the designation of an Early Termination Date in respect of the Swap Agreement where (A) such Early Termination Date has been designated otherwise than as a result of one of the events specified at items (ii)(A) above and (B) the Issuer enters into a replacement swap agreement in respect of the Swap Agreement on or around the Early Termination Date of the Swap Agreement or (2) any novation of the Swap Provider's obligations to a replacement swap provider, on the later of the day on which such replacement swap agreement is entered into and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
 - (a) *first*, in or towards payment of any termination payment due to the outgoing Swap Provider;
 - (b) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Swap Agreement being terminated or novated; and
 - (c) *third*, the surplus (if any) (a "**Swap Collateral Account Surplus**") on such day to be transferred to the Transaction Account;
- (iv) following the designation of an Early Termination Date in respect of the Swap Agreement for any reason where the Issuer does not enter into a replacement swap agreement in respect of the Swap Agreement on or around the Early Termination Date of such Swap Agreement, on any day, in or towards payment of any termination payment due to the outgoing Swap Provider;
- (v) following payments of amounts due pursuant to (iv) above, if amounts remain standing to the credit of a Swap Collateral Account, such amounts may be applied only in accordance with the following provisions:
 - (a) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Swap Agreement; and

- (b) *second*, the surplus (if any) (a "**Swap Collateral Account Surplus**") remaining after payment of such Replacement Swap Premium to be transferred to the Transaction Account,

provided that if the Issuer does not enter into a replacement swap agreement with respect to the Swap Agreement on or prior to the earlier of:

- (1) the day that is 14 days prior to the date on which the Principal Amount Outstanding of all Classes of Notes is reduced to zero (other than following the occurrence of an Event of Default pursuant to Condition 13); or
- (2) the day on which an Enforcement Notice is given pursuant to Condition 13,

then the amount standing to the credit of any Swap Collateral Account on such day shall be a "**Swap Collateral Account Surplus**" and shall be transferred to the Transaction Account as soon as reasonably practicable thereafter.

The Swap Collateral Account will be opened in the name of the Issuer and will be held at a financial institution which meets the relevant ratings requirements. A separate Swap Collateral Account will be established and maintained in respect of each eligible currency. As security for the payment of all moneys payable in respect of the Notes and the other Secured Amounts, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Accounts and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

CASHFLOWS AND CASH MANAGEMENT

Application of Revenue Receipts prior to Service of an Enforcement Notice

Cash Management Services

On the Closing Date, the Cash Manager, the Issuer and the Trustee will enter into the Cash Management Agreement. Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Transaction Account and, if applicable, the Swap Collateral Account. In addition, the Cash Manager will, *inter alia*, perform certain 'risk mitigation techniques' and reporting on behalf of the Issuer as required in accordance with the requirements of EMIR and the Securitisation Regulation.

Definition of Revenue Receipts

"**Revenue Receipts**" means (a) payments of interest (excluding payments in respect of Accrued Interest and Arrears of Interest as at the Closing Date, any Additional Sale Date or the relevant Substitution Date of a Loan, as applicable) of the Loans (including any early repayment fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed and (d) certain fees (which do not fall within paragraph (e) of the definition of "Principal Receipts") which have been allocated by the Seller (in accordance with its collection policies) as interest payments and charged by the Administrator in respect of servicing the Loans, which have been charged and repaid by a means other than the Borrower's monthly instalment.

"**Accrued Interest**" means in respect of a Loan as at any date the aggregate of all interest charged to the Borrower's account (i) in the month immediately preceding the Closing Date (or, in relation to any Additional Loans the relevant Additional Sale Date) or (ii) in the month of the relevant Substitution Date in respect of a Loan, as applicable, which remains unpaid to (but excluding) the relevant date.

"**Arrears of Interest**" means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Arrears, Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date.

"**Capitalised Interest**" means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date).

Definition of Available Revenue Receipts

"**Available Revenue Receipts**" has the meaning given to it in the Conditions.

Application of General Reserve Fund Amounts and Principal Receipts to cover income deficits

On each Calculation Date, the Cash Manager shall calculate whether the items (a) to (h) (inclusive) of the definition of Available Revenue Receipts (as calculated above) will be sufficient to pay on the relevant Interest Payment Date items (a) to (f) inclusive of the Pre-Enforcement Revenue Priority of Payments.

If the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Income Deficit by applying amounts standing to the credit of the General Reserve Fund as Available Revenue Receipts.

If, following application of Available Revenue Receipts, including amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a Remaining Income Deficit, then the Issuer shall pay or provide for such Remaining Income Deficit by applying Principal Receipts (if

any) and the Cash Manager shall make a corresponding entry in the Principal Deficiency Ledger as described in "*Key Structural Features*" above.

General Reserve Fund and General Reserve Ledger

On the Closing Date, a fund will be established called the General Reserve Fund. The General Reserve Fund will be funded on the Closing Date by the Subordinated Loan in the sum of £ 9,000,000 (being an amount equal to 1.5 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date). The General Reserve Fund will be credited to the Transaction Account (with a corresponding credit to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the Transaction Account in Authorised Investments. See "*Key Structural Features*" above.

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund (the "**General Reserve Ledger**").

After the Closing Date, the General Reserve Fund will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments up to the General Reserve Required Amount.

The "**General Reserve Required Amount**" will be (i) on the Closing Date £9,000,000 (being an amount equal to 1.5 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date, (ii) on each Interest Payment Date, 1.5 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on such date, provided that if the General Reserve Fund Excess Conditions are not satisfied on the Calculation Date immediately preceding the relevant Interest Payment Date, the General Reserve Required Amount shall be such amount as determined on the immediately preceding Interest Payment Date and (iii) upon redemption of the Class A Notes in full, zero.

If the following conditions are met:

- (a) no Event of Default has occurred and is continuing;
- (b) the Class A Principal Deficiency Sub-Ledger will not have a debit balance on the next Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (c) the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 5 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio;
- (d) cumulative Losses on the Portfolio represent less than 1 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio as at the Closing Date; and
- (e) the current LTV ratio of the Loans is less than 95 per cent.,

(together, the "**General Reserve Fund Excess Conditions**"), an amount equal to the General Reserve Fund Excess will be used as Available Revenue Receipts added to the other income of the Issuer to determine the amount of Available Revenue Receipts.

"**General Reserve Fund Excess**" means, on any Interest Payment Date, the amount by which the funds standing to the credit of the General Reserve Fund (after deducting any amounts to be applied to eliminate any Income Deficit) exceed the General Reserve Required Amount.

Application of amounts standing to the credit of the Retained Principal Ledger

Prior to the service of an Enforcement Notice on the Issuer and during the Revolving Period amounts standing to the credit of the Retained Principal Ledger will be applied as Available Principal Receipts on each Interest Payment Date in accordance with the Pre-Enforcement Principal Priority of Payments.

As a result such amounts will first be used towards any Class A Target Amortisation Amount Shortfall on such Interest Payment Date, before being credited in the Retained Principal Ledger for the purposes of

purchasing any Additional Loans offered to be sold by the Seller to the Issuer on any Additional Loan Offer Date. The Additional Loan Consideration for any Additional Loans will be paid by the Issuer using amounts standing to the credit of the Retained Principal Ledger on the relevant Additional Sale Date.

On the Interest Payment Date falling on, or immediately following, the Revolving Period End Date, all amounts standing to the credit of the Retained Principal Ledger shall be applied as Available Principal Receipts, no further amounts may be credited to the Retained Principal Ledger and as of and from such Interest Payment Date there shall be no obligation to maintain the Retained Principal Ledger.

"**Class A Target Amortisation Amount Shortfall**" means the amount by which Available Principal Receipts (excluding limb (b) of the definition of Available Principal Receipts) is insufficient to provide for item (a) of the Pre-Enforcement Principal Priority of Payments.

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

On each Interest Payment Date (or in respect of items (a) and (b) below, on any date) prior to the service of an Enforcement Notice by the Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for the Available Revenue Receipts together with (in the case of any Income Deficit) any amount standing to the credit of the General Reserve Fund and (in the case of any Remaining Income Deficit) any amounts referred to in paragraph (x) of the definition of Available Principal Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Enforcement Revenue Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any fees, costs, charges, liabilities, expenses and all other amounts then due and payable or to become due and payable in the immediately succeeding Interest Period to the Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained previously by the Issuer as profit under item (h) below);
 - (iii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and
 - (iv) any Transfer Costs which the Seller has failed to pay;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due and payable to the Administrator or any such amount to become due and payable to the Administrator in the immediately succeeding Interest Period under the

- provisions of the Administration Agreement, together with (if payable) VAT thereon as provided therein;
- (ii) any amounts due and payable to the Back-Up Administrator (if appointed) and any costs, charges, liabilities and expenses then due and payable to the Back-Up Administrator or any such amount to become due and payable to the Back-Up Administrator in the immediately succeeding Interest Period under the provisions of the Back-Up Administration Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager or any such amount to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-Up Cash Manager (if appointed) and any costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager or any such amount to become due and payable to the Back-Up Cash Manager in the immediately succeeding Interest Period under the provisions of the Back-Up Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Account Bank, any Replacement Account Bank or the Swap Collateral Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank any Replacement Account Bank or the Swap Collateral Account Bank or any such amount to become due and payable to the Account Bank, any Replacement Account Bank or the Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Account Bank Agreement, any Replacement Account Bank Agreement or any Swap Collateral Account Bank Agreement, as applicable, together with (if payable) VAT thereon as provided therein; and
 - (vi) any amounts then due and payable to the Back-Up Administrator Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Administrator Facilitator under the provisions of the Administration Agreement, together with (if payable) VAT thereon as provided therein;
- (d) *fourth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Swap Agreement amounts due to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent not satisfied out of amounts standing to the credit of the relevant Swap Collateral Account and applied in accordance with the relevant Swap Collateral Account Priority of Payments, but excluding any related Swap Subordinated Amounts);
 - (e) *fifth*, in or towards payment of interest due and payable on the Class A Notes;
 - (f) *sixth*, to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
 - (g) *seventh*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Required Amount;
 - (h) *eighth*, to retain the Issuer Profit Amount;
 - (i) *ninth*, to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
 - (j) *tenth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Swap Agreement, to the Swap Provider any Swap Subordinated Amount;

- (k) *eleventh*, to pay interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);
- (l) *twelfth*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (m) *thirteenth*, to pay the principal amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (n) *fourteenth*, to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

Disclosure of modifications to the Priority of Payments

Any events which trigger changes in any Priority of Payments and any change in any Priority of Payments 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 Securitisation Regulation.

Back-Up Cash Manager

Following the occurrence of a Back-Up Cash Manager Event, the Issuer will require the Cash Manager to use best efforts to appoint a back-up cash manager (the "**Back-Up Cash Manager**") acceptable to the Trustee who would be willing to replace the Cash Manager on terms substantially similar to those set out in the Cash Management Agreement, provided that:

- (i) where the Issuer and the Cash Manager determines that it is not practicable, taking into account the then prevailing market conditions, to agree terms substantially similar to those set out in the Cash Management Agreement with such new Back-Up Cash Manager, the Issuer or the Cash Manager shall have certified in writing to the Trustee that, to the extent the terms are not substantially similar as aforementioned, such terms are fair and commercial terms taking into account the then prevailing current market conditions, which certificate may be relied upon by the Trustee without liability and without further enquiry and shall be conclusive and binding on all parties and the Secured Creditors; and
- (ii) the Trustee shall not be obliged to enter into any such arrangements if to do so would, in the sole opinion of the Trustee, have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Trustee in the Transaction Documents and/or the Conditions.

If the Cash Manager does not appoint a Back-Up Cash Manager within 60 days of being required to do so by the Issuer, the Cash Manager shall immediately upon notice from the Issuer appoint as Back-Up Cash Manager such person as may be specified by the Issuer (provided such person is acceptable to the Trustee) in accordance with the terms set out above.

Following the occurrence of a Cash Manager Termination Event and upon the termination of the appointment of the Cash Manager under the Cash Management Agreement, the Back-Up Cash Manager will, following a written notice period to be agreed with the Back-Up Cash Manager, replace the Cash Manager under the terms of a replacement Cash Management Agreement.

If, due to a change in the prevailing circumstances then applicable to the Cash Manager, the requirement to have in place an appointed back-up cash manager is no longer applicable, then the appointment of the Back-Up Cash Manager may be terminated in accordance with the provisions of the Back-Up Cash Management Agreement without the need for the simultaneous replacement of the Back-Up Cash Manager with a successor back-up cash manager.

For the purposes of this section and where used elsewhere in this Prospectus, Back-Up Cash Manager Event shall have the meaning set out below:

"Back-Up Cash Manager Event" means the long-term counterparty risk assessment from Moody's ceases to be at least Baa3(cr) or if a long term counterparty risk assessment from Moody's is not available, the long-term, unsecured, unguaranteed and unsubordinated debt obligations of the Cash Manager cease to be rated at least Baa3 by Moody's (or such other long-term rating as is otherwise acceptable to Moody's).

Application of Principal Receipts Prior to Service of an Enforcement Notice

Definition of Principal Receipts

"Principal Receipts" means (a) principal repayments under the Loans (b) payments in respect of Accrued Interest and Arrears of Interest as at the Closing Date, any Additional Sale Date or the relevant Substitution Date in respect of a Loan, as applicable, Capitalised Interest and Capitalised Expenses and Capitalised Arrears, (c) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, (e) and any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the Seller's normal charging practices and repaid via a Borrower's monthly instalment, provided that payments received in respect of any fees which have been allocated by the Seller (in accordance with its collection policies) as interest payments, shall not constitute Principal Receipts, (f) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date).

"Capitalised Arrears" means, in relation to any Loan, at any date, amounts (excluding Arrears of Interest or amounts comprising Capitalised Expenses) which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Condition or otherwise by arrangement with the relevant Borrower.

"Capitalised Expenses" means for any Loan at any date, expenses which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

Definition of Available Principal Receipts

"Available Principal Receipts" means for any Interest Payment Date:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period;
- (b) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f) and (i) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (c) any amounts standing to the credit of the Retained Principal Ledger; and
- (d) in respect of the first Interest Period only, any funds representing the excess of the proceeds of the issue of the Notes over the Initial Consideration,

less:

- (x) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period which are to be applied to cover Remaining Income Deficits on such Interest Payment Date; and
- (y) the amount of Principal Receipts to the extent comprised in paragraph (a) above used or to be used by the Issuer to purchase Further Advances made during the immediately preceding Collection Period.

The Issuer shall pay or provide for amounts due under the Pre-Enforcement Revenue Priority of Payments before paying amounts due under the Pre-Enforcement Principal Priority of Payments.

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

Prior to the service of an Enforcement Notice on the Issuer by the Trustee, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Enforcement Principal Priority of Payments**"):

- (a) *first*, if such Interest Payment Date falls in the Revolving Period, *pro rata* and *pari passu*, in or towards repayment of the principal amount outstanding on the Class A Notes up to the Class A Target Amortisation Amount for such Interest Payment Date (including any such amounts which remain unpaid from previous Interest Payment Dates) to redeem the Class A Notes until the Class A Notes have been redeemed in full;
- (b) *second*, if such Interest Payment Date falls in the Revolving Period, in or towards crediting the Retained Principal Ledger for the purposes of purchasing any Additional Loans on the relevant Additional Sale Date;
- (c) *third*, upon and following the Revolving Period End Date, *pro rata* and *pari passu*, in or towards repayment of the Principal Amount Outstanding of the Class A Notes, until the Principal Amount Outstanding of the Class A Notes has been reduced to zero;
- (d) *fourth*, to redeem the Class B Notes until the Class B Notes have been redeemed in full; and
- (e) *fifth*, the excess (if any) to be applied as Available Revenue Receipts.

Application of Revenue Receipts, Principal Receipts and other monies of the Issuer following the Service of an Enforcement Notice

Following the service of an Enforcement Notice by the Trustee on the Issuer, the Trustee (or the Cash Manager on its behalf or a Receiver) will apply all monies held in the Charged Accounts and all amounts received or recovered following service of an Enforcement Notice (other than (i) any amount that would otherwise constitute a Permitted Withdrawal (which, for the avoidance of doubt, shall be debited from the Charged Accounts prior to the remaining monies being applied in accordance with Clause 16.1 of the Deed of Charge), (ii) amounts standing to the credit of the Swap Collateral Accounts, except for any Swap Collateral Account Surplus, (iii) any amount received by the Issuer in respect of Swap Tax Credits received or recovered following the service of an Enforcement Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) and (iv) any amounts of any Issuer Profit Amount then held in the Transaction Account which shall be used by the Issuer in or towards satisfaction of any amounts due and payable by the Issuer to third parties (and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period) and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer, in the following order of priority (the "**Post-Enforcement Priority of Payments**" and, together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Principal Priority of Payments, the "**Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Trustee or any Appointee, under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to any Receiver appointed by the Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein; and
 - (ii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due and payable to the Administrator and any costs, charges, liabilities and expenses then due and payable to the Administrator under the provisions of the Administration Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts due and payable to the Back-Up Administrator (if appointed) and any costs, charges, liabilities and expenses then due and payable to the Back-Up Administrator under the provisions of the Back-Up Administration Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Back-Up Cash Manager (if appointed) and any costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager under the provisions of the Back-Up Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to the Account Bank, any Replacement Account Bank or the Swap Collateral Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank, any Replacement Account Bank or any Swap Collateral Account Bank, as applicable, under the provisions of the Account Bank Agreement, any Replacement Bank Account Agreement or other agreement governing the operation of such Swap Collateral Account, together with (if payable) VAT thereon as provided therein; and
 - (vi) any amounts then due and payable to the Back-Up Administrator Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Administrator Facilitator under the provisions of the Administration Agreement, together with (if payable) VAT thereon as provided therein;
- (d) *fourth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Swap Agreement amounts due and payable to the Swap Provider in respect of the Swap Agreement (including any termination payment due and payable by the Issuer to the extent not satisfied out of amounts standing to the credit of the relevant Swap Collateral Account and applied in accordance with the relevant Swap Collateral Account Priority of Payments, but excluding any Swap Subordinated Amounts);
- (e) *fifth*, to pay interest due and payable on the Class A Notes;
- (f) *sixth*, to pay principal due and payable on the Class A Notes;

- (g) *seventh*, interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);
- (h) *eighth*, to pay *pro rata* and *pari passu* principal due and payable on the Class B Notes;
- (i) *ninth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Swap Agreement, to the Swap Provider any Swap Subordinated Amount;
- (j) *tenth*, to pay all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (k) *eleventh*, to the Issuer, the Issuer Profit Amount;
- (l) *twelfth*, to pay any amounts required by the Issuer to pay or discharge any liability of the Issuer to corporation tax (which cannot be made out of amounts retained previously by the Issuer or profit paid to the Issuer under item (k) above); and
- (m) *thirteenth*, to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

Investor Reports and Information

Bank of England Reporting

Skipton Building Society (as originator) will procure that the Cash Manager will publish a monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework.

Such investor report will be published on European DataWarehouse at <https://editor.eurodw.eu/home> (or any other website as notified by the Seller to the Trustee), the first investor report being provided no earlier than the date falling one month from the Closing Date. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

Reporting under the Securitisation Regulation

Skipton Building Society (as originator) will procure that the Cash Manager will:

- (a) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation;
- (b) publish on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the Securitisation Regulation;
- (c) publish on the website of European DataWarehouse at <https://editor.eurodw.eu/home> any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Such information will also be made available, on request, to potential holders of the Notes; and
- (d) within 15 days of the issuance of the Notes, make available copies of the Transaction Documents (which, in the case of each Scottish Declaration of Trust, will be in redacted form), the STS Notification and this Prospectus.

For the purposes of Article 7(1) and (2) of the Securitisation Regulation, the reports and information set out above shall be published by means of a securitisation repository or (where no securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation) by means of the website of European DataWarehouse at <https://editor.eurodw.eu/home>, being a website which conforms with the

requirements set out in Article 7(2) of the Securitisation Regulation. The information referred to paragraphs (a) and (b) above shall be made available simultaneously and no later than one month following the due date for the payment of interest. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

The Cash Manager will make the information referred to in the section headed "*Reporting under the Securitisation Regulations*" available to the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes.

Cashflow model

Skipton Building Society (as originator) will procure that the Cash Manager 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. Skipton Building Society, in its capacity as originator, shall procure that such cash flow model (i) 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, and (ii) is made available to investors in the Notes on an ongoing basis and to potential investors in the Notes upon request. The cashflow model has been made available to potential investors via a link on European DataWarehouse at <https://editor.eurodw.eu/home> prior to the pricing of the Notes.

For the purposes of Article 7(2) of the Securitisation Regulation, Skipton Building Society (as originator) has been designated as the entity responsible for compliance with the requirements of Article 7 and will either fulfil such requirements itself or shall procure that such requirements are complied with on its behalf.

DESCRIPTION OF THE NOTES IN GLOBAL FORM

General

The Notes of each Class will be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and will be represented on issue by one or more Global Notes of such class in fully registered form without interest coupons or principal receipts attached (each a "**Global Note**"). Beneficial interests in a Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time.

All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Note in respect of the Class A Notes will be deposited on or about the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**") and the Global Note in respect of the Class B Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**"). It is intended that the Class A Notes will be held under the New Safekeeping Structure in a manner to enable Eurosystem eligibility, however, it cannot be confirmed that the Class A Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria has been met.

The Global Note in respect of the Class A Notes will be deposited with the Common Safekeeper and registered in the name of a nominee of the Common Safekeeper. The Global Note in respect of the Class B Notes will be registered in the name of the nominee for the Common Depositary for both Euroclear and Clearstream, Luxembourg. The Registrar will maintain a register in which it will register the nominee for the Common Safekeeper in respect of the Class A Notes and the Common Depositary in respect of the Class B Notes, as the owner of the Global Notes.

Upon confirmation by the Common Safekeeper in respect of the Class A Notes and a nominee for the Common Depositary in respect of the Class B Notes that it has custody of each Global Note, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in such Global Note (the "**Book-Entry Interests**") attributable thereto.

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £100,000 and, for so long as Euroclear or Clearstream, Luxembourg so permit integral multiples of £1,000 in excess thereof (a "**Minimum Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arrangers. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee for the Common Safekeeper in respect of the Class A Notes and a nominee for the Common Depositary in respect of the Class B Notes is the registered holder of each Global Note underlying the Book-Entry Interests, the nominee for the Common Safekeeper in respect of the Class A Notes and the Common Depositary in respect of the Class B Notes, will be considered the sole Noteholder of such Global Note for all purposes under the Trust Deed. Except as set forth in the section entitled "*Issuance of Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes

in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See the section entitled "*Action in Respect of the Global Note and the Book-Entry Interests*", below.

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

In the case of each Global Note, unless and until Book-Entry Interests are exchanged for Definitive Certificates, such Global Note held by the Common Safekeeper in respect of the Class A Notes or the Common Depositary in respect of the Class B Notes, may not be transferred except as a whole by the Common Safekeeper in respect of the Class A Notes or the Common Depositary in respect of the Class B Notes, to a successor of the Common Safekeeper in respect of the Class A Notes or the Common Depositary in respect of the Class B Notes.

Purchasers of Book-Entry Interests in a Global Note pursuant to Regulation S will hold Book-Entry Interests in the Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Global Note, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

Payments on the Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by Citibank, N.A., London Branch, as the Principal Paying Agent on behalf of the Issuer to Euroclear or Clearstream, Luxembourg. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Safekeeper in respect of the Class A Notes or its nominee or the Common Depositary in respect of the Class B Notes or its nominee, in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their

respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The Record Date, in respect of the Notes shall be as at the close of business on the Business Day prior to the relevant Interest Payment Date. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arrangers, any Joint Lead Manager, the Trustee, the Paying Agents or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the clearing systems and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry

Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

Transfers and Transfer Restrictions

All transfer of Book-Entry Interests will be recorded with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to the customary procedures established by each respective system and its Participants.

Beneficial interests in the Global Notes may be held only through Euroclear and Clearstream, Luxembourg. Neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.

Settlement and transfer of notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the "**beneficial owner**") will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners. Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "*General*", above.

Issuance of Definitive Certificates

Holders of Book-Entry Interests in the Global Note will be entitled to receive certificates evidencing definitive notes in registered form ("**Definitive Certificates**") in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.

Any Definitive Certificates issued in exchange for Book-Entry Interests in 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 Certificates issued in exchange for Book-Entry Interests in a Global Note, as the case may be, will not be entitled to exchange such Definitive Certificate, for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Certificates will not be issued in a denomination that is not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £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 Certificate in respect of such holding (should Definitive Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

Action in Respect of the Global Note and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear and Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Global Note or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to each of Euroclear and Clearstream, Luxembourg (the "**Clearing Systems**") for communication by them to the holders of the relevant Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are admitted to trading and listed on the Official List) any notice shall also be published in accordance with the relevant guidelines of Euronext Dublin. See also Condition 23 (*Notices*) of the Notes.

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 Certificates, the Conditions set out on the reverse of each of such Definitive Certificates would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Documents and the other Transaction Documents (as defined below).

1. General

- 1.1 The £600,000,000 Class A Mortgage Backed Floating Rate Notes due December 2057 (the "**Class A Notes**") and the £66,667,000 Class B Mortgage Backed Floating Rate Notes due December 2057 (the "**Class B Notes**" and, together with the Class A Notes, the "**Notes**") will be issued by Darrowby No. 5 plc (registered number 11675660) (the "**Issuer**") on or about the Closing Date.
- 1.2 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the Notes is created pursuant to, and on the terms set out in, the Deed of Charge.
- 1.3 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.4 Certain provisions of these Conditions are summaries of the Trust Documents and the Incorporated Terms Memorandum and the Agency Agreement and are subject to their detailed provisions.
- 1.5 The Noteholders are bound by the terms of the Trust Documents and the Incorporated Terms Memorandum, and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.6 Copies of the Transaction Documents, the Incorporated Terms Memorandum and the Memorandum and Articles of Association of each of the Issuer and Holdings are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.

2. Definitions

- 2.1 In these Conditions the following defined terms have the meanings set out below:

"**Account Bank**" means Citibank, N.A., London Branch acting in such capacity (or any successor or replacement duly appointed);

"**Account Bank Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Account Bank and the Trustee;

"**Accrued Interest**" means in respect of a Loan as at any date the aggregate of all interest charged to the Borrower's account (i) in the month immediately preceding the Closing Date (or, in relation to any Additional Loans, the relevant Additional Sale Date) or (ii) in the month of the relevant Substitution Date in respect of a Loan, as applicable, which remains unpaid to (but excluding) the relevant date;

"**Additional Account**" means any account (in addition to the Transaction Account) in the name of the Issuer at the Account Bank, any Swap Collateral Account Bank or any other bank created after the Closing Date;

"**Additional Cut-off Date**" means the date specified as the Cut-Off Date in the Additional Loan Notice, which shall be the cut-off date of the Additional Loans offered to the Issuer by the Seller under the relevant Additional Loan Notice;

"Additional Loan" means the Loans sold by the Seller to the Issuer on each Additional Sale Date during the Revolving Period, as identified in the relevant Additional Loan Notice delivered by the Seller to the Issuer on any Additional Loan Offer Date and in the relevant Scottish Declaration of Trust;

"Additional Loan Conditions" means, in relation to any Additional Loan:

- (i) the documents required to be delivered pursuant to the Mortgage Sale Agreement in connection with the sale and purchase of such Additional Loans are delivered to the Issuer;
- (ii) the Additional Loans are not in breach of any of the Loan Warranties as tested on the relevant Additional Cut-off Date;
- (iii) the purchase by the Issuer of the Additional Loans and any Related Security would not cause the then current rating of the Class A Notes to be downgraded, qualified or withdrawn;
- (iv) no Event of Default shall have occurred which is continuing or remains unwaived;
- (v) the General Reserve Fund is at the General Reserve Required Amount;
- (vi) no Revolving Period End Date has occurred or will occur as a result of the sale and purchase of such Additional Loan;
- (vii) if the Seller's short term issuer default rating is below F2 by Fitch or the Seller's short term unsecured, unsubordinated and unguaranteed debt rating is below P-2 by Moody's (or such other lower short term rating acceptable to the relevant Rating Agency), respectively as at the relevant Additional Cut-off Date, the Seller has, within three months prior to the relevant Additional Cut-Off Date, delivered a solvency certificate to the Issuer and the Trustee in accordance with the Mortgage Sale Agreement;
- (viii) the weighted average current unindexed LTV of the Combined Portfolio will not exceed 75 per cent. as at the Additional Cut-Off Date;
- (ix) the Current Balance of the Loans in the Combined Portfolio (including Further Advances) with an Original LTV of more than 85 per cent. will not exceed 35 per cent of the aggregate Current Balance of the Loans in the Combined Portfolio as at the Additional Cut-Off Date;
- (x) the Current Balance of the Interest-Only Loans in the Combined Portfolio will not exceed 12 per cent of the aggregate Current Balance of the Loans in the Combined Portfolio as at the Additional Cut-Off Date;
- (xi) the Current Balance of the Loans to (i) individual borrowers who are self-employed, and (ii) in the case of joint borrowers, where the Borrower with the highest annual income is self-employed, in the Combined Portfolio will not exceed 25 per cent. of the aggregate Current Balance of the Loans in the Combined Portfolio as at the Additional Cut-Off Date;
- (xii) if required and where such Additional Loan is subject to a fixed rate of interest, such Additional Loan will be included in the calculation of the notional amount in respect of the Fixed Rate Swap Transaction as at the start of the calendar month immediately following the date on which such Additional Loan is added to the Portfolio;
- (xiii) no Additional Loan has an indexed LTV of more than 95 per cent. as at the Additional Cut-Off Date;
- (xiv) each Additional Loan that is a Fixed Rate Loan will not have a reversion date falling later than 20 June 2030;

- (xv) the minimum interest rate of each Additional Loan that is a Tracker Rate Loan is Bank of England Base Rate plus 0.8 per cent;
- (xvi) the minimum interest rate of each Additional Loan that is a Fixed Rate Loan is Bank of England Base Rate plus 0.8 per cent.

"**Additional Loan Consideration**" means an amount equal to the Current Balance of the Additional Loans, as determined as at the relevant Additional Cut-off Date, to be sold by the Seller to the Issuer on the relevant Additional Sale Date, in partial consideration of the Seller's sale to the Issuer of such Additional Loans and their Related Security;

"**Additional Loan Notice**" means the notice delivered by the Seller to the Issuer on any relevant Additional Loan Offer Date, identifying the Additional Loans offered thereunder and the relevant Additional Cut-off Date;

"**Additional Loan Offer Date**" means the date on which the Seller delivers to the Issuer an Additional Loan Notice;

"**Additional Sale Date**" means a date which is no later than the fifth Business Day immediately following the relevant Additional Cut-off Date;

"**Administration Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Back-Up Administrator Facilitator, the Administrator, the Seller and the Trustee, and/or any successor or replacement administration agreement entered into by the Issuer from time to time;

"**Administration Services**" or "**Services**" means the services to be provided by the Administrator set out in the Administration Agreement including in schedule 1 (*The Services*) thereto and the services to be provided under the replacement administration agreement, as the case may be;

"**Administrator**" means Skipton Building Society or such other person as may from time to time be appointed as administrator of the relevant Loans in the Portfolio pursuant to the Administration Agreement;

"**Administrator Report**" means a report to be provided by the Administrator in respect of each Collection Period in accordance with the terms of the Administration Agreement;

"**Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee;

"**Agent Bank**" means Citibank, N.A., London Branch in its capacity as agent bank pursuant to the Agency Agreement (or any successor duly appointed);

"**Agents**" means the Agent Bank and the Paying Agents and the Registrar (or any successors duly appointed) and "**Agent**" means any one of them;

"**Appointee**" means any delegate, agent, nominee, custodian, attorney or manager appointed by the Trustee pursuant to the provisions of the Trust Documents and other Transaction Documents;

"**Arrears of Interest**" means as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Arrears, Capitalised Interest or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date;

"**Authorised Investments**" means:

- (a) Sterling gilt-edged securities and/or Sterling treasury bills ("**UK Government Securities**"), Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper), *provided that* in each case such

investments are scheduled to mature on or before the next Interest Payment Date subject to:

- (i) investments with remaining maturities which are greater than or equal to three months, having a short-term rating of at least F1+ by Fitch and P-1 by Moody's and a long-term rating of AA- by Fitch and Aa3 by Moody's (or such other short-term or long-term rating which would not affect the then current rating of the Class A Notes); or
 - (ii) investments with remaining maturities which are greater than or equal to 30 days but less than three months, having a short-term rating of at least F1+ by Fitch and P-1 by Moody's and a long-term rating of AA- by Fitch and A2 by Moody's (or such other short-term or long-term rating which would not affect the then current rating of the Class A Notes); or
 - (iii) investments with remaining maturities which are less than 30 days, having a short-term rating of at least F1 by Fitch and P-1 by Moody's and a long-term rating of A by Fitch and A2 by Moody's (or such other short-term or long-term rating which would not affect the then current rating of the Class A Notes); or
- (b) Reverse Repo transactions, provided that in all cases such Reverse Repo transactions are scheduled to mature on or before the next Interest Payment Date and:
- (iv) are entered into with a counterparty which is rated at least A (long-term) and F1 (short-term) by Fitch and A2 (long-term) and P-1 (short-term) by Moody's (where the maturity of the Reverse Repo transaction is less than 30 days), or AA- (long-term) and F1+ (short-term) by Fitch and A2 (long-term) and P-1 (short-term) by Moody's (where the maturity of the Reverse Repo transaction is greater than or equal to 30 days); or
 - (v) relate to either:
 - (A) the sale and repurchase of Standard Permitted Investments; or
 - (B) the sale and repurchase of UK Government Securities having a long-term rating of at least AA- by Fitch and Aa3 by Moody's and maturing within 10 years of the next Interest Payment Date, where the Valuation Percentage is required to be equal to or less than the Maximum Valuation Percentage on each Business Day, such Valuation Percentage value to be determined and tested by the Cash Manager on each Business Day, *provided* for this paragraph (B) only:
 - (i) the relevant repo counterparty has a minimum long term rating of at least BBB- by Fitch and Baa3 by Moody's as at the settlement date of the relevant repo transaction, (ii) the relevant repo transaction has a maximum maturity of one month, and (iii) the underlying UK Government Securities purchased under the relevant repo transaction are required to be sold by the Issuer within one Business Day following the occurrence of an event of default by the relevant repo counterparty;

For the purposes of the definition of "Authorised Investments", "**Standard Permitted Investments**" means investments falling within paragraph (a) of the definition of "Authorised Investments".

"**Authorised Signatory**" means, in relation to any Transaction Party, any person who is duly authorised and in respect of whom a certificate has been provided signed by a director or another duly authorised person of such Transaction Party setting out the name and signature of such person and confirming such person's authority to act;

"**Available Principal Receipts**" means for any Interest Payment Date:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period;
- (b) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f) and (i) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (c) any amounts standing to the credit of the Retained Principal Ledger; and
- (d) in respect of the first Interest Period only, any funds representing the excess of the proceeds of the issue of the Notes over the Initial Consideration,

less:

- (x) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period which are to be applied to cover Remaining Income Deficits on such Interest Payment Date; and
- (y) the amount of Principal Receipts to the extent comprised in paragraph (a) above used or to be used by the Issuer to purchase Further Advances made during the immediately preceding Collection Period.

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

- (a) Revenue Receipts received during the immediately preceding Collection Period, less amounts applied during such Collection Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):
 - (i) payments of certain insurance premiums;
 - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account (including any amounts required to satisfy any of the obligations and/or liabilities incurred by the Collection Account Bank under the direct debit scheme), any other amounts due to the Collection Account Bank in respect of amounts which are credited to the Collection Account but which are subsequently recalled or reversed as an unpaid sum and the Collection Account Bank's fees and charges for the operation of the Collection Account;
 - (iii) any amount received from a Borrower at any time (including upon redemption of the relevant Loan) for the express purpose of payment being made to a third party or the Seller for the provision of a service to that Borrower or the Seller,

(items within paragraphs (i), (ii) and (iii) being collectively referred to herein as "**Permitted Withdrawals**"), which amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the persons entitled thereto;
- (b) interest payable to the Issuer on the Transaction Account and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Swap Agreement (other than (i) any amounts to be credited to the Swap Collateral Accounts; and (ii) any amount received by the Issuer in respect of Swap Tax Credits) on or in respect of such Interest Payment Date;
- (d) any Swap Collateral Account Surplus;

- (e) any amounts standing to the credit of the General Reserve Fund equal to the General Reserve Fund Excess, provided that the General Reserve Fund Excess Conditions (if applicable) are met;
- (f) in respect of the first Interest Period, all amounts representing the Initial Revenue Advance, if any;
- (g) other net income of the Issuer received during the immediately preceding Collection Period, excluding any interest, distributions or redemption or sale proceeds received in respect of amounts standing to the credit of the Swap Collateral Accounts and without double-counting the amounts described in paragraphs (a) to (e) above; and
- (h) amounts deemed to be Available Revenue Receipts in accordance with item (e) of the Pre-Enforcement Principal Priority of Payments.

"Back-Up Administration Agreement" means the agreement so named entered into following the occurrence of a Back-Up Administrator Event between the Back-Up Administrator, the Administrator, the Back-Up Administrator Facilitator, the Seller, the Issuer and the Trustee pursuant to which the Back-Up Administrator will be appointed as back-up administrator in relation to the Loans or any agreement entered into between the Issuer, the Trustee and any replacement back-up administrator;

"Back-Up Administrator" means any back-up administrator appointed pursuant to the Back-Up Administration Agreement (or any successor duly appointed);

"Back-Up Administrator Event" means, at any time when there is no incumbent back-up administrator appointed:

- (a) the Administrator's long-term counterparty risk assessment from Moody's ceases to be at least Baa3(cr) or if a long-term counterparty risk assessment from Moody's is not available, the long-term, unsecured, unguaranteed and unsubordinated debt obligations cease to have a rating from Moody's of at least Baa3 (or such other long-term rating which is otherwise acceptable to Moody's); or
- (b) the Administrator ceases to have a long-term issuer default rating from Fitch of at least BBB- (or such other long-term rating which is otherwise acceptable to Fitch); or
- (c) the Administrator's long-term, unsecured, unguaranteed and unsubordinated debt obligations or its counterparty ratings are not rated by Moody's or Fitch does not provide a long-term issuer default rating in respect of the Administrator and the Rating Agencies have informed the Issuer or the Trustee in writing, or there is a public announcement from either of the Rating Agencies, that the continued appointment of the then current Administrator would, unless a back-up administrator is appointed, adversely affect the ratings of the Class A Notes;

Back-Up Administrator Facilitator" means CSC Capital Markets UK Limited acting in its capacity as back-up administrator facilitator pursuant to the Administration Agreement (or any successor duly appointed);

"Back-Up Cash Management Agreement" means the agreement so named entered into following the occurrence of a Back-Up Cash Manager Event between the Back-Up Cash Manager, the Issuer, the Seller, the Cash Manager, the Administrator and the Trustee pursuant to which the Back-Up Cash Manager will be appointed as back-up cash manager or any agreement entered into between the Issuer, the Seller, the Cash Manager and the Trustee and any replacement Back-Up Cash Manager;

"Back-Up Cash Manager" means any back-up cash manager appointed pursuant to the Back-Up Cash Management Agreement (or any successor duly appointed);

"Back-Up Cash Manager Event" means the Cash Manager's long term counterparty risk assessment from Moody's ceases to be at least Baa3 (cr) or, if a long term counterparty risk assessment from Moody's is not available, the long-term, unsecured and unsubordinated debt obligations of the Cash Manager ceases to be rated at least Baa3 by Moody's (or such other long term rating as is otherwise acceptable to Moody's);

"Book Entry Interests" means a record of the beneficial interests in the Global Notes maintained by each of Euroclear and Clearstream, Luxembourg;

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

"Breach of Duty" means in relation to any person (other than the Trustee, the Agents and the Account Bank), a wilful default, fraud, illegal dealing, negligence or material breach of any agreement or breach of trust by such person and in relation to the Trustee, the Agents and the Account Bank means a wilful default, fraud or gross negligence by the Trustee, the Agents or the Account Bank;

"Building Societies Act" means the Building Societies Act 1986;

"Business Day" means a day on which commercial banks and foreign exchange markets settle payments in London;

"Calculation Date" means in relation to an Interest Payment Date, the fourth Business Day prior to such Interest Payment Date;

"Calculation Period" means the period from (and including) a Calculation Date (or in respect of the first Calculation Period, from the Closing Date) to (but excluding) the next (or first) Calculation Date and, in relation to an Interest Payment Date, the "related Calculation Period" means, unless the context otherwise requires, the Calculation Period ending on the Business Day immediately preceding the related Calculation Date.

"Capital Balance" means in respect of a Loan at any date the principal balance of that Loan;

"Capitalised Arrears" means, in relation to any Loan, at any date, amounts (excluding Arrears of Interest or amounts comprising Capitalised Expenses) which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower;

"Capitalised Expenses" means for any Loan at any date, expenses which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of that Loan in accordance with the Mortgage Terms or otherwise by arrangement with the relevant Borrower;

"Capitalised Interest" means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);

"Cash Management Agreement" means the cash management agreement so named entered into on or about the Closing Date between the Cash Manager, the Issuer and the Trustee and/or any successor or replacement Cash Management Agreement entered into by the Issuer from time to time;

"Cash Manager" means Skipton Building Society or such other person as may from time to time be appointed as cash manager pursuant to the Cash Management Agreement;

"Cash Manager Termination Event" has the meaning given in Clause 14.1 of the Cash Management Agreement;

"**Certificate of Title**" means a solicitor's, licensed conveyancer's or (in Scotland) qualified conveyancer's report or certificate of title obtained by or on behalf of the Seller in respect of each Property substantially in the form of the pro forma set out in the Standard Documentation;

"**Charged Accounts**" means the Issuer Accounts, the Swap Collateral Accounts and any bank or other account in which the Issuer may at any time acquire a benefit and over which the Issuer has created an encumbrance in favour of the Trustee pursuant to the Deed of Charge;

"**Charged Property**" means all the property of the Issuer which is subject to the Security;

"**Class A Global Note**" means the global note representing the Class A Notes;

"**Class A Noteholders**" means the persons who for the time being are holders of the Class A Notes;

"**Class A Notes**" means the £600,000,000 Class A mortgage backed floating rate notes due December 2057;

"**Class A Principal Deficiency Sub-Ledger**" means the sub-ledger of the Principal Deficiency Ledger relating to the Class A Notes;

"**Class A Target Amortisation Amount**" has the meaning given to it under paragraph (a) of Condition 9.2 (*Mandatory Redemption in Part*).

"**Class A Target Amortisation Amount Shortfall**" means the amount by which Available Principal Receipts (excluding limb (b) of the definition of Available Principal Receipts) is insufficient to provide for items (a) of the Pre-Enforcement Principal Priority of Payments.

"**Class A Target Amortisation Schedule**" has the meaning given to it under paragraph (a) of Condition 9.2 (*Mandatory Redemption in Part*).

"**Class B Global Note**" means the global note representing the Class B Notes;

"**Class B Noteholders**" means the persons who for the time being are holders of the Class B Notes;

"**Class B Notes**" means the £66,667,000 Class B mortgage backed floating rate notes due December 2057;

"**Class B Principal Deficiency Sub-Ledger**" means the sub-ledger of the Principal Deficiency Ledger relating to the Class B Notes;

"**Clearstream, Luxembourg**" means Clearstream Banking, S.A., with offices at 42 Avenue J.F. Kennedy L-1855 Luxembourg;

"**Closing Date**" means 24 February 2020, or such other date as the Issuer, the Joint Lead Managers and the Seller may agree;

"**Collection Account**" means an account or accounts in the name of the Seller held with the Collection Account Bank;

"**Collection Account Bank**" means Barclays Bank PLC acting in its capacity as the bank at which the Collection Account is maintained;

"**Collection Account Declaration of Trust**" means the deed entered into on or about the Closing Date, between (*inter alios*) the Issuer, the Seller and the Collection Account Bank whereby the Seller declared a trust over the Collection Account (including all amounts standing to the credit of the Collection Account) in favour of the Issuer and itself;

"Collection Period" means each period from (but excluding) the last day in the calendar month immediately preceding a Calculation Date (or, in the case of the first Collection Period, from (and including) 1 February 2020) to (and including) the last day in the calendar month immediately preceding the immediately following Calculation Date (or, in the case of the first Collection Period, the last day in the calendar month immediately preceding the first Calculation Date);

"Collection Period End Date" means the last day of the calendar month immediately preceding the immediately following Calculation Date;

"Combined Portfolio" means with respect to the Additional Loans to be sold to the Issuer on the next Additional Sale Date, the aggregate of the Portfolio and such Additional Loans.

"Conditions" means, in relation to the Notes, the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 3 (*Terms and Conditions of the Notes*) of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly;

"Corporate Services Agreement" means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, Holdings and the Issuer;

"Corporate Services Provider" means CSC Capital Markets UK Limited (registered number 10780001), a private limited company incorporated under the laws of England and Wales, whose registered office is at Level 37, 25 Canada Square, London E14 5LQ or such other person or persons for the time being acting as corporate services provider to the Issuer and Holdings pursuant to the Corporate Services Agreement;

"Current Balance" of any Loan means, on any date, the aggregate balance of the amounts charged to the Borrower's account in respect of a Loan at such date (but avoiding double counting) including:

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Seller's normal charging practices and added to the amounts secured or intended to be secured by the related Mortgage; and
- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Seller's normal charging practices but which is secured or intended to be secured by the related Mortgage, as at the end of the Business Day immediately preceding that given date,

less any repayment or payment (including, if permitted, by way of set-off, withholding or counterclaim) of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

"Cut-off Date" means the Initial Cut-off Date or each Additional Cut-off Date, as applicable.

"Day Count Fraction" means, in respect of an Interest Period, the actual number of days in such period divided by 365 (or 366 days if the relevant calculation is being made in respect of an Interest Period ending in a leap year);

"Deed of Charge" means the deed so named entered into on or about the Closing Date between, amongst others, the Issuer and the Trustee;

"Deferred Consideration" means the consideration due and payable to the Seller pursuant to the Mortgage Sale Agreement in respect of the sale of the Portfolio, which shall be an amount equal to the amount remaining after making payment of (as applicable):

- (a) the items described in (a) to (m) inclusive of the Pre-Enforcement Revenue Priority of Payments on each Interest Payment Date; or
- (b) the items described in (a) to (l) inclusive of the Post-Enforcement Priority of Payments;

"Deferred Interest" shall have the meaning given to such term in Condition 8.10(a) (*Interest Accrual*);

"Enforcement Notice" means a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default*) which declares the Notes to be immediately due and payable;

"English Mortgage" means a first ranking legal charge secured over freehold or leasehold Properties located in England or Wales;

"euro" or **"€"** means the lawful currency of member states of the EU that adopt the single currency introduced in accordance with the Treaty;

"Euroclear" means Euroclear Bank S.A./N.V., with offices in 1 Boulevard du Roi Albert II B-1210 Brussels, Belgium, and any successor to such business;

"Euronext Dublin" means the Irish Stock Exchange plc trading as Euronext Dublin;

"Event of Default" means any one of the events specified in Condition 13 (*Events of Default*);

"Exchange Date" means the first day following the expiry of forty days after the Closing Date;

"Extraordinary Resolution" means a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast;

"FATCA" means Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (or any amended or successor provisions), any regulations or official guidance promulgated thereunder, any inter-governmental agreement or implementing legislation adopted by another jurisdiction (or any regulations or official guidance promulgated with respect to such an intergovernmental agreement or implementing legislation) or any agreement with the US Internal Revenue Service in connection with these provisions;

"Final Discharge Date" means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"Final Maturity Date" means the Interest Payment Date falling in December 2057;

"First Interest Payment Date" means the Interest Payment Date falling in June 2020;

"Fitch" means Fitch Ratings Limited and any successor to its rating business;

"Fixed Rate Swap Transaction" means the fixed rate swap transaction relating to the Fixed Rate Loans dated on or about the Closing Date between the Issuer and the Swap Provider, as amended from time to time, and/or any replacement or successive swap transaction or transactions entered into by the Issuer from time to time;

"**FSMA**" means the Financial Services and Markets Act 2000;

"**Further Advance**" means, in relation to a Loan, any advance of further money after the Closing Date (or any relevant Additional Sale Date, as the case may be) following a request from an existing Borrower following the making of the Loan which is secured by the same Property as the Loan where the Seller has a discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

"**GBP**" means the lawful currency of the United Kingdom;

"**General Reserve Fund**" means the reserve fund established on the Closing Date which will be initially funded by the Subordinated Loan up to the General Reserve Required Amount and which will subsequently be funded from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments;

"**General Reserve Fund Excess**" means, on any Interest Payment Date, the amount by which the funds standing to the credit of the General Reserve Fund (after deducting any amounts to be applied to eliminate any Income Deficit) exceed the General Reserve Required Amount.

"**General Reserve Fund Excess Conditions**" means each of the following conditions:

- (a) no Event of Default has occurred and is continuing;
- (b) the Class A Principal Deficiency Sub-Ledger will not have a debit balance on the next Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (c) the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 5 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio;
- (d) cumulative Losses on the Portfolio represent less than 1 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio as at the Closing Date; and
- (e) the current LTV ratio of the Loans is less than 95 per cent.;

"**General Reserve Required Amount**" means (i) on the Closing Date £ 9,000,000 (being an amount equal to 1.5 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date, (ii) on each Interest Payment Date 1.5 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on such date, provided that if the General Reserve Fund Excess Conditions are not satisfied on the Calculation Date immediately preceding the relevant Interest Payment Date, the General Reserve Required Amount shall be such amount as determined on the immediately preceding Interest Payment Date and (iii) upon redemption of the Class A Notes in full, zero;

"**holder**" means the registered holder of a Note and the words "**holders**" and related expressions shall (where appropriate) be construed accordingly;

"**Holdings**" means Darrowby 5 Holdings Limited (registered number 11675568), a private limited company incorporated under the laws of England and Wales, whose registered office is at Level 37, 25 Canada Square, London E14 5LQ;

"**In Arrears**" means, in respect of a mortgage account, that one or more monthly payments in respect of such mortgage account have become due and remain unpaid (either in whole or in part) by a Borrower;

"**Incorporated Terms Memorandum**" means the memorandum so named dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction Parties;

"Initial Advance" means, in relation to a Loan, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, and it may include any fees (if capitalised);

"Initial Consideration" means £ 666,793,781.82 which is paid by the Issuer to the Seller on the Closing Date in partial consideration of the Seller's sale to the Issuer of the Initial Loans and their Related Security comprising the Initial Portfolio;

"Initial Cut-off Date" means 31 December 2019.

"Initial Loan" means the Loans included in the Initial Portfolio sold by the Seller to the Issuer on the Closing Date.

"Initial Portfolio" means the portfolio of Initial Loans and Related Security sold by the Seller to the Issuer on the Closing Date, the particulars of which are set out in Part 1 of the Appendix to the Mortgage Sale Agreement or in a document stored upon electronic media (including, but not limited to, a CD-ROM) (including pursuant to a substitution).

"Insolvency Act" means the Insolvency Act 1986;

"Insolvency Official" means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes) provisional liquidator, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

"Interest Amount" means in respect of a Note for any Interest Period the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by:

- (a) multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date by the relevant Note Rate; and
- (b) then multiplying the amount so calculated in paragraph (a) by the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

"Interest Determination Ratio" means (i) the aggregate Revenue Receipts calculated in the three preceding Administrator Reports divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Administrator Reports;

"Interest Payment Date" means the 20th day of March, June, September and December in each year commencing on the First Interest Payment Date, provided that if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day;

"Interest Period" means the period from (and including) an Interest Payment Date (except in the case of the first Interest Period, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date;

"Issuer" means Darrowby No. 5 plc (registered number 11675660), a public limited company incorporated under the laws of England and Wales, whose registered office is at Level 37, 25 Canada Square, London E14 5LQ;

"Issuer Accounts" means the Transaction Account, any Replacement Bank Account and any Additional Account(s) established or to be established pursuant to the Account Bank Agreement;

"Issuer Covenants" means the covenants of the Issuer set out in Schedule 5 of the Incorporated Terms Memorandum;

"Issuer Insolvency Event" in respect of the Issuer means:

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

"Issuer Jurisdiction" means England and Wales (and the United Kingdom, for tax purposes) or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Condition 22 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

"Issuer Security Power of Attorney" means the power of attorney granted by the Issuer in favour of the Trustee under the Deed of Charge on the Closing Date;

"Issuer Profit Amount" means £ 300 on each Interest Payment Date to be credited to the Transaction Account and to be retained by the Issuer as profit in respect of the business of the Issuer;

"Issuer Variable Rate" means any variable rate applicable to a Variable Rate Loan, a Capped (Variable) Loan and a Discount Rate Loan in the Portfolio;

"Joint Lead Managers" means J.P. Morgan Securities plc and Lloyds Bank Corporate Markets plc;

"Liabilities" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, decrees, actions, proceedings or other liabilities whatsoever including properly incurred legal fees and any Taxes and penalties incurred by that person;

"LIBOR" means the London Interbank Offered Rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate);

"Loans" means the residential loans in the Portfolio sold or to be sold (as applicable) to the Issuer by the Seller on or about the Closing Date (in relation to the Initial Loans) and on any Additional Sale Date (in relation to any Additional Loans) pursuant to the Mortgage Sale Agreement and the residential loans which are Substitute Loans sold or to be sold (as applicable) to the Issuer by the Seller on any Substitution Date, pursuant to the Mortgage Sale Agreement including, where the context so requires, any further advance made by the Seller to a Borrower prior to the Closing Date and sold to the Issuer pursuant to the Mortgage Sale Agreement, each Further Advance sold or to be sold (as applicable) to the Issuer by the Seller after the Closing Date and any loan which is the subject of a Product Switch but excluding (for the avoidance of doubt) each loan and its Related Security redeemed or repurchased by the Seller pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by it;

"Losses" means any losses arising in relation to a Loan in the Portfolio which causes a shortfall in the amount available to pay principal on the Notes;

"Maximum Valuation Percentage" means for any UK Government Securities sold to the Issuer under a Reverse Repo, the Repo Applicable Percentage Value. Where UK Government Securities with differing maturities have been sold to the Issuer under a Reverse Repo agreement, the Maximum Valuation Percentage will be the weighted average of the Repo Applicable Percentage Value for each such UK Government Security;

"Meeting" means a meeting of Noteholders of any class or classes (whether originally convened or resumed following an adjournment);

"Minimum Amount" means one penny;

"Minimum Denomination" means in respect of the Notes represented by the Global Notes and (if issued) the Definitive Certificates will be £ 100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £ 1,000;

"Moody's" means Moody's Investors Service Limited and includes any successor to its rating business;

"Mortgage" means each English Mortgage and each Scottish Mortgage, and together the **"Mortgages"**;

"Mortgage Account " means all Mortgage Loans secured on the same Property and thereby forming a single mortgage account with the Seller;

"Mortgage Conditions" means the terms and conditions applicable to a Loan and/or Mortgage as contained in the Seller's "Mortgage Conditions" booklet applicable from time to time;

"Mortgage Sale Agreement" means the agreement so named dated on or about the Closing Date between the Seller, the Issuer, the Trustee and the Administrator in relation to the sale of the Portfolio to the Issuer;

"Mortgaged Property" or **"Property"** means a freehold, heritable or leasehold property (or in Scotland property held under a long lease) which is subject to a Mortgage and together, the **"Mortgaged Properties"** or **"Properties"**;

"**Most Senior Class**" means, the Class A Notes whilst they remain outstanding and thereafter the Class B Notes;

"**Note Principal Payment**" means the principal amount redeemable in respect of each Note of a particular class, which shall be a proportion of the amount required as at that Interest Payment Date to be applied in redemption of such class of Notes on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such class of Notes rounded down to the nearest Minimum Amount; provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note;

"**Noteholder**" means the Class A Noteholders and the Class B Noteholders or, where the context otherwise requires, the holders of Notes of a particular class or classes, as the case may be;

"**Notes**" means the Class A Notes and the Class B Notes and "**Note**" means any of them whether represented by Definitive Certificates or the Global Notes;

"**Notices Condition**" means Condition 23 (*Notices*);

"**Notices Details**" means, in relation to any Agent, the provisions set out in Schedule 7 (*Notice Details*) of the Incorporated Terms Memorandum;

"**outstanding**" means, in relation to the Notes, all the Notes other than:

- (a) those which have been redeemed in full and cancelled in accordance with the Conditions;
- (b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to, or to the order of, the Trustee or the Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;
- (c) those which have been purchased and surrendered for cancellation as provided in Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and notice of the cancellation of which has been given to the Trustee;
- (d) those which have become void under the Conditions;
- (e) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and
- (f) any Global Note, to the extent that it shall have been exchanged for the related Definitive Certificates pursuant to the provisions contained therein and the Conditions;

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Noteholders;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 14 (*Waiver*), Clause 15 (*Modifications*), Clause 18 (*Proceedings and Actions by the Trustee*), Clause 26 (*Appointment of Trustees*) and Clause 27 (*Notice of New Trustee*) of the Trust Deed and Condition 13 (*Events of Default*), Condition 14 (*Enforcement*) and Condition 16 (*Meetings of Noteholders*) and the Provisions for Meetings of Noteholders; and

- (iii) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller, any holding company of the Seller or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Notes of any class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the "**Relevant Class of Notes**") shall be deemed to remain outstanding except that, if there is any other class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

"**Participants**" means persons that have accounts with Euroclear or Clearstream, Luxembourg;

"**Paying Agents**" means the Principal Paying Agent and any other paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement;

"**Perfection Trigger Event**" means each of the following events:

- (a) a Seller Insolvency Event;
- (b) a Severe Credit Quality Deterioration Event; or
- (c) the Seller defaults in the performance or observance of any of its other obligations under the Transaction Documents, including failure to repurchase any Loan under the Mortgage Sale Agreement, and such default continues unremedied for longer than the remedy period permitted by the relevant Transaction Documents;

"**Permitted Transfer**" means:

- (i) an amalgamation of the Seller and one or more other building societies under section 93 of the Building Societies Act; or
- (ii) a transfer by the Seller of all or substantially all of its engagements (being 90 per cent. or more of the Issuer's engagements including its obligations under the Trust Deed and the Agency Agreement) or (on terms which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders) any smaller part of its engagements, in both cases under section 94 of the Building Societies Act; or
- (iii) a transfer by the Seller of its business to a company under sections 97 to 102D of the Building Societies Act (including any transfer of business to a subsidiary of another mutual society pursuant to section 97 of the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007) (the "**Funding and Mutual Societies Transfers Act**") or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act); or
- (iv) an alteration in the status of the Seller by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an institution authorised under the FSMA or to a body which is regulated on a similar basis to an institution authorised under the FSMA; or

- (v) any other reconstruction or amalgamation or transfer, in each case the terms of which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders.

"Portfolio" means the portfolio of Loans, the Mortgages, the Related Security and all moneys derived therefrom sold to the Issuer by the Seller on the Closing Date and on any Additional Sale Date and thereafter in accordance with the terms of the Mortgage Sale Agreement;

"Post-Enforcement Priority of Payments" means the provisions relating to the order of priority of payments from the Charged Accounts, set out in Clause 16 (*Post-Enforcement Priority of Payments*) of the Deed of Charge;

"Potential Event of Default" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"Pre-Enforcement Principal Priority of Payments" means the provision relating to the order of priority of payments from the Principal Ledger set out in Schedule 2 of the Cash Management Agreement;

"Pre-Enforcement Revenue Priority of Payments" means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Schedule 2 of the Cash Management Agreement;

"Principal Amount Outstanding" means, on any day:

- (a) in relation to a Note, the principal amount outstanding of that Note as at the Closing Date, less the aggregate amount of any principal payments in respect of that Note which have become due and payable (and been paid) on or prior to that day;
- (b) in relation to a class, the aggregate of the amount in (a) in respect of all Notes outstanding in such class; and
- (c) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of class;

"Principal Deficiency Ledger" means the Principal Deficiency Ledger comprising the Class A Principal Deficiency Sub-Ledger and the Class B Principal Deficiency Sub-Ledger maintained by the Cash Manager on behalf of the Issuer which records on it all deficiencies arising from Losses allocated to the Notes and Principal Receipts used to pay a Remaining Income Deficit;

"Principal Ledger" means the ledger maintained by the Cash Manager on behalf of the Issuer which records all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the provisions of the Cash Management Agreement and in particular with the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);

"Principal Paying Agent" means Citibank, N.A., London Branch in its capacity as principal paying agent in accordance with the terms of the Agency Agreement (or any successor duly appointed);

"Principal Receipts" means (a) principal repayments under the Loans (b) payments in respect of Accrued Interest and Arrears of Interest as at the Closing Date, any Additional Sale Date or the relevant Substitution Date in respect of a Loan, as applicable, Capitalised Interest and Capitalised Expenses and Capitalised Arrears, (c) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (d) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio, (e) and any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the Seller's normal charging practices and repaid via a Borrower's monthly instalment, provided that

payments received in respect of any fees which have been allocated by the Seller (in accordance with its collection policies) as interest payments, shall not constitute Principal Receipts, (f) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (including, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date);

"Priorities of Payments" means the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments and the Post-Enforcement Priority of Payments;

"Product Switch" means a change or variation in the financial terms and conditions applicable to a Borrower's Loan other than:

- (a) an addition or a release of a party to the Loan;
- (b) any variation agreed with a Borrower to control or manage arrears on the Loan;
- (c) any variation which extends the maturity date of the Loan up to the Interest Payment Date falling in December 2054;
- (d) any variation imposed by statute; and
- (e) any variation of a Loan from repayment loan to an interest only loan or vice versa.

"Provisions for Meetings of Noteholders" means the provisions contained in Schedule 4 (Provisions for Meetings of Noteholders) to the Trust Deed;

"Rating Agencies" means Moody's and Fitch and **"Rating Agency"** means any of them;

"Receiver" means any receiver, manager, administrator, receiver or manager, or administrative receiver appointed in respect of the Issuer by the Issuer at the request of the Trustee or by the Trustee in accordance with Clause 18.2 (*Appointment of a Receiver*) of the Deed of Charge;

"Reconciliation Amount" means in respect of any Collection Period, (i) the actual Principal Receipts as determined in accordance with the available Administrator Reports, less (ii) the calculated Principal Receipts in respect of such Collection Period, plus (iii) any Reconciliation Amount not applied in previous Collection Periods;

"Register" means the register on which the names and addresses of the holders of the Notes and the particulars of the Notes shall be entered and kept by the Issuer at the Specified Office of the Registrar;

"Registers of Scotland" means the Land Register of Scotland and/or the General Register of Sasines;

"Registrar" means the party responsible for the registration of the Notes, which at the Closing Date is Citibank, N.A., London Branch acting in such capacity pursuant to the Agency Agreement (or any successor duly appointed);

"Related Security" means, in relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement including (without limitation):

- (a) the benefit of all affidavits, declarations, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, deeds of consent relating to the relevant Property) from occupiers and other persons having an interest in or rights in connection with the relevant Property (including any such affidavits, declarations, consents or renunciations granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish Mortgage or the property secured thereby);

- (b) each right of action of the Seller against any person (including, without limitation, any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each Certificate of Title and Valuation Report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the Seller to make or offer to make all or part of the Loan; and
- (c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (including, the relevant Insurance Policies) deposited, charged, obtained, or held in connection with the Loan, Mortgage and/or Property and relevant Loan files;

"Relevant Screen" means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be selected by the Issuer or the Cash Manager on behalf of the Issuer and as has been notified to the Noteholders in accordance with Condition 23;

"Remaining Income Deficit" means for each Calculation Date, the extent, if any, by which Available Revenue Receipts are insufficient to pay or provide for payment of items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments after application by the Cash Manager (on behalf of the Issuer) of amounts standing to the credit of the General Reserve Fund;

"Replacement Account Bank" means any bank at which the Issuer holds a Replacement Bank Account which has at least the Account Bank Required Minimum Rating (or any successor duly appointed);

"Replacement Account Bank Agreement" means an agreement entered into pursuant to the Account Bank Agreement between the Issuer, the Trustee and a Replacement Account Bank in relation to the Replacement Bank Account;

"Replacement Bank Account" means an account of the Issuer with a Replacement Account Bank designated as such in accordance with the terms of the Account Bank Agreement;

"Repo Applicable Percentage Value" means:

- (a) in relation to fixed rate Sterling denominated UK Government securities with a remaining maturity of:
 - (i) less than or equal to one year, 99 per cent.;
 - (ii) greater than one year and less than or equal to two years, 98 per cent.;
 - (iii) greater than two years and less than or equal to three years, 97 per cent.;
 - (iv) greater than three years and less than or equal to five years, 96 per cent.;
 - (v) greater than five years and less than or equal to seven years, 95 per cent.;
 - (vi) greater than seven years and less than or equal to ten years, 94 per cent.; and
 - (vii) greater than ten years, 90 per cent.; and
- (b) in relation to floating rate Sterling denominated UK Government securities, 99 per cent.;

"Reserved Matter" means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes of any class, to modify the amount of principal or interest due on any date in respect of the Notes of any class or to alter the method of calculating the amount of, or date fixed for, any payment in respect of the Notes of any class, save that a Reference Rate Modification shall not constitute a Reserved Matter;
- (b) (except in accordance with Condition 22 (*Substitution of Issuer*) and Clause 16 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to alter the priority of payment of interest or principal in respect of the Notes;
- (e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution of holders of the Most Senior Class then outstanding; or
- (f) to amend this definition;

"Retail Price Index" means the Retail Price Index published in the "Monthly Digest of Statistics" by the Office of National Statistics and, if at any time such index ceases to be published or ceases to be published in the form in which it is published at the date hereof, the term shall be construed to include such other index as, in the opinion of the Issuer (or the Administrator on its behalf), most closely resembles the same constituent elements.

"Retained Principal Ledger" means the ledger maintained by the Cash Manager on behalf of the Issuer in the Transaction Account which records any credits made in accordance with the Pre-Enforcement Principal Priority of Payments and record as amounts applied as Available Principal Receipts on each Interest Payment Date and amounts to fund the purchase of Additional Loans (with the effect that, during the Revolving Period, such Available Principal Receipts so debited and credited shall (i) firstly, fund any Class A Target Amortisation Amount Shortfall and (ii) secondly, be applied to credit the Retained Principal Ledger for the purposes of purchasing any Additional Loans sold to the Issuer by the Seller on an Additional Sale Date).

"Revenue Ledger" means the ledger maintained by the Cash Manager on behalf of the Issuer which records all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments (as applicable);

"Revenue Receipts" means (a) payments of interest (excluding payments in respect of Accrued Interest and Arrears of Interest as at the Closing Date, any Additional Sale Date or the relevant Substitution Date of a Loan, as applicable) of the Loans (including any early repayment fees) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced, (c) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed and (d) certain fees (which do not fall within paragraph (e) of the definition of "Principal Receipts") which have been allocated by the Seller (in accordance with its collection policies) as interest payments and charged by the Administrator in respect of servicing the Loans, which have been charged and repaid by a means other than the Borrower's monthly instalment;

"Reverse Repo" means a sale and repurchase agreement substantially in the form of the Global Master Repurchase Agreement entered into by the Issuer with a market counterparty pursuant to which the Issuer may agree to purchase certain debt securities from the repo counterparty at an agreed purchase price for an agreed period (such debt securities to be held under custody arrangements, on trust for the benefit of the Issuer) with an obligation to sell equivalent debt securities back to the repo counterparty at the maturity of the transaction, and subject to periodic mark to market margining. If the debt securities purchased by the Issuer from the repo

counterparty under the Reverse Repo are in default on the maturity of the transaction, the repo counterparty shall remain liable to pay to the Issuer the agreed re-purchase price;

"Revolving Period" means the period commencing on the Closing Date and ending on (and excluding) the Revolving Period End Date.

"Revolving Period End Date" means the occurrence of any of the following events:

- (a) the Step-Up Date;
- (b) the occurrence of a Seller Insolvency Event (after the passing of any applicable grace period);
- (c) an Administrator Insolvency Event;
- (d) an unremedied breach by the Seller of any of its obligations under the Transaction Documents, which breach has (or, with the passage of time, would have) a Material Adverse Effect;
- (e) appropriate hedging arrangements have not been entered into in respect of the Fixed Rate Loans in accordance with the Swap Agreement;
- (f) following the application of the Pre-Enforcement Revenue Priority of Payments on any Interest Payment Date, the debit balance recorded to the Class B Principal Deficiency Sub-Ledger is in excess of 1% of the aggregate Principal Amount Outstanding of all Notes as at such Interest Payment Date;
- (g) following the application of the Pre-Enforcement Revenue Priority of Payments on an Interest Payment Date, the General Reserve Fund is not funded to the General Reserve Required Amount;
- (h) the redemption in full of the Class A Notes;
- (i) the aggregate Current Balance of the Loans in the Portfolio which are then in arrears for 3 months or more is greater than or equal to 5 per cent. of the aggregate Current Balance of all Loans in the Portfolio as at such Interest Payment Date in which an Additional Sale Date occurs;
- (j) the aggregate Current Balance of the Loans in the Portfolio falls below £ 126,667,000;
- (k) the date on which the Seller ceases to originate new loans that are capable of meeting the predetermined credit quality requirements set out in the Mortgage Sale Agreement and complying in all material respects with the Loan Warranties; or
- (l) immediately upon payment of any Additional Loan Consideration for any Additional Loans, the amount standing to the credit of the Retained Principal Ledger, as at the date 5 Business Days after the last day of the calendar month on which an Interest Payment Date falls, is greater than 3.5% of the aggregate Current Balance of the Loans in the Portfolio as at the Closing Date.

"Scottish Declaration of Trust" means each declaration of trust in relation to the relevant Scottish Loans and their Related Security made pursuant to the Mortgage Sale Agreement by means of which the sale of such Scottish Loans (including Scottish Loans which are Additional Loans and/or Substitute Loans) and their Related Security by the Seller to the Issuer and the transfer of the beneficial interest therein to the Issuer are given effect and together the **"Scottish Declarations of Trust"**;

"Scottish Loan" means a Loan secured by a Scottish Mortgage;

"Scottish Mortgage" means a first priority standard security over a heritable Property or Property held under a long lease located in Scotland;

"Scottish Sub-Security" means each standard security to be executed pursuant to the Deed of Charge and in the form of schedule 2 thereto;

"Scottish Supplemental Charge" means each assignment in security governed by Scots law granted by the Issuer in favour of the Trustee pursuant to the Deed of Charge;

"Scottish Transaction Documents" means each Scottish Declaration of Trust, each Scottish Supplemental Charge, each Scottish Sub-Security and any other Transaction Document expressed to be governed by Scots law;

"Secured Amounts" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes or the Transaction Documents;

"Secured Creditors" means the Trustee in its own capacity, any Receiver or any Appointee appointed by the Trustee, each in its own capacity, the Agent Bank, the Registrar, the Paying Agents, the Corporate Services Provider, the Administrator, the Back-Up Administrator (if appointed), the replacement Administrator (if appointed), the Back-Up Administrator Facilitator, (and any replacement of the Administrator, the Back-Up Administrator, the replacement Administrator or the Back-Up Administrator Facilitator), the Cash Manager, the Back-Up Cash Manager, the replacement Cash Manager (and any replacement of the Cash Manager, the Back-Up Cash Manager or replacement Cash Manager), the Account Bank, the Swap Provider, the Noteholders, the Subordinated Loan Provider, the Swap Collateral Account Bank, the Seller (in respect of any Deferred Consideration) and any party named as such in a Transaction Document;

"Security" means the security granted by the Issuer to the Trustee under and pursuant to the Deed of Charge in favour of the Secured Creditors;

"Seller" means Skipton Building Society acting in its capacity as seller of the Loans and their Related Security to the Issuer pursuant to the Mortgage Sale Agreement;

"Seller Insolvency Event" means each of the following:

- (i) the Seller becomes insolvent or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act (on the basis that the reference in such section to £ 750 was read as a reference to £10 million), Sections 123(1)(b), (d) and (e), and Section 123(1)(c) of the Insolvency Act (on the basis that the words "for a sum exceeding £ 10 million" were inserted after the words "extract registered bond" and "extract registered protest") or applies for or consents to or suffers the appointment of a liquidator or receiver or administrator or building society liquidator or building society special administrator or similar officer over the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or a distress, execution or diligence or other process is enforced upon the whole or any substantial part of its undertaking or assets and is not discharged within 60 days); or
- (ii) an order is made or an effective resolution is passed for the winding-up of the Seller, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction (a) with or by any of its subsidiaries or (b) the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of the holders of the Most Senior Class; or
- (iii) if the Seller (otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (b) above), ceases or, through an authorised action of its board of directors, threatens to cease to carry on all or substantially all of its business or its mortgage administration business,

except in the case of the events described in paragraphs (i) to (iii) above occurring for the purposes of or pursuant to a Permitted Transfer;

"**Seller Mortgage Variable Rate**" means any variable mortgage rate set by Skipton Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market in relation to a mortgage which was originated on or after 14 November 2012;

"**Seller Security Power of Attorney**" means the power of attorney granted by the Seller in favour of the Issuer and the Trustee on the Closing Date in substantially the same form as that set out in Schedule 6 (*Power of Attorney in favour of the Issuer and the Trustee*) to the Mortgage Sale Agreement;

"**Seller Standard Variable Rate**" means any variable mortgage rate set by Skipton Building Society by reference to the general level of interest rates and competitor rates in the UK mortgage market in relation to a mortgage which was originated prior to 30 December 2009; and

"**Seller Variable Rate**" or "**SVR**" means the Seller Standard Variable Rate or the Seller Mortgage Variable Rate, as applicable.

"**Sequential Order**" means, in respect of payments of interest and principal to be made to the Class A Notes and Class B Notes, firstly, to the Class A Notes and secondly, to the Class B Notes;

"**Severe Credit Quality Deterioration Event**" means the Seller determines, as at any date, that its CET1 Ratio has fallen below 7%, where **CET1 Ratio** means the ratio (expressed as a percentage) of Common Equity Tier 1 as at such date to the Risk Weighted Assets as at the same date, in each case calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the CRR) or, as the context requires, a consolidated basis, **Common Equity Tier 1** means, as at any date, the sum of all amounts that constitute common equity tier 1 capital of the Seller as at such date, less any deductions from common equity tier 1 capital required to be made as at such date, in each case as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations but without taking into account any transitional, phasing-in or similar provisions and **Risk Weighted Assets** means, as at any date, the aggregate amount of the risk weighted assets of the Seller as at such date, as calculated by the Seller on an individual consolidated basis (as referred to in Article 9 of the CRR) or, as the context requires, a consolidated basis, in each case in accordance with the then prevailing Capital Regulations;

"**Share Trustee**" means CSC Corporate Services (UK) Limited (registered number 10831084), a company incorporated under the laws of England and Wales, whose principal office is at Level 37, 25 Canada Square, London E14 5LQ;

"**SONIA**" means the Sterling Overnight Index Average;

"**Specified Office**" means, in relation to any Agent:

- (a) the office specified against its name in the Notices Details; or
- (b) such other office as such Agent may specify in accordance with Clause 13.8 (*Changes in Specified Offices*) of the Agency Agreement;

"**SPV Criteria**" means the criteria established from time to time by the Rating Agencies for a single purpose company in the Issuer Jurisdiction;

"**Standard Documentation**" means the standard documentation, a list of which is set out in Part 2 (*Standard Documentation*) of the Appendix to the Mortgage Sale Agreement and copies of which have been initialled on behalf of the parties thereto for the purposes of identification, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Prudent Mortgage Lender;

"**Standard Security**" or "**standard security**" means a standard security as defined in Part 2 of the Conveyancing and Feudal Reform (Scotland) Act 1970;

"**Step-Up Date**" means the Interest Payment Date falling in December 2024;

"**Sterling**" and "£" denote the lawful currency for the time being of the United Kingdom;

"**Subordinated Loan**" means the subordinated loan that the Subordinated Loan Provider made available to the Issuer pursuant to the Subordinated Loan Agreement;

"**Subordinated Loan Agreement**" means the loan agreement so named dated on or about the Closing Date between the Issuer, the Subordinated Loan Provider and the Trustee;

"**Subordinated Loan Provider**" means Skipton Building Society in its capacity as subordinated loan provider pursuant to the Subordinated Loan Agreement;

"**Substitute Loan**" means a Loan and its Related Security which has been sold to the Issuer as consideration for the repurchase of a Loan which was found to be in breach of any representation or warranty in accordance with the terms of the Mortgage Sale Agreement;

"**Substituted Obligor**" means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

"**Substitution Date**" means the date upon which a Substitute Loan is assigned to or placed in trust for the Issuer;

"**Swap Agreement**" means the swap agreement between the Issuer and the Swap Provider thereunder dated on or about the Closing Date, consisting of a 1992 ISDA Master Agreement together with a Schedule thereto, a credit support annex and a confirmation documenting the Fixed Rate Swap Transaction as such may be amended from time to time, and/or any successive or replacement swap agreement entered into by the Issuer from time to time;

"**Swap Collateral**" means any cash transferred by the Swap Provider to the Issuer on any date pursuant to the terms of the Swap Credit Support Annex (and any income or distributions earned thereon);

"**Swap Collateral Account Bank**" means any bank or financial institution appointed as the swap collateral account bank;

"**Swap Collateral Account Bank Agreement**" means any agreement pursuant to which a Swap Collateral Account Bank is appointed;

"**Swap Collateral Account Priority of Payments**", in respect of the Swap Collateral Account, has the meaning given thereto in Paragraph 13 (*Swap Collateral Account Priority of Payments*) of Schedule 2 (*Cash Management and Maintenance of Ledgers*) to the Cash Management Agreement;

"**Swap Collateral Account Surplus**" means, in respect of the Swap Collateral Account, any surplus amounts remaining after funds standing to the credit of such Swap Collateral Account have been applied in accordance with the relevant Swap Collateral Account Priority of Payments;

"**Swap Collateral Accounts**" means any cash accounts opened in the name of the Issuer for the purposes of, among other things, holding collateral transferred pursuant to the Swap Agreement;

"**Swap Credit Support Annex**" means the credit support annex executed in accordance with the provisions of the Swap Agreement;

"**Swap Provider**" means J.P. Morgan AG a stock corporation (Aktiengesellschaft) established and existing in accordance with the laws of the Federal Republic of Germany with registered address Taunusturm, Taunustor 1, 60310 Frankfurt am Main, Germany and registered with the

commercial register B (Handelsregister B) of the local court (Amtsgericht) of Frankfurt am Main under registration number HRB 16861 and/or any successor or replacement swap provider from time to time;

"Swap Provider Jurisdiction" means the jurisdiction in which the Swap Provider is incorporated and/or subject to taxation;

"Swap Subordinated Amount" means any amount due to the Swap Provider in connection with an early termination of the Swap Agreement where such termination results from an Event of Default (as defined in the Swap Agreement) in respect of which the Swap Provider is the Defaulting Party (as defined in the Swap Agreement) or an Additional Termination Event (as defined in the Swap Agreement) resulting from a ratings downgrade of the Swap Provider, to the extent such amount is not satisfied out of amounts standing to the credit of the relevant Swap Collateral Account and applied in accordance with the relevant Swap Collateral Account Priority of Payments;

"Swap Tax Credit" means any amounts relating to tax credits payable by the Issuer to the Swap Provider pursuant to the provisions of the ISDA Schedule to the Swap Agreement;

"Tax" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes on net income) imposed or levied by or on behalf of any Tax Authority in the Issuer Jurisdiction or the Swap Provider Jurisdiction (as the case may be) and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

"Tax Authority" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"Tax Deduction" means any deduction or withholding on account of Tax;

"Title Deeds" means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and all other documents which make up the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

"Transaction Account" means the account in the name of the Issuer held at the Account Bank, or such additional or replacement bank account at such other Account Bank and/or other banks as may for the time being be in place with the prior consent of the Trustee and designated as such;

"Transaction Documents" means the Account Bank Agreement, the Administration Agreement, the Agency Agreement, the Cash Management Agreement, the Collection Account Declaration of Trust, the Corporate Services Agreement, the Deed of Charge (and any documents entered into pursuant to the Deed of Charge including each Scottish Supplemental Charge and Scottish Sub-Security), the Swap Agreement, the Issuer Power of Attorney, the Incorporated Terms Memorandum, the Mortgage Sale Agreement (and any documents entered into pursuant to the Mortgage Sale Agreement including each Scottish Declaration of Trust), the Seller Security Power of Attorney, the Subordinated Loan Agreement, the Trust Deed, any Swap Collateral Account Bank Agreement, the Back-Up Cash Management Agreement (if any) and the Back-Up Administration Agreement (if any), such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes and any other document designated as such;

"Transaction Party" means any person who is a party to a Transaction Document and **"Transaction Parties"** means some or all of them;

"Treaty" means the Treaty establishing the European Community, as amended;

"**Trust Deed**" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee and any document expressed to be supplemented to the Trust Deed;

"**Trust Documents**" means the Trust Deed and the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

"**Trustee**" means Citicorp Trustee Company Limited in its capacity as trustee under the terms of the Trust Documents, or such other person as may be appointed from time to time as Trustee (or co-Trustee) pursuant to the Trust Documents;

"**Valuation Percentage**" means the purchase price under the Reverse Repo transaction divided by the market value of such UK Government Securities; and

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes of the relevant class for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

2.2 **Interpretation:**

Any reference in the Conditions to:

- (a) "**continuing**", in respect of an Event of Default, shall be construed as a reference to an Event of Default which has not been waived in accordance with the terms of the Conditions or, as the case may be, the relevant Transaction Document;
- (b) a "**class**" shall be a reference to a class of the Notes being the Class A Notes or the Class B Notes and "**classes**" shall be construed accordingly;
- (c) "**including**" shall be construed as a reference to "**including without limitation**", so that any list of items or matters appearing after the word "**including**" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "**including**";
- (d) "**indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (e) a "**law**" shall be construed as any law (including common or customary law), statute, constitution, decree, judgement, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;
- (f) a "**person**" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- (g) "**principal**" shall, where applicable, include premium;
- (h) "**redeem**" and "**pay**" shall each include both of the others and "**redeemed**", "**redeemable**" and "**redemption**" and "**paid**", "**payable**" and "**payment**" shall be construed accordingly;
- (i) a reference to any person defined as a "**Transaction Party**" in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests; and
- (j) a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of

incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred.

2.3 ***Transaction Documents and other agreements***

Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, restated, varied, novated, supplemented or replaced.

2.4 ***Statutes and Treaties***

Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

2.5 ***Schedules***

Any Schedule of, or Appendix to a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.

2.6 ***Headings***

Condition headings are for ease of reference only.

2.7 ***Sections***

Except as otherwise specified in the Condition, reference in the Conditions to:

- (a) a "**Section**" shall be construed as a reference to a Section of such Transaction Document;
- (b) a "**Part**" shall be construed as a reference to a Part of such Transaction Document;
- (c) a "**Schedule**" shall be construed as a reference to a Schedule of such Transaction Document;
- (d) a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and
- (e) a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

2.8 ***Number***

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. Form and Denomination

- 3.1 Notes will be represented by one or more global notes in fully registered form without interest coupons (each such global note in relation to a class of those Notes being a "**Global Note**").

The Global Note in respect of the Class A Notes is expected to be held under the new safekeeping structure for Global Notes and be deposited with, and registered in the name of, or a nominee of, a common safekeeper (the "**Common Safekeeper**") for Euroclear and Clearstream,

Luxembourg. The Global Note in respect of the Class B Notes is expected to be deposited with, and registered in the name of, or a nominee of, a common depository (the "**Common Depository**") for, Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, S.A., Luxembourg ("**Clearstream, Luxembourg**" and together with Euroclear, the "**Clearing Systems**") on the Closing Date.

- 3.2 The Principal Amount Outstanding of the Notes of each class initially offered and sold outside the United States to non U.S. persons pursuant to Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") is represented by one or more global registered notes in fully registered form (the "**Global Notes**") without coupons attached. References herein to the "**Notes**" shall include (i) in relation to any Notes of a class represented by a Global Note, units of the Minimum Denomination of such class, (ii) any Global Note and (iii) any Definitive Certificate issued in exchange for a Global Note.
- 3.3 For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. or Clearstream Banking, S.A., as appropriate.
- 3.4 For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in minimal amounts of £ 100,000 and integral multiples of £ 1,000 thereafter.
- 3.5 Certificates evidencing definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Global Notes (the "**Definitive Certificates**") will be issued in registered form and serially numbered in the circumstances referred to below. Definitive Certificates, if issued, will be issued in the denomination of £ 100,000 and any amount in excess thereof in integral multiples of £ 1,000.
- 3.6 If, while any Notes are represented by a Global Note:
- (a) in the case of a Global Note held in Euroclear or Clearstream, Luxembourg, 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 or do so cease business and no alternative clearing system satisfactory to the Trustee is available; or
 - (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee,

(each a "**relevant event**") the Issuer will issue Definitive Certificates to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Global Note will not be exchangeable for Definitive Certificates in any other circumstances.

4. Title

- 4.1 The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.

- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes.
- 4.3 No transfer of a Note will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Note and any Definitive Certificates and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Note who so requests (and who provides evidence of such holding where the Notes are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- 4.5 A Definitive Certificate, may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, a new Definitive Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- 4.6 Each new Definitive Certificate, to be issued upon transfer of Definitive Certificates will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Certificate, to such address as may be specified in such request.
- 4.7 Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.
- 4.8 No holder of a Definitive Certificate, may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.

5. Status and Ranking

5.1 Status

The Notes of each class constitute direct, secured and unconditional obligations of the Issuer.

5.2 Ranking

The Class A Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class B Notes will at all times rank without preference or priority *pari passu* amongst themselves.

5.3 Sole Obligations

The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

5.4 Priority of Interest Payments

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes, in accordance with the Pre-Enforcement Revenue Priority of Payments or, after the delivery of an Enforcement Notice, the Post-Enforcement Priority of Payments.

5.5 *Priority of Principal Payments*

Payments of principal on the Class A Notes will rank in priority to payments of principal on the Class B Notes, in accordance with the Pre-Enforcement Principal Priority of Payments or, after the delivery of an Enforcement Notice, the Post-Enforcement Priority of Payments.

5.6 *Priority of Payments*

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Receipts and Available Principal Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments (as applicable) and thereafter, in accordance with the Post-Enforcement Priority of Payments.

6. *Security*

6.1 *Security*

The Notes are secured by the Security.

6.2 *Enforceability*

The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 13 (*Events of Default*) and subject to the matters referred to in Condition 14 (*Enforcement*).

For the purposes of Article 21(4)(d) of the Securitisation Regulation, no provision of the Deed of Charge requires automatic liquidation upon default of the Issuer.

7. *Issuer Covenants*

The Issuer makes the Issuer Covenants in favour of the Trustee which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business, without the prior written consent of the Trustee. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

8. *Interest*

8.1 *Accrual of Interest*

Each Note bears interest on its Principal Amount Outstanding, from (and including) the Closing Date.

8.2 *Cessation of Interest*

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused or default is otherwise made in respect of the payment, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

- (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

- (b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such class (in accordance with Condition 23 (*Notices*)) that the full amount payable is available for collection by the Noteholder, provided that on due presentation payment is in fact made.

8.3 *Interest Payments*

Interest on each Note is payable in Sterling in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

8.4 *Calculation of Interest Amount*

Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Note for the related Interest Period.

8.5 *Determination of Note Rate, Interest Amount and Interest Payment Date*

The Agent Bank will, on each Interest Determination Date, determine:

- (a) the Note Rate for each class for the related Interest Period;
- (b) the Interest Amount for each class for the related Interest Period; and
- (c) the Interest Payment Date next following the related Interest Period,

and notify the Issuer, the Administrator, the Cash Manager, the Trustee, the Registrar, the Swap Provider and the Paying Agents and for so long as the Notes are listed on Euronext Dublin and Euronext Dublin so requires, Euronext Dublin.

Notwithstanding the provisions of these Conditions, in the event the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Agent Bank shall, to the extent that it is reasonably practicable and if it is instructed by the Issuer in writing, follow such guidance in order to determine SONIA for the purpose of the Notes for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to these Conditions or the Transaction Documents are required in order for the Agent Bank to follow such guidance in order to determine the SONIA Reference Rate, the Agent Bank shall have no obligation to act until such amendments or modifications have been made in accordance with these Conditions and the Transaction Documents.

In the event that the Note Rate cannot be determined in accordance with the foregoing provisions by the Agent Bank, the Note Rate 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 Note Rate which would have been applicable to the relevant Class of 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).

If any of the circumstances in Condition 17.2.6 occur (being the "**Relevant Time**"), the Issuer (or the Administrator on its behalf) shall, without undue delay, use commercially reasonable endeavours to propose an Alternative Reference Rate in accordance with Note Condition 17.2 (*Additional Right of Modification*) (the "**Relevant Condition**"). For the avoidance of doubt, if an Alternative Reference Rate proposed by or on behalf of the Issuer has failed to be implemented in accordance with the Relevant Condition as a result of Noteholder objections to

the modification, the Issuer shall not be obliged to propose an Alternative Reference Rate under this Note Condition 8.5. In the event that the Note Rate is less than zero, the Note Rate shall be deemed to be zero.

There will be no maximum Note Rate.

(a) In these Conditions (except where otherwise defined), the expression:

- (i) "**Compounded Daily SONIA**" means 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 will be calculated by the Agent Bank as at the relevant 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:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**d_o**" is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to d_o, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Period;

"**LBD**" means a Business Day;

"**n_i**", for any day **i**, means the number of calendar days from and including such day **i** up to but excluding the following Business Day; and

"**p**" means for any Interest Period, 5 Business Days; and

"**SONIA_{i-pLBD}**" means in respect of any Business Day falling in the relevant Interest Period, the SONIA Reference Rate for the Business Day falling "p" Business Days prior to that Business Day "i";

"**Interest Commencement Date**" means the Closing Date;

"**Interest Determination Date**" means the fifth Business Day before the Interest Payment Date for which the relevant Note Rate and Interest Amount will apply;

"**Note Rate**" for each Interest Period means in respect of each class of Notes, Compounded Daily SONIA determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class, and for the avoidance of doubt, for these purposes if the Note Rate is less than zero, the Rate of Interest shall be deemed to be zero;

"**Observation Period**" means the period from and including the date falling "p" Business 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 "p" Business Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling "p" Business Days prior to any other date on which a payment of interest is to be made in respect of the Notes);

"**Relevant Margin**" means:

(A) for the Class A Notes, 0.53 per cent. per annum up to and excluding the Step-Up Date and thereafter 1.06 per cent. per annum; and

(B) for the Class B Notes, 0 per cent. per annum;

"**Screen**" means Bloomberg Screen SONIA; or

(A) such other page as may replace Bloomberg Screen SONIA on that service for the purpose of displaying such information; or

(A) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one selected by the Issuer or the Cash Manager on behalf of the Issuer and approved in writing by the Trustee) as may replace such screen;

"**SONIA Reference Rate**" means in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average ("**SONIA**") rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Screen or, if the Screen is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day).

- (b) If, in respect of any Business Day in the relevant Observation Period, the Agent Bank determines that the SONIA Reference Rate is not available on the Screen or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be: (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA 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.

8.6 ***Publication of Note Rate, Interest Amount and Interest Payment Date***

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 8.5 (*Determination of Note Rate, Interest Amount and Interest Payment Date*) and in any event no later than the second Business Day thereafter, the Issuer will cause such Note Rate and Interest Amount for each class and the next following Interest Payment Date to be published in accordance with the Notices Condition.

8.7 ***Amendments to Publications***

The Note Rate, Interest Amount for each class and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

8.8 ***Notifications to be final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 (*Interest*), whether by the Paying Agents, the Registrar, the Agent Bank or the Trustee shall (in the absence of any Breach of Duty, or manifest error) be binding on the Issuer and all Noteholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee or the Noteholders shall attach to the Agents, the Registrar 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 Condition 8 (*Interest*).

8.9 ***Agent Bank***

The Issuer shall use reasonable endeavours to ensure that, so long as any of the Notes remains outstanding there shall at all times be an Agent Bank, a Paying Agent and a Principal Paying Agent. In the event of any of an Agent being unable or unwilling to continue to act as an Agent, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved in writing by the Trustee is appointed by the Issuer. Notice of any change of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

8.10 ***Interest Accrual***

- (a) To the extent that funds available to the Issuer to pay interest on the Notes of any class (other than the Class A Notes) on an Interest Payment Date are insufficient to pay the full amount of such interest, payment of the shortfall in respect of such class of Notes ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds.
- (b) Such Deferred Interest will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to such Notes and such portion of interest (as determined by this Condition 8 (*Interest*)) and payment of any Additional Interest will also be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest to the extent of such available funds.
- (c) Payment of any amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

8.11 ***Determinations and Reconciliation***

- (a) In the event that the Cash Manager does not receive an Administrator Report with respect to a Collection Period (the "**Determination Period**"), then the Cash Manager may use the Administrator Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Administrator Reports, any previous Administrator Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 8.11 (*Determinations and Reconciliation*). When the Cash Manager receives the Administrator Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 8.11(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 8.11(b) and/or 8.11(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 8.11(b) and/or 8.11(c), shall be deemed to be done, in accordance with the provisions of the Transaction Documents will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) Where, in respect of any Determination Period the Cash Manager shall:
 - (i) determine the Interest Determination Ratio by reference to the three most recently received Administrator Reports (or, where there are not at least three previous Administrator Reports, any previous Administrator Reports received in the preceding Collection Periods);

- (ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**");
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Receipts**").
- (c) Following any Determination Period, upon receipt by the Cash Manager of the Administrator Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 8.11(b) above to the actual collections set out in the Administrator Reports by allocating the Reconciliation Amount as follows:
- (iv) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Revenue Ledger, as Principal Receipts (with a corresponding debit of the Revenue Ledger);
 - (v) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Principal Ledger, as Revenue Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Trustee of such Reconciliation Amount.

9. Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation

9.1 Final Redemption

Unless previously redeemed or purchased and cancelled as provided in this Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*), the Issuer shall redeem the Notes in each class at their Principal Amount Outstanding together with any accrued interest on the Final Maturity Date.

9.2 Mandatory Redemption in part

- (a) On each Interest Payment Date during the Revolving Period and prior to the service of an Enforcement Notice, each Class A Note shall, subject to Condition 9.3 (*Optional Redemption in Whole*) and Condition 9.4 (*Optional Redemption in Whole for Taxation Reasons*) and to the availability of Available Principal Receipts for such purpose in accordance with the Pre-Enforcement Principal Priority of Payments, be redeemed in an amount required to reduce the Principal Amount Outstanding of the Class A Notes to the target principal balance set out alongside the relevant Interest Payment Date in the Class A principal payment schedule (the "**Class A Target Amortisation Schedule**") set out in the Appendix to these Conditions (such amount, the "**Class A Target Amortisation Amount**").
- (b) On each Interest Payment Date falling on and after the Revolving Period End Date and prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Receipts towards the redemption of the Notes to the extent that there are such

amounts available to do so in accordance with the Pre-Enforcement Principal Priority of Payments and, as applicable, the Pre-Enforcement Revenue Priority of Payments.

9.3 ***Optional Redemption in whole***

The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding on any Interest Payment Date:

- (a) when, on the related Calculation Date, the aggregate of the Principal Amount Outstanding of the outstanding Notes is less than 10 per cent. of the Principal Amount Outstanding of all of the Notes as at the Closing Date; or
- (b) from and including the Step-Up Date,

subject to the following:

- (i) no Enforcement Notice has been delivered by the Trustee;
- (ii) the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (iii) prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Priority of Payments.

9.4 ***Optional Redemption in whole for taxation reasons***

The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding, on any Interest Payment Date:

- (a) after the date on which, by virtue of a change in Tax law (or the application or official interpretation of Tax law), the Issuer (or the Paying Agents on the Issuer's behalf) are to make any payment in respect of the Notes or Swap Provider is to make any payments in respect of the Swap Agreement and either the Issuer (or the Paying Agents on the Issuer's behalf) or the Swap Provider, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment; or
- (b) after the date on which, by virtue of a change in the Tax law (or the application or official interpretation of Tax law), the Issuer would be subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that accounting period;

subject to the following:

- (i) no Enforcement Notice has been delivered by the Trustee;
- (ii) that the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (iii) that prior to giving any such notice, the Issuer (or in respect to Condition (a), the Swap Provider (if applicable)) has provided to the Trustee:
 - (A) in the case of Condition 9.4(a) above only, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the applicable

jurisdiction (approved in writing by the Trustee), opining on the relevant change in Tax law; and

- (B) in the case of Condition 9.4(b) above only, a certificate signed by two directors of the Issuer or, in the case of the Swap Provider, an Authorised Signatory to the effect that the obligation to make a Tax Deduction cannot be avoided; and
- (C) in the case of Conditions 9.4(a) and 9.4(b) above only, a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Priority of Payments.

9.5 ***Calculation of Note Principal Payment, Principal Amount Outstanding and Pool Factor***

On each Calculation Date, the Issuer shall calculate (or cause the Cash Manager to calculate):

- (a) the aggregate of any Note Principal Payment due in relation to each class on the Interest Payment Date immediately succeeding such Calculation Date;
- (b) the Principal Amount Outstanding of each Note in each class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such class); and
- (c) 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 Condition 9.5(b) above) and the denominator is the principal amount of that Note on issue expressed as an entire integer,

and notify the Issuer, the Trustee, the Paying Agents, the Agent Bank, the Registrar and for so long as the Notes are listed on Euronext Dublin and Euronext Dublin so requires, Euronext Dublin by not less than two Business Days prior to the relevant Interest Payment Date.

9.6 ***Calculations final and binding***

Each calculation by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note of each class and the Pool Factor shall in each case (in the absence of any Breach of Duty or manifest error) be final and binding on all persons.

9.7 ***Conclusiveness of certificates and legal opinions***

Any certificate and legal opinion given by or on behalf of the Issuer or, as the case may be, the Swap Provider pursuant to Condition 9.3 (*Optional Redemption in whole*) and Condition 9.4 (*Optional Redemption in whole for taxation reasons*) may be relied on by the Trustee without further investigation, without liability to any other person and shall be conclusive and binding on the Noteholders, the Trustee and on the other Secured Creditors.

9.8 ***Notice of Calculation***

The Issuer will cause each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each class and the Pool Factor to be notified immediately after calculation to the Trustee, the Agents and, for so long as the Notes are listed on Euronext Dublin and Euronext Dublin so requires, Euronext Dublin, and will immediately cause details of each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each class and the Pool Factor to be published in accordance with the Notices Condition by no later than two Business Days prior to each Interest Payment Date.

9.9 **Notice irrevocable**

Any such notice as is referred to in Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) or Condition 9.8 (*Notice of Calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) and in an amount equal to the Note Principal Payment in respect of each Note calculated as at the related Calculation Date if effected pursuant to Condition 9.2 (*Mandatory Redemption in part*).

9.10 **Cancellation or redeemed Notes**

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

10. Limited Recourse

If at any time following:

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

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. For the purposes of this Condition 10 (*Limited Recourse*), "**Realisation**" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

11. Payments

11.1 **Principal and interest:**

Payments of principal and interest shall be made by cheque drawn in Sterling or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for payment, by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

11.2 **Record date**

Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Noteholder in the Register at the opening of business on the relevant Record Date.

The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

11.3 ***Payments subject to fiscal laws***

All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4 ***Partial Payments***

If a Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note.

11.5 ***Payments on Business Days***

If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

12. Taxation

12.1 ***Payments free of Tax***

Subject to Condition 12.3 below, all payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed, levied, collected, withheld or assessed by the Issuer Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.

12.2 ***No payment of additional amounts***

Neither the Issuer, the Trustee nor the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction.

12.3 ***FATCA***

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to FATCA. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder or any other person for any amounts deducted or withheld by the Issuer, the Principal Paying Agent or any other party as a result of any person not being entitled to receive payments free of withholding required pursuant to FATCA.

13. Events of Default

13.1 ***Events of Default***

Subject to the other provisions of this Condition, each of the following events shall be treated as an "Event of Default":

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Most Senior Class of Notes within seven days following the due date for payment of such principal or fails to pay any amount of interest in respect of the Most Senior Class of Notes within fourteen days following the due date for payment of such interest (provided that, for the avoidance of doubt, a deferral of interest in respect of a class of Notes (other than the Class A Notes) in accordance with Condition 8.10 (*Interest Accrual*) shall not constitute a default in the payment of such interest for the purposes of this Condition 13 (*Events of Default*)); or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Most Senior Class of Notes, the Issuer Covenants, the Trust Deed, the Deed of Charge or any of the other Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) is, in the opinion of the Trustee, capable of remedy, but remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or
- (c) *Insolvency*: an Issuer Insolvency Event occurs; or
- (d) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or Trust Documents or any of the other Transaction Documents.

13.2 *Delivery of Enforcement Notice*

If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

- (a) if so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of Notes outstanding; or
- (b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding;

deliver an Enforcement Notice to the Issuer, each Secured Creditor and the Swap Provider.

13.3 *Conditions to delivery of Enforcement Notice*

Notwithstanding Condition 13.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless:

- (a) in the case of the occurrence of any of the events mentioned in Condition 13.1(b) (*Breach of other obligations*) the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes outstanding; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.4 *Consequences of delivery of Enforcement Notice*

Upon the delivery of an Enforcement Notice, the Notes of each class shall become immediately due and payable, without further action or formality, at their Principal Amount Outstanding together with any accrued interest.

14. **Enforcement**

14.1 *Proceedings*

The Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class (including these Conditions), the Deed of Charge or under the other Transaction Documents or to enforce the Security, but it shall not be bound to do so unless:

- (a) so requested in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or
- (b) so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of outstanding Notes,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.2 *Directions to the Trustee*

If the Trustee shall take any action described in Condition 14.1 (*Proceedings*), it may take such action without having regard to the effect of such action on individual Noteholders or any other Secured Creditor, provided that so long as any of the Most Senior Class of Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other class of Notes unless:

- (a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the classes of Notes ranking senior to such instructing class; or
- (b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of each class of Notes ranking senior to such instructing class,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

14.3 *Restrictions on disposal of Issuer's assets*

If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof (apart from amounts standing to the credit of the Swap Collateral Accounts in accordance with the relevant Swap Collateral Account Priority of Payment) unless either:

- (a) the Cash Manager certifies to the Trustee that a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; or
- (b) the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition 14.3(b) shall not apply) that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; and
- (c) the Trustee shall not be bound to make the determination contained in Condition 14.3(b) unless the Trustee shall have been indemnified and/or secured and/or prefunded to its

satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.4 ***Third Party Rights***

No person shall have any right to enforce any Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999, the Contract (Third Party Rights) (Scotland) Act 2017, or any other equivalent law in applicable jurisdictions.

15. No action by Noteholders or any other Secured Creditor

15.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders or any other Secured Creditors;
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any insolvency proceeding in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Priority of Payments not being observed.

16. Meetings of Noteholders

16.1 ***Convening***

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

16.2 ***Notice***

At least 21 clear days' notice (and no more than 42 clear days' notice) specifying the place (to be held in a venue in the United Kingdom) day and hour of meeting shall be given to the Noteholders prior to any meeting of the Noteholders. In respect of an adjourned meeting at least 14 clear days' (and no more than 42 clear days' notice) specifying the place (to be held in a venue in the United Kingdom) day and hour of meeting shall be given to the Noteholders prior to any meeting of the Noteholders.

16.3 ***Separate and combined meetings***

The Trust Deed and the Deed of Charge provide that:

- (a) an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one class shall be transacted at a separate meeting of the Noteholders of that class;
- (b) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one class of Notes and the holders of another class of Notes shall be transacted either at separate meetings of the Noteholders of each

such class or at a single meeting of the Noteholders of all such classes of Notes as the Trustee shall determine in its absolute discretion; and

- (c) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class and gives rise to any actual or potential conflict of interest between the Noteholders of one class of Notes and the Noteholders of any other class of Notes shall be transacted at separate meetings of the Noteholders of each such class.

16.4 *Method of convening meetings*

A meeting of Noteholders of a particular class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than ten per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that class. However, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any action, either directly or indirectly through the Trustee, without consent of the Issuer and, if applicable, certain other Transaction Parties pursuant to any relevant Transaction Documents, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

16.5 *Quorum*

The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular class or classes of the Notes will be one or more persons holding or representing, in aggregate, a majority of the Principal Amount Outstanding of the outstanding Notes in that class or those classes or, at any adjourned meeting, one or more persons being or representing Noteholders of that class or those classes, whatever the Principal Amount Outstanding of the outstanding Notes so held or represented in such class or classes, except in accordance with Conditions 17.2.6 or 17.2.7 in relation to any Reference Rate Modification or Swap Rate Modification; and
- (b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholders) will be one or more persons holding or representing in aggregate not less than 75 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes or, at any adjourned meeting, one or more persons holding or representing in aggregate not less than 25 per cent. of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes, except in accordance with Conditions 17.2.6 or 17.2.7 in relation to any Reference Rate Modification or Swap Rate Modification.

16.6 *Relationship between classes*

In relation to each class of Notes:

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are outstanding Notes in each such other classes);
- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking senior to such class (to the extent that there are outstanding Notes ranking senior to such class); and
- (c) any resolution passed at a Meeting of Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such class or classes, whether or not present at such Meeting and whether or not voting and, except in the case of a meeting relating to a Reserved Matter,

any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes.

16.7 ***Resolutions in writing***

A Written Resolution shall take effect as if it were an Extraordinary Resolution.

17. **Modification and Waiver**

17.1 ***Modification***

The Trustee may (and, in the case of paragraph (c) and (d) below) shall) at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

- (a) any modification to these Conditions, the Trust Documents, the Notes or the other Transaction Documents in relation to which its consent is required (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes;
- (b) any modification to these Conditions, the Trust Documents or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error;
- (c) any modification to these Conditions, the Trust Documents or the other Transaction Documents in order to enable the Issuer and/or the Swap Provider to comply with any requirements which apply to them in relation to any Swap Agreement (including any further hedging under any Swap Agreement) under Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) ("**EMIR**") subject to receipt by the Trustee of (i) a certificate of the Swap Provider or the Issuer (issued by the Administrator on behalf of the Issuer), as appropriate certifying to the Trustee that the requested amendments to be made are solely for the purpose of enabling the Issuer and/or the Swap Provider to satisfy requirements which apply to them in relation to the Swap Agreement under EMIR and have been drafted solely to such effect and (ii) a certificate issued by the Administrator on behalf of the Issuer certifying to the Trustee that the Swap Provider has given its prior written consent to such modification, provided that the Trustee shall not be obliged to agree to any such modification which, in the sole opinion of the Trustee would have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Trustee in the Transaction Documents and/or these Conditions and provided further that the powers conferred by this Condition 17.1(c) shall not extend to a Reserved Matter;
- (d) any modification to any of the Transaction Documents (other than any amendment to any Priority of Payment) and take any such other actions required to effect the appointment of a Swap Collateral Account Bank that are requested in writing by the Cash Manager to effect the appointment of a Swap Collateral Account Bank and the entry into of related documentation (including any Swap Collateral Account Bank Agreement), in accordance with the terms of the Swap Agreement irrespective of whether such modifications are materially prejudicial to the interests of the Noteholders of any Class or any other Secured Creditor and subject to receipt by the Trustee of a certificate from the Issuer (issued by the Cash Manager on behalf of the Issuer) certifying to the Trustee that such amendments are required solely for the purpose of appointing a Swap Collateral Account Bank and that the level of remuneration payable

to any such Swap Collateral Account Bank is reasonable taking into account then prevailing market conditions, provided that, the Trustee shall not be obliged to agree to any modification pursuant to this paragraph (d) which (in the sole opinion of the Trustee) would have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (b) increasing the obligations or duties, or decreasing the protections of the Trustee in the Transaction Documents and/or these Conditions. Notwithstanding anything to the contrary in the Trust Deed or the other Transaction Documents, when implementing any amendment pursuant to this paragraph (d), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor (other than itself as provided above) or any other person, shall act and rely solely and without further investigation on any certificate provided to it by the Issuer or the Cash Manager on behalf of the Issuer pursuant to this paragraph (d) and shall not be liable to any Noteholder or other Secured Creditor for so acting or relying,

provided that, in respect of any modifications to any of the Transaction Documents which would have the effect of requiring the Swap Provider to pay more or receive less were it to replace itself as swap counterparty, the written consent of the Swap Provider is required.

17.2 ***Additional Right of Modification***

Notwithstanding the provisions of this Condition 17 (*Modification and Waiver*), the Trustee shall be obliged, without any consent or sanction of the Noteholders or, subject to Condition 17.2.7(C) below, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Reserved Matter) to the Conditions, the Trust Documents, the Notes or any other Transaction Document to which it is a party or in relation to which it holds security that the Issuer considers necessary:

17.2.1 for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:

- (a) the Issuer (or the Administrator on its behalf) certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
- (b) in the case of any modification to a Transaction Document proposed by any of the Administrator, the Collection Account Bank or the Issuer, in order for the Administrator, Collection Account Bank and/or the Account Bank (i) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (ii) to avoid taking action which it or the Issuer would otherwise be required to take to enable the relevant Transaction Party to continue performing such role (including, without limitation, posting collateral or advancing funds):
 - (A) the Administrator, the Collection Account Bank or the Issuer, as the case may be, certifies in writing to the Trustee or (in the case of certification delivered by the Administrator or the Collection Account Bank) the Issuer that such modification is necessary for the purposes described in paragraph (b) (i) and/or (ii) above (and in the case of a certification provided to the Issuer, the Issuer shall confirm to the Trustee that it has received the same from the Administrator or the Collection Account Bank as the case may be);
 - (B) either:
 - (i) the Administrator, the Collection Account Bank or the Issuer, as the case may be, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the

Trustee or (in the case of certification delivered by the Administrator or the Collection Account Bank) the Issuer that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency and would not result in any Rating Agency placing any Notes on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Issuer and the Trustee; or

- (ii) the Issuer (or the Administrator on its behalf) certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and

- (C) the Administrator or the Issuer, as the case may be, pays all costs and expenses (including legal fees) incurred by the Issuer and the Trustee in connection with such modification;

- 17.2.2 for the purpose of complying with any changes in the requirements of Article 6 of the Securitisation Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to (i) the Securitisation Regulation, (ii) Regulation (EU) (2017/2401) (the "**CRR Amendment Regulation**") or (iii) any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- 17.2.3 for the purpose of enabling the Notes to be (or to remain) listed on Euronext Dublin, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- 17.2.4 for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; and
- 17.2.5 for the purpose of enabling the Notes to comply with the requirements of the Securitisation Regulation, including relating to the treatment of the Notes as a simple, transparent and standardised securitisation, and any related regulatory technical standards authorised under the Securitisation Regulation, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect (the certificate to be provided by the Issuer or the relevant Transaction Party and signed by two directors and/or authorised signatories, as the case may be, pursuant to Condition 17.2.1 to 17.2.5 above being a "**Modification Certificate**")
- 17.2.6 for the purpose of changing the reference rate in respect of the Notes to an alternative reference rate (including where such reference rate may remain linked to SONIA but may be calculated in a different manner) (any such reference rate, an "**Alternative Reference Rate**") and making such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Administrator on its behalf) to facilitate such change (a "**Reference Rate Modification**"), provided that the Issuer

(or the Administrator on its behalf), certifies to the Trustee in writing (such certificate, a "**Reference Rate Modification Certificate**") that:

- (a) such Reference Rate Modification is being undertaken due to:
 - (i) an alternative manner of calculating SONIA-based reference rate is introduced and is becoming a standard means of calculating interest in the publicly listed asset backed floating rate notes market;
 - (ii) a material disruption to SONIA, a material change in the methodology of calculating SONIA (as determined by the Administrator acting reasonably) or SONIA ceasing to exist or be published;
 - (iii) the insolvency or cessation of business of the administrator of SONIA (in circumstances where no successor administrator has been appointed);
 - (iv) 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) with effect from a date no later than 6 months after the proposed effective date of such Reference Rate Modification;
 - (v) a public statement by the supervisor of the SONIA administrator that SONIA has been or will be permanently or indefinitely discontinued or will be changed in a material manner with effect from a date no later than 6 months after the proposed effective date of such Reference Rate Modification;
 - (vi) 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 Reference Rate Modification;
 - (vii) 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 Financial Conduct Authority or the Prudential Regulation Authority 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;
 - (viii) following the implementation of a Reference Rate Modification, it becomes generally accepted market practice in the publicly listed asset backed floating rate notes market to use a Reference Rate of interest which is different from the Alternative Reference Rate which had already been adopted by the Issuer in respect of the Notes pursuant to a Reference Rate Modification;
 - (ix) it having become unlawful and/or impossible and/or impracticable for any Paying Agent, Agent Bank, the Issuer or the Cash Manager to calculate any payments due to be made to any Noteholder using SONIA;
 - (x) the reasonable expectation of the Issuer (or the Administrator on its behalf) that any of the events specified in sub-paragraphs (A) to (I) above will occur or exist within six months of the proposed effective date of such Reference Rate Modification; and
- (b) such Alternative Reference Rate is:
 - (i) a reference rate published, endorsed, approved or recognised by the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority 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 reference rate together with a specified adjustment factor which may increase or decrease the relevant alternative reference rate);

- (ii) a reference rate utilised in a material number of publicly-listed new issues of Sterling-denominated asset backed floating rate notes prior to the effective date of such Reference Rate Modification;
- (iii) 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 Skipton Building Society or an Affiliate thereof; or
- (iv) such other reference rate as the Administrator (on behalf of the Issuer) reasonably determines, provided that this option may only be used if the Issuer certifies to the Trustee that, in the reasonable opinion of the Issuer, neither Condition 17.2.6(ii)(A) nor Condition 17.2.6(ii)(B) are applicable and/ or practicable in the context of the Transaction, and sets out the rationale in the Reference Rate Modification Certificate for choosing the Alternative Reference Rate,

and in each case, the change to the Alternative Reference Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholders (or where the Trustee determines that there is a conflict between the interest of the Class A Noteholders and the interests of the Class B Noteholders, the Class A Noteholders).

For the avoidance of doubt, the Issuer (or the Administrator on its behalf) may propose an Alternative Reference Rate on more than one occasion provided that the conditions set out in this Condition 17.2.6 are satisfied;

(c) and provided further that either:

- (v) the Issuer has obtained from each of the Rating Agencies written confirmation (or certifies in the Reference Rate Modification Certificate that it has been unable to obtain written confirmation from each Rating Agency, but has received oral confirmation from an appropriately authorised person at Moody's and written confirmation from Fitch) that the proposed benchmark rate modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent) and, if relevant, it has provided a copy of any written confirmation to the Trustee with the Reference Rate Modification Certificate; or
- (vi) the Issuer, or the Administrator on behalf of the Issuer, certifies in the Reference Rate Modification Certificate that it has given the Rating Agencies at least 10 Business Days prior written notice of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent).

In the case of a Reference Rate Modification, such written notice shall include details of the adjustment which the Issuer proposes to make (if any) to the margin payable on each Class of Notes which are the subject of the Reference Rate Modification in order to, so far as reasonably and commercially practicable, preserve what would have been the expected Rate of Interest applicable to each such Class of Notes had no such Reference Rate Modification been effected (the "**Note Rate Maintenance Adjustment**" which, for the avoidance of doubt, may effect an increase or a decrease to the margin or may be set at zero), provided that:

- (i) in the event that the Bank of England, the Financial Conduct Authority or the Prudential Regulation Authority 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 the Relevant Reference Rate to the Alternative Reference 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 notice the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Reference Rate Modification; or
- (ii) in the event that it has become generally accepted market practice in the Sterling-denominated asset backed floating rate notes market to use a particular note rate maintenance adjustment mechanism in the context of a transition from the Relevant Reference Rate to the Alternative Reference 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 notice the rationale for concluding that this is not a commercial and reasonable approach in relation to the Notes and the proposed Reference Rate Modification; or

17.2.7 for the purpose of changing the reference rate that then applies in respect of the Swap Agreement to an alternative reference rate as is necessary or advisable in the commercially reasonable judgment of the Issuer (or the Administrator on its behalf) and the Swap Provider solely as a consequence of a Reference Rate Modification and solely for the purpose of aligning the reference rate of the Swap Agreement to the reference rate of the Notes following such Reference Rate Modification (a "**Swap Rate Modification**"), provided that the 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 conditions 17.2.1 to 17.2.7 above:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee and the Issuer pays (or arranges for the payment of) all fees, costs and expenses (including legal fees) incurred by the Trustee in connection with such modification;
- (B) the Modification Certificate, Reference Rate Modification Certificate or Swap Rate Modification Certificate, as applicable, in relation to such modification shall be provided to the Trustee both at the time the Trustee is notified of the proposed modification and on the date that such modification takes effect;
- (C) the consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained;
- (D) other than in the case of a modification pursuant to Condition 17.2.1(b), either:
 - (i) the Issuer obtains from each of the Rating Agencies written confirmation (or certifies in the Modification Certificate, the Reference Rate Modification Certificate or Swap Rate Modification Certificate, as applicable, that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); or

- (ii) the Issuer (or the Administrator on its behalf) certifies in the Modification Certificate, Reference Rate Modification Certificate or Swap Rate Modification Certificate, as applicable, that it has informed the Rating Agencies of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent); and
- (E) the Issuer has provided at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with the Notices Condition and, if practicable, by publication on Bloomberg on the "Company News" screen relating to the Notes and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class then outstanding have not contacted the Issuer and the Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer and the Trustee that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Most Senior Class then outstanding have notified the Issuer and 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 notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class then outstanding is passed in favour of such modification in accordance with Condition 16 (*Meetings of Noteholders*).

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.

Other than where specifically provided in this Condition 17.2 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 17.2 (*Additional Right of 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 investigation on any certificate or evidence provided to it by the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 17.2 (*Additional Right of Modification*) and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) in all cases, the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Trustee in the Transaction Documents and/or these Conditions.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (i) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (ii) the Secured Creditors; and
- (iii) the Noteholders, in accordance with the Notices Condition.

17.3 **Waiver**

In addition, the Trustee may, without the consent of the Noteholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class of outstanding Notes will not be materially prejudiced by such waiver.

17.4 **Restriction on power to waive**

The Trustee shall not exercise any powers conferred upon it by Condition 17.3 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of outstanding Notes, but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each class of outstanding Notes has, by Extraordinary Resolution, so authorised its exercise.

17.5 **Notification**

Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

17.6 **Binding Nature**

Any authorisation, waiver, determination or modification referred to in Condition 17.1 (*Modification*), Condition 17.2 (*Addition Right of Modification*) or Condition 17.3 (*Waiver*) shall be binding on the Noteholders and the other Secured Creditors.

18. Non-responsive rating agency

18.1 In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Trustee shall be entitled but not obliged to take into account (and may rely without further enquiry and without liability on) any written confirmation or affirmation (in any form acceptable to the Trustee) from the relevant Rating Agencies that the then current ratings of the Class A Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a "**Ratings Confirmation**").

18.2 If a Ratings Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Trustee) and:

- (a) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Ratings Confirmation necessary in the circumstances or that it does not, as a matter of practice or policy provide such Ratings Confirmation or (B) within 30 days of delivery of such request, no Ratings Confirmation is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and
- (b) one Rating Agency gives such Ratings Confirmation or response based on the same facts,

then such condition to receive a Ratings Confirmation from each Rating Agency shall be modified so that there shall be no requirement for the Ratings Confirmation from the Non-Responsive Rating Agency if the Issuer (or the Administrator on its behalf) provides to the

Trustee a certificate (upon which the Trustee can rely without further investigation and without liability to any person) certifying and confirming that the events in one of paragraphs (a)(A) or (B) and the event in subparagraph (b) above have occurred, the Issuer having sent a written request to each Rating Agency.

19. Prescription

19.1 *Principal*

Claims for principal in respect of Notes shall become void where application for payment is made more than ten years after the due date therefor.

19.2 *Interest*

Claims for interest in respect of Notes, shall become void where application for payment is made more than five years after the due date therefor.

20. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Euronext Dublin requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

21. Trustee and Agents

21.1 *Trustee's right to Indemnity*

Under the Transaction Documents, the Trustee is entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

21.2 *Trustee not responsible for loss or for monitoring*

The Trustee is not responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Administrator or by any person on behalf of the Trustee (as applicable). The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

21.3 *Regard to classes of Noteholders*

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will (except where expressly provided otherwise):

- (a) have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
- (b) in the event of a conflict of interests of holders of different classes have regard only to the interests of the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking class of Notes nor, prior to the redemption in full of the Notes, to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments.

21.4 ***Paying Agents solely agents of Issuer***

In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

21.5 ***Initial Paying Agents***

The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Agent.

22. Substitution of Issuer

22.1 ***Substitution of Issuer***

The Trustee may, without the consent of the Noteholders or any other Secured Creditor, subject to:

- (a) the consent of the Issuer;
- (b) the approval of the Rating Agencies in relation thereto; and
- (c) such further conditions as are specified in the Trust Deed,

agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Transaction Documents, the Notes and the Secured Amounts.

22.2 ***Notice of Substitution of Issuer***

Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.

22.3 ***Change of Law***

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of outstanding Notes, provided that the Rating Agencies are notified. For the avoidance of doubt, a Transaction Document cannot be amended without the agreement of all the parties thereto.

22.4 ***No indemnity***

No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

23. Notices

23.1 ***Valid Notices***

For so long as the relevant Notes are in global form, any notice to Noteholders shall be validly given to the relevant Noteholders if sent to the Clearing Systems for communication by them to the holders of the relevant class of Notes and shall be deemed to be given on the date on which it

was so sent. 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 mailing. So long as the relevant Notes are admitted to trading and listed on the official list of Euronext Dublin any notice shall also be published in accordance with the relevant guidelines of Euronext Dublin, and any notice so published shall be deemed to have been given on the date of publication.

23.2 ***Other Methods***

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

24. Governing Law and Jurisdiction

24.1 ***Governing law***

The Transaction Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by English law other than the Scottish Transaction Documents which are governed by Scots law.

24.2 ***Jurisdiction***

The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Transaction Documents may be brought in such Courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such Courts.

APPENDIX

Class A Target Amortisation Schedule

The following Class A Target Amortisation Schedule assumes a Class A initial Principal Amount Outstanding of £ 600,000,000.00 as of the Closing Date:

Interest Payment Date falling in	Class A Target Amortisation Amount (£)
June 2020	556,620,000.00
September 2020	525,900,000.00
December 2020	496,620,000.00
March 2021	468,840,000.00
June 2021	442,200,000.00
September 2021	417,120,000.00
December 2021	393,240,000.00
March 2022	370,140,000.00
June 2022	348,540,000.00
September 2022	327,960,000.00
December 2022	308,280,000.00
March 2023	289,620,000.00
June 2023	271,620,000.00
September 2023	254,760,000.00
December 2023	238,680,000.00
March 2024	223,440,000.00
June 2024	208,800,000.00
September 2024	194,880,000.00
December 2024	0

TAX TREATMENT ON THE NOTES

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 not be binding on HMRC and may be subject to change, sometimes with retrospective effect, in each case as at the latest practicable date before the date of this prospectus. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Interest on the Notes

Withholding tax on payments of interest on the Notes

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. Euronext Dublin is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the Official List and admitted to trading on the Regulated Market of Euronext Dublin.

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 under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Other Rules Relating to United Kingdom Withholding Tax

- (a) 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.
- (b) 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.
- (c) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 22 (*Substitution of the Issuer*) of the Notes or otherwise and does not consider the tax consequences of any such substitution.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986 commonly known as FATCA, a "foreign financial institution" may be required to withhold on, certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes.

A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FACTA ("**IGAs**") which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FACTA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding on foreign passthru payments unless materially modified after such date (including by reason of a substitution of the issuer). Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The UK has entered into an IGA with the U.S. relating to FATCA (the "U.S.—UK IGA"). Pursuant to the U.S.—UK IGA and applicable UK regulations implementing the U.S.—UK IGA, the Issuer may be required to comply with certain reporting requirements. The Noteholders therefore may be required to provide information and tax documentation regarding their identities, as well as that of their direct and indirect owners, and this information may be reported to the Commissioners for HMRC, and ultimately, the IRS. The Issuer intends to comply with any applicable reporting requirements pursuant to the U.S.—UK IGA and applicable UK regulations implementing the U.S.—UK IGA.

SUBSCRIPTION AND SALE

J.P. Morgan Securities plc and Lloyds Bank Corporate Markets plc (together, the "**Joint Lead Managers**") have, pursuant to a subscription agreement dated on or about the date hereof amongst the Seller, Retained Note Purchaser, the Joint Lead Managers, the Arrangers and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) to procure subscriptions and payments for or subscribe and pay for £ 500,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes and Skipton Building Society has agreed with the Issuer (subject to certain conditions) to subscribe and pay for £ 100,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes and 100 per cent. of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes as at the date hereof.

In the Subscription Agreement the Seller undertakes to hold a material net economic interest as required by the text of Article 6(1) of the Securitisation Regulation until maturity of the Notes and (ii) to comply with certain requirements as to providing investor information in connection with the retention of such interest, subject always to any requirement of law, provided that the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control. The information made available by the Seller pursuant to this undertaking will be published on European DataWarehouse at <https://editor.eurowd.eu/home>. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

The Issuer has agreed to indemnify Skipton Building Society, the Arrangers and the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

No action has been taken by the Issuer, the Joint Lead Managers or Skipton Building Society, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United Kingdom

Each of the Joint Lead Managers and Skipton Building Society has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Joint Lead Managers and Skipton Building Society has acknowledged that no action has been or will be taken in any jurisdiction by the Joint Lead Managers or Skipton Building Society that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and are subject to U.S. tax law requirements and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements under the Securities Act. Accordingly, the Notes are being

offered outside the United States to persons other than U.S. persons (as defined in and pursuant to Regulation S of the Securities Act).

Each of the Joint Lead Managers and Retained Note Purchaser has represented and agreed that, except as permitted by the Subscription Agreement it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering of the Notes and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account of, U.S. persons.

Ireland

Each of the Joint Lead Managers has represented and agreed with the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulation 2007 (Nos. 1 to 3) of Ireland, including Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 2014, the Irish Central Bank Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not underwrite the issue of, or place, or do anything in Ireland with respect to the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations, 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act, 2005, by the Central Bank of Ireland; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland with respect to the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations, 2005 (as amended) and any rules issued under Section 34 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act, 2005 by the Central Bank of Ireland.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager and the Retained Note Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or the UK. 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 MiFID II; or
 - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

General

Each of the Joint Lead Managers and Skipton Building Society has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief,

result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales

The Notes (including interests therein represented by a Global Note, a Registered Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interest in the Notes, including Book-Entry Interests) during the initial syndication will be deemed to have represented and agreed as follows: it (1) either (i) is not a Risk Retention U.S. Person or (ii) has obtained a U.S. Risk Retention Consent, (2) is acquiring such Note, or a beneficial interest therein for its own account and not with a view to distribute such Notes and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10% Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules).

Investor Representations and Restrictions on Resale

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S, or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States, provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes, such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and
- (c) the Issuer, the Registrar, the Arrangers and Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

EACH PURCHASER OR HOLDER OF THIS NOTE SHALL BE DEEMED TO HAVE REPRESENTED BY SUCH PURCHASE AND/OR HOLDING THAT (I) IT IS NOT AND IS NOT USING THE ASSETS OF A BENEFIT PLAN INVESTOR, AND SHALL NOT AT ANY TIME HOLD THIS NOTE FOR OR ON BEHALF OF A BENEFIT PLAN INVESTOR AND (II) IT IS NOT AND IS NOT USING THE ASSETS OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO FEDERAL, STATE, LOCAL OR NON-U.S. LAWS WHICH ARE SIMILAR TO THE PROHIBITED TRANSACTION PROVISIONS OF SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"). THE TERM "**BENEFIT PLAN INVESTOR**" SHALL MEAN (I) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF ERISA), WHICH IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN DESCRIBED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS BY REASON OF A PLAN'S INVESTMENT IN THE ENTITY UNDER U.S. DEPARTMENT OF LABOR REGULATIONS § 2510.3-101 (29 C.F.R. § 2510-101) AS MODIFIED BY SECTION 3(42) OF ERISA."

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

LISTING AND GENERAL INFORMATION

- (a) It is expected that the admission of the Notes to the Official List and the admission of the Notes to trading on Euronext Dublin's Regulated Market will be granted on or around 24 February 2020.
- (b) The Issuer's LEI number is 6354003OBLBBE5CKB866.
- (c) None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 13 November 2018 (being the date of incorporation of the Issuer) and 13 November 2018 (being the date of incorporation of Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
- (d) The auditors for the Issuer are Ernst & Young LLP. Ernst & Young LLP is a member of the Institute of Chartered Accountants in England and Wales. No statutory or non-statutory accounts within the meaning of Sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on Euronext Dublin's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be filed with Euronext Dublin and shall be available at the Specified Office of the Principal Paying Agent in London.
- (e) The Issuer does not publish interim accounts.
- (f) Since 13 November 2018 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.
- (g) Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
- (h) The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 17 February 2020.
- (i) The following Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

<u>Class of Notes</u>	<u>ISIN</u>	<u>CFI</u>	<u>FISN</u>	<u>Common Code</u>
Class A	XS2104129486	The FISN and CFI codes as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN		210412948
Class B	XS2104129569			210412956

- (j) From the date of this Prospectus and for so long as the Notes are listed on Euronext Dublin's Regulated Market, physical copies of the following documents may be inspected at the Specified Office of the Principal Paying Agent during usual business hours, on any weekday (public holidays excepted) and on the website of European DataWarehouse at <https://editor.eurodw.eu/home>:
- (i) the Memorandum and Articles of Association of each of the Issuer and Holdings;
- (ii) copies of the following documents:
- (A) the Trust Deed;
- (B) the Deed of Charge;

- (C) the Agency Agreement; and
 - (D) the Incorporated Terms Memorandum.
- (k) Skipton Building Society (as originator) will procure that the Cash Manager will:
- (i) publish a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation;
 - (ii) publish (simultaneously with the report referred to in paragraph (i) above) on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the Securitisation Regulation;
 - (iii) publish on the website of European DataWarehouse at <https://editor.eurodw.eu/home> any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Such information will also be made available, on request, to potential holders of the Notes; and
 - (iv) within 15 days of the issuance of the Notes, make available copies of the Transaction Documents (which, in the case of each Scottish Declaration of Trust, will be in redacted form), the STS Notification and this Prospectus.
- (l) Skipton Building Society and the Issuer will procure the Cash Manager will publish a monthly investor report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework. Such reports will be published on European DataWarehouse at <https://editor.eurodw.eu/home>. For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. Reports will also be made available to the Seller, the Swap Provider, the Rating Agencies, the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
- (m) Skipton Building Society (as originator) will procure that the information and reports as more fully set out in the section of this Prospectus headed "*Cashflows and Cash Management – Investor Reports and Information*" are published when and in the manner set out in such section.
- (n) Information required to be made available prior to pricing to potential investors in the Notes pursuant to Article 7 of the Securitisation Regulation was made available by means of the website of European DataWarehouse at <https://editor.eurodw.eu/home>. Skipton Building Society has procured that on or about the date of this Prospectus an STS Notification shall be submitted to ESMA, in accordance with Article 27 of the Securitisation Regulation, and to the FCA, confirming that the STS Requirements have been satisfied with respect to the Notes. It is expected that the STS Notification will be available on the website of ESMA (<https://www.esma.europa.eu/policy-activities/securitisation/simple-transparent-and-standardised-sts-securitisation>). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. A draft version of the STS notification was made available prior to pricing to potential investors in the Notes by way of the website of European DataWarehouse at <https://editor.eurodw.eu/home>.
- (o) The total expenses to be paid in relation to admission of the Notes to the Official List and trading on the Regulated Market of Euronext Dublin are estimated to be approximately € 7,790.
- (p) Arthur Cox is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on its Regulated Market for the purposes of the Prospectus Regulation.

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