**IMPORTANT NOTICE**

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S.**

**IMPORTANT: You must read the following before continuing.** The following applies to the prospectus (the " **Prospectus**") following this page, 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 TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF OAK NO.3 PLC (THE "**ISSUER**"). THE FOLLOWING PROSPECTUS AND ITS CONTENTS ARE CONFIDENTIAL AND 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 OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (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) IT HAS OBTAINED A U.S. RISK RETENTION CONSENT FROM THE SELLER, (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).

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**"). 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 DIRECTIVE 2014/65/EU (AS AMENDED, "**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) A PERSON WHO IS NOT A QUALIFIED INVESTOR AS DEFINED IN ARTICLE 2(E) OF REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 14 JUNE 2017 (AS AMENDED 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 HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – SOLELY FOR THE PURPOSES OF EACH 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 THE MANUFACTURERS' 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 THE MANUFACTURERS' TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION. THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A US PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) UNLESS REGISTERED UNDER THE SECURITIES ACT, OR PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OF THE UNITED STATES.

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. 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 for the purposes of Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 ("**FPO**") or (ii) you are a high net worth entity falling within Article 49(2)(a) to (d) of the FPO, and if you are not you shall not rely on the contents of this Prospectus or be entitled to engage in the investment activity to which it relates.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Oak No.3 PLC, BNP Paribas, Lloyds Bank Corporate Markets plc, BofA Merrill Lynch nor any Transaction Party nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from BNP Paribas, Lloyds Bank Corporate Markets plc or BofA Merrill Lynch.

**OAK NO.3 PLC**

*(Incorporated in England and Wales with limited liability, registered number 12108711)*

| Class of Notes | Initial Principal Amount | Issue Price | Interest Rate | Relevant Margin | Step-Up Date | Ratings (Moody's/Fitch) | Final Maturity Date |
|---|---|---|---|---|---|---|---|
| Class A Notes | £343,500,000 | 100 per cent | Compounded Daily SONIA | Prior to the Step-Up Date 0.80 per cent per annum and on and after the Step-Up Date 1.60 per cent per annum | The Interest Payment Date falling in July 2024 | Aaa(sf)/AAA(sf) | The Interest Payment Date falling in July 2061 |
| Class Z VFN | £37,636,300 | 100 per cent | Compounded Daily SONIA | 0.00 per cent per annum | N/A | Not rated | The Interest Payment Date falling in July 2061 |

**Issue Date**

The Issuer will issue the Notes in the classes set out above on 12 September 2019 (the **"Closing Date"**).

**Underlying Assets**

The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue received from a portfolio comprising mortgage loans originated by Aldermore Bank PLC (the "**Seller**" or "**Aldermore**") and secured over residential properties located in England and Wales (the "**Portfolio**") which will be purchased by the Issuer on the Closing Date. See the section entitled "*Characteristics of the Portfolio* " for further details.

**Credit Enhancement and Liquidity Support**

- In respect of the Class A Notes only, subordination by way of Class Z VFN.
- In respect of the Class A Notes only, the availability of the General Reserve Fund, as funded by the Class Z VFN on the Closing Date, to provide for any Revenue Deficiency in the Available Revenue Receipts.
- Excess Available Revenue Receipts.
- In respect of the Class A Notes only, the application in certain circumstances of Principal Receipts to provide for any Remaining Revenue Deficiency in the Available Revenue Receipts.

See the sections entitled "*Credit Structure*" and "*Terms and Conditions of the Notes*" for further details.

**Redemption Provisions**

Information on any optional and mandatory redemption of the Notes is summarised on page 87 in the section entitled "*Transaction Overview – Overview of the Terms and Conditions of the Notes*" and set out in full in Condition 7 (*Redemption*).

**Rating Agencies**

Moody's Investors Service Ltd. ("**Moody's**") and Fitch Ratings Ltd. ("**Fitch**" and, together with Moody's, the "**Rating Agencies**"). As of the date of this Prospectus, each of the Rating Agencies is a credit

rating agency established in the European Union and is registered under Regulation (EU) No 1060/2009 (as amended) (the "**CRA Regulation**"). As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

All references to "**Moody's**" and "**Fitch**" in this Prospectus are to the entities as defined in the above paragraph.

**Ratings**

Ratings are expected to be assigned to the Class A Notes as set out above on or before the Closing Date. The Class Z VFN will not be rated. The assignment of ratings to the Notes is not a recommendation to invest in the Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any credit rating assigned to the Notes may be revised or withdrawn at any time.

The rating of "Aaa(sf)" is the highest rating that Moody's assigns to long-term structured finance obligations. The ratings assigned to the Class A Notes by Moody's address, inter alia (a) the likelihood of full and timely payment to the holders of the Class A Notes of all payments of interest on each Interest Payment Date and (b) the likelihood of ultimate payment to the Class A Noteholders of principal in relation to the Class A Notes on or prior to the Final Maturity Date. The ratings assigned to the Class A Notes by Moody's also address, inter alia, the expected loss to a Class A Noteholder in proportion to the Principal Amount Outstanding on the Closing Date of the Class of Notes held by such Noteholder on the Final Maturity Date. The rating of "AAA(sf)" is the highest rating that Fitch assigns to long-term obligations. The rating of the Class A Notes assigned by Fitch addresses the likelihood of (i) timely payment of interest due to the holders of the Class A Notes on each Interest Payment Date and (ii) full payment of principal due to holders of the Class A Notes by a date that is not later than the final maturity date. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

**Listing**

This document comprises a prospectus (the **"Prospectus"**), for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended) (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 quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval relates only to the Class A Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU (as amended) ("**MiFID**

**II**") and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to The Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Class A Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market (the **"Regulated Market"**). Euronext Dublin's Regulated Market is a regulated market for the purposes of MiFID II. The Class Z VFN will not be admitted to the Official List nor will it be admitted to trading on the Regulated Market.

This Prospectus is valid for 12 months from its date. 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 when the Prospectus is no longer valid.

**Obligations**

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 Aldermore in particular, its affiliates or any other party named in the Prospectus other than the Issuer.

**Simple, Transparent and Standardised Securitisation**

The securitisation transaction described in this Prospectus is intended to qualify as an STS securitisation within the meaning of Article 18 of the Regulation (EU) 2017/2402 (together with any implementing regulation, technical standards and official guidance related thereto, in each case as amended, varied or substituted from time to time, the **"Securitisation Regulation"**).

Within 15 Business Days of the Closing Date, it is intended that the Seller, as originator, will submit a notification (the "**STS Notification**") 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, such notification to be included in the list published by ESMA referred to in Article 27(5) of the Securitisation Regulation.

The Seller, as originator, 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 LCR Regulation (together with the STS Verification, the "**STS Assessments**"). It is expected that the STS Assessments prepared by PCS will be available on the PCS website (https://www.pcsmarket.org/sts-verification-transactions/) together with detailed explanations of its scope at https://pcsmarket.org/disclaimer/ on and from the 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 "*Simple,*

*Transparent and Standardised Securitisations*".

**Retention Undertaking**

Aldermore will undertake to the Issuer that it will retain a material net economic interest of at least 5 per cent. in the securitisation (for the life of the transaction) in accordance with Article 6 of the Securitisation Regulation (which does not take into account any corresponding national measures). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche, in this case the Class Z VFN, as described by the text of Article 6(3) of the Securitisation Regulation.

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 final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the "**U.S. Risk Retention Rules**"), but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. See the section entitled "*Risk Factors - U.S. Risk Retention Requirements*".

**The Volcker Rule**

The Issuer is of the view that it is not now, and immediately after giving effect to the offering and sale of the Notes and the application of the proceeds thereof on the Closing Date will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (together with such implementing regulations) (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)(C) thereunder, and, accordingly, may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to certain issuers that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from resignation under the Investment Company Act. However, the general effects of the Volcker Rule remain uncertain. 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 advisers regarding such matters and other effects of the Volcker Rule. See the section entitled "*Risk Factors – Effects of the Volcker Rule on the Issuer*".

**Benchmarks Regulation**

Amounts payable on the Notes may be calculated by reference to the Sterling Overnight Index Average ("**SONIA**"). At the date of this Prospectus, the administrator of SONIA is not included in ESMA's register of administrators and benchmarks established and maintained by the European Securities and Markets Authority in accordance with Article 36 of Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**"). 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 Commissions.

**Significant Investors**

Aldermore will on the Closing Date purchase 100 per cent. of the issued amount of the Class Z VFN. A related entity of Aldermore

may on the Closing Date take a portion of the Class A Notes.

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

Arrangers

**BofA Merrill Lynch** **Lloyds Bank Corporate Markets**

Joint Lead Managers

**BofA Merrill Lynch** **BNP PARIBAS** **Lloyds Bank Corporate Markets**

The date of this Prospectus is 10 September 2019.

## IMPORTANT NOTICE

**THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE SELLER, THE INTEREST RATE SWAP PROVIDER, THE ARRANGERS, THE JOINT LEAD MANAGERS, THE SERVICER, THE BACK-UP SERVICER, THE CASH MANAGER, THE BACK-UP CASH MANAGER FACILITATOR, THE BACK-UP SERVICER FACILITATOR, THE CORPORATE SERVICES PROVIDER, THE ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, THE SWAP COLLATERAL ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE AGENT BANK, THE CLASS Z VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE INTEREST RATE SWAP PROVIDER, THE ARRANGERS, THE JOINT LEAD MANAGERS, THE SERVICER, THE BACK-UP SERVICER, THE CASH MANAGER, THE BACK-UP CASH MANAGER FACILITATOR, THE BACK-UP SERVICER FACILITATOR, THE CORPORATE SERVICES PROVIDER, THE ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, THE SWAP COLLATERAL ACCOUNT BANK, THE PRINCIPAL PAYING AGENT, THE AGENT BANK, THE CLASS Z VFN REGISTRAR, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR BY ANY PERSON OTHER THAN THE ISSUER.**

The Class A Notes will each initially be represented by a temporary global note in bearer form (each, a "**Temporary Global Note**"), without interest coupons attached. Each Temporary Global Note will be exchangeable, as described herein, for a permanent global note in bearer form which is recorded in the records of Euroclear System of 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium ("**Euroclear**") and Clearstream Banking, *société anonyme* of 42 av. J.-F. Kennedy, 1855 Luxembourg ("**Clearstream, Luxembourg**") (each, a "**Permanent Global Note**" and, together with the "**Temporary Global Note**", the "**Global Notes**" and each, a "**Global Note**") without interest coupons attached, not earlier than 40 calendar days and not later than 180 calendar days after the Closing Date (provided that certification of non-U.S. beneficial ownership has been received). The Global Notes will be deposited with a common safekeeper (the "**Common Safekeeper**") for Euroclear and Clearstream, Luxembourg on or before the Closing Date. The Common Safekeeper will hold the Global Notes in custody for Euroclear and Clearstream, Luxembourg. The Notes, issued in new global note form and represented by the Global Notes may be transferred in book-entry form only. The Class A Notes will be issued in the denomination of £100,000 and integral multiples of £1,000 in excess thereof. Except in the limited circumstances described under "*Description of the Notes in Global Form and the Variable Funding Note — Issuance of Definitive Notes*", the Notes will not be available in definitive form (the "**Definitive Notes**").

Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes ("**Book-Entry Interests**"). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants.

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

As at the date of this Prospectus, marketable debt securities denominated in Sterling are (temporarily) recognised as eligible collateral for the purposes of the funding programmes and liquidity schemes established by the European Central Bank pursuant to Guideline of the European Central Bank (ECB/2012/23), subject to certain valuation markdowns described therein and certain other requirements of the European Central Bank. The Notes are intended to be held in a manner which would allow Eurosystem eligibility. However, recognition of the

Notes as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem, at issuance or at any time during their life, will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Seller, the Note Trustee, the Security Trustee, the Interest Rate Swap Provider, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Back-Up Servicer Facilitator, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, the Agent Bank, the Class Z VFN Registrar, the Corporate Services Provider, the Arrangers or the Joint Lead Managers that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Prospectus as a prospectus for the purposes of the Prospectus Regulation by the Central Bank of Ireland, no action has been or will be taken by the Issuer, the Seller, the Note Trustee, the Security Trustee, the Interest Rate Swap Provider, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Back-Up Servicer Facilitator, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, the Agent Bank, the Class Z VFN Registrar, the Corporate Services Provider, the Arrangers or the Joint Lead Managers which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer and the Arrangers and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED 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 ("**REGULATION S**")) ("**U.S. PERSONS**") NOR U.S. RESIDENTS (AS DETERMINED FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT) ("**U.S. RESIDENTS**") EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE 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) IT HAS OBTAINED A U.S. RISK RETENTION CONSENT FROM THE SELLER, (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).

Aldermore and the Arrangers and each of the Joint Lead Managers and each subsequent purchaser of the Notes will be deemed by its acceptance of such Notes to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of the Notes as set forth therein and described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with such resale and other transfer restrictions in certain cases. See "*Transfer Restrictions and Investor Representations*".

None of the Issuer nor the Arrangers, the Note Trustee, the Security Trustee, the Agent Bank, the Back-Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator nor any of the Joint Lead Managers makes any representation to any prospective investor or purchaser of the Notes regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import. 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.

Aldermore accepts responsibility for the information set out in the sections headed "*Aldermore Bank PLC*", "*The Loans*", "*Characteristics of the Portfolio*", "*Characteristics of the United Kingdom Residential Mortgage Market*", and "*Regulatory Requirements*". To the best of the knowledge and belief of Aldermore, the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect its import. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Aldermore 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.

BNP Paribas (in its capacity as Interest Rate Swap Provider) accepts responsibility for the information set out in the section headed "*The Interest Rate Swap Provider*". To the best of the knowledge and belief of BNP Paribas, the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by BNP Paribas 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.

Link Mortgage Services Limited accepts responsibility for the information set out in the section headed "The Back-Up Servicer". To the best of the knowledge and belief of Link Mortgage Services Limited, the information contained in the section referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Link Mortgage Services Limited as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to above) or any other information supplied in connection with the Notes or their distribution.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Joint Lead Managers, the Note Trustee, the Security Trustee, the Agent Bank, the Principal Paying Agent, the Account Bank or any of

their affiliates, advisers, directors or group companies as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution.

**PROHIBITION OF SALES TO EEA 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 EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of 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) a person who is not a qualified investor as defined in article 2(e) 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 has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of each 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 the manufacturers' 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 the manufacturers' target market assessment) and determining appropriate distribution channels.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Seller, the Note Trustee or the Security Trustee, the Arrangers, the Joint Lead Managers, the Agent Bank, the Back-Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator or any of their respective affiliates, advisers, directors or group companies. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or the Seller or in the other information contained herein since the date hereof. The information contained in this Prospectus was obtained from the Issuer and the other sources identified herein, but no assurance can be given by the Note Trustee, the Security Trustee, the Arrangers, the Agent Bank, the Back-Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator or the Joint Lead Managers as to the accuracy or completeness of such information. None of the Arrangers, the Joint Lead Managers, the Agent Bank, the Back-Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator, the Note Trustee or the Security Trustee has separately verified the information contained herein. Accordingly, none of the Note Trustee, the Security Trustee, the Arrangers, the Agent Bank, the Back-Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator or the Joint Lead Managers makes any representation, express or implied, or accepts any responsibility with respect to the accuracy or completeness of any of the information in this Prospectus. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of this Prospectus should not be construed as providing legal, business, investment, accounting or tax advice. Each prospective investor should consult its own legal, business, investment, accounting and tax advisers prior to making a decision to invest in any Notes.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Seller, the Arrangers, the Note Trustee, the Security Trustee, the Agent Bank, the Back-

Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator or the Joint Lead Managers or any of them to subscribe for or purchase any of the Notes in any jurisdiction where such action would be unlawful and neither this Prospectus, nor any part thereof, may be used for or in connection with any offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer or Paying Agents or any other person being obliged to pay additional amounts therefor.

In this Prospectus all references to **pounds, Sterling, GBP** and **£** are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the "**United Kingdom**" or "**UK**"). References in this Prospectus to **€**, **EUR** and **euro** are references to the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities as amended from time to time.

**Forward-Looking Statements**

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods or the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Arrangers, the Note Trustee, the Security Trustee, the Agent Bank, the Back-Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator or the Joint Lead Managers have attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, the Arrangers, the Note Trustee, the Security Trustee, the Agent Bank, the Back-Up Cash Manager Facilitator, the Principal Paying Agent, the Account Bank, the Corporate Services Provider, the Back-Up Servicer Facilitator or the Joint Lead Managers assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

**Disclosure of Interests**

Each of the Arrangers, the Joint Lead Managers, the other parties to the Transaction Documents (other than the Issuer) and their respective related entities, associates, officers or employees are acting in a number of capacities in connection with the transaction described herein. Those entities and any of their respective affiliates acting in such capacities will have only the duties and responsibilities expressly agreed by each such entity in the relevant capacity and will not, by reason of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. In no event shall such parties or any of their respective affiliates be deemed to have any fiduciary obligations to any person by reason of their respective affiliates acting in any capacity.

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 Transaction 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 Transaction Entity may have various potential and actual conflicts of interest arising in the ordinary course of its business. For example, a Relevant Transaction 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 Transaction 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 Transaction 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. Each Relevant Transaction Entity 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 Transaction Entity in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No Relevant Transaction 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.

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and

(e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the

appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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

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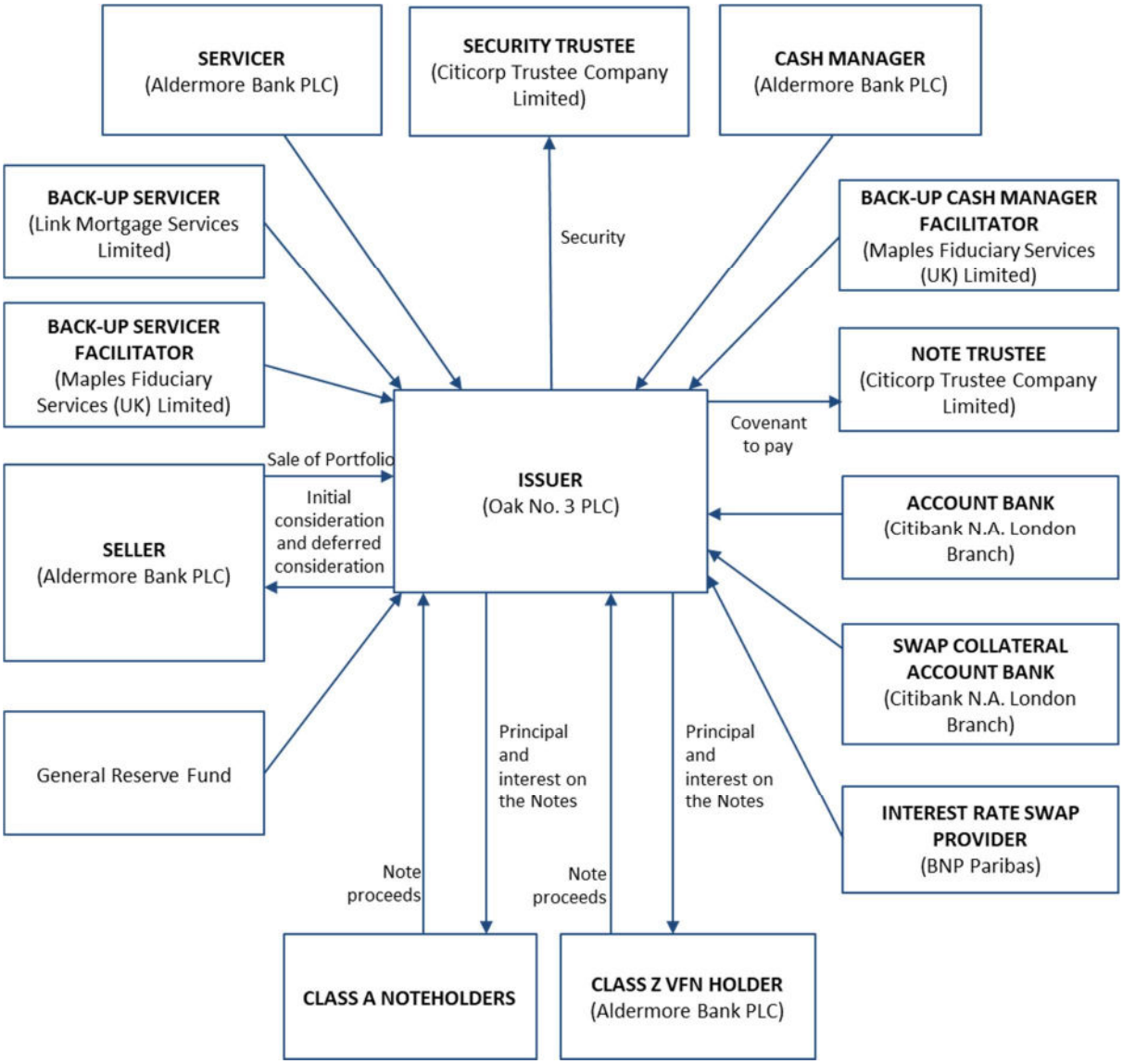
## TRANSACTION OVERVIEW – STRUCTURE DIAGRAMS AND TRANSACTION PARTIES ON THE CLOSING DATE

### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

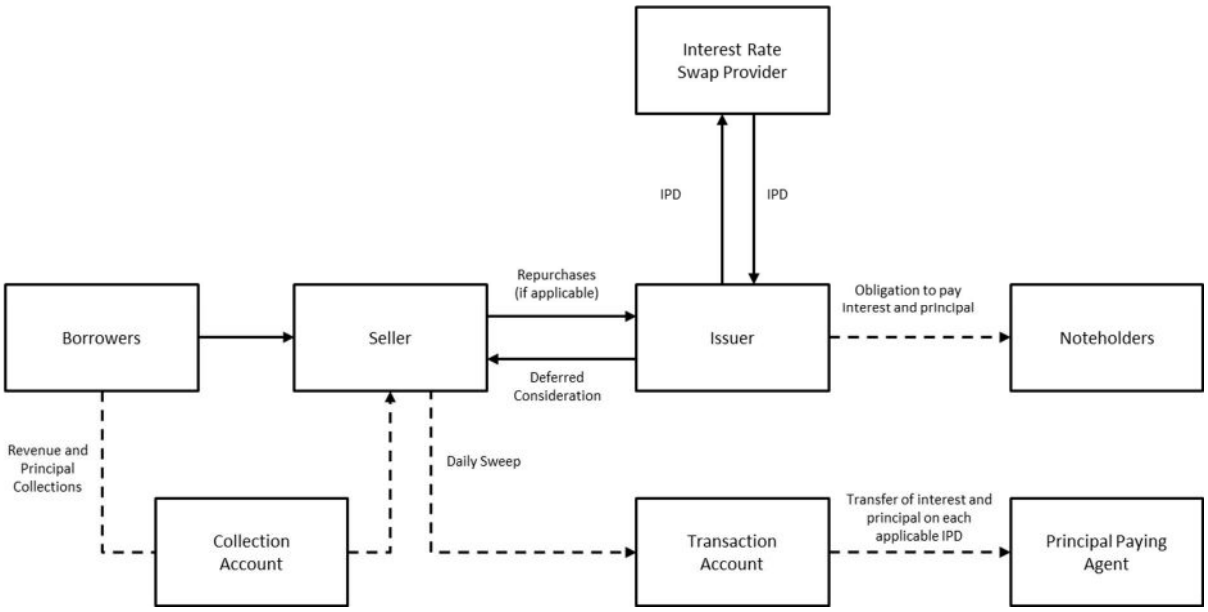
*The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.*

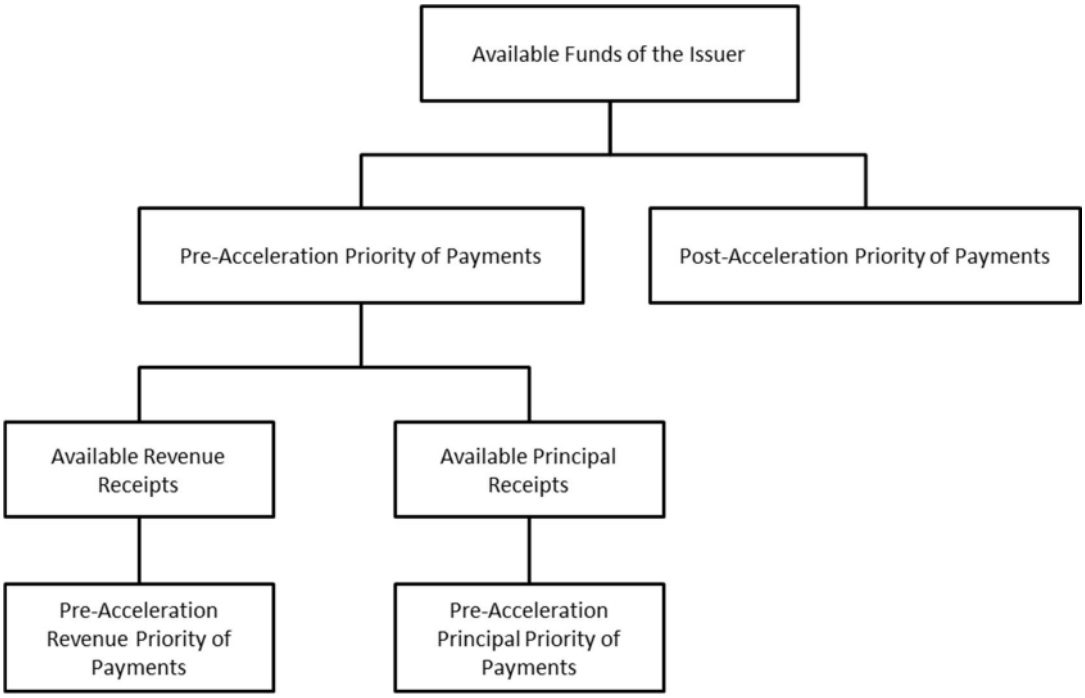
**You should read the entire Prospectus carefully, especially the risks of investing in the Notes discussed under Risk Factors.**

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



## DIAGRAMMATIC OVERVIEW OF ON-GOING CASH FLOWS

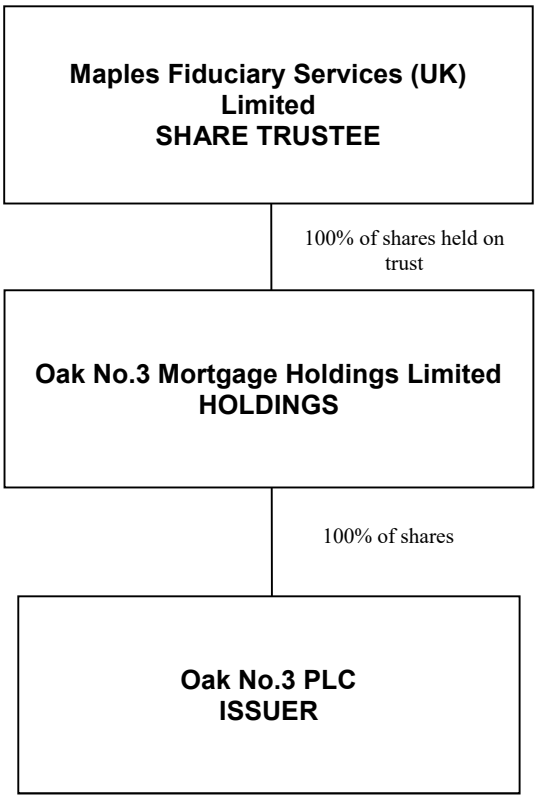


## OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER

The below diagram illustrates the ownership structure of the special purpose companies that are parties to the Transaction Documents, as follows:

- The Issuer is a wholly-owned subsidiary of Holdings in respect of its beneficial ownership.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for discretionary purposes.
- None of the Issuer, Holdings or the Share Trustee is either owned, controlled, managed, directed or instructed, whether directly or indirectly, by Aldermore or any member of the group of companies containing Aldermore.



## TRANSACTION PARTIES ON THE CLOSING DATE

| Party | Name | Address | Document under which appointed/Further Information |
|---|---|---|---|
| Issuer | Oak No.3 PLC | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | See the section entitled "*The Issuer*" for further information. |
| Holdings | Oak No.3 Mortgage Holdings Limited | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | See the section entitled "*Holdings*" for further information. |
| Seller | Aldermore Bank PLC | 1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ | See the section entitled "*Aldermore Bank PLC*" for further information. |
| Servicer | Aldermore Bank PLC | 1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ | See the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" for further information. |
| Back-Up Servicer | Link Mortgage Services Limited | 6th Floor, 65 Gresham Street, London EC2V 7NQ | Back-Up Servicing Agreement. See the section entitled "*Summary of the Key Transaction Documents – Back-Up Servicing Agreement*" for further information |
| Cash Manager | Aldermore Bank PLC | 1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ | Cash Management Agreement. See the section entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" for further information. |
| Back-Up Cash Manager Facilitator | Maples Fiduciary Services (UK) Limited | 11th Floor, 200 Aldersgate Street London EC1A 4HD | Cash Management Agreement. See the section entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" for further information. |
| Back-Up Servicer | Maples Fiduciary | 11th Floor, 200 | Servicing Agreement. |

| | | | |
|---|---|---|---|
| Facilitator | Services (UK) Limited | Aldersgate Street London EC1A 4HD | See the section entitled "*Summary of the Key Transaction Documents – Servicing Agreement*" for further information. |
| Class Z VFN Holder | Aldermore Bank PLC | 1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ | See the section entitled "*Aldermore Bank PLC*" for further information. |
| Interest Rate Swap Provider and Reporting Delegate | BNP Paribas | 10 Harewood Avenue London NW1 6AA England | Interest Rate Swap Agreement. See the section entitled "*Credit Structure – Interest Rate Risk for the Notes – Interest Rate Swap*" for further information. |
| Account Bank | Citibank N.A., London Branch | Citigroup Centre, Canary Wharf, Canada Square, London E14 5LB | The Bank Account Agreement. See the section entitled "*Summary of the Key Transaction Documents – Bank Account Agreement*" for further information. |
| Swap Collateral Account Bank | Citibank N.A., London Branch | Citigroup Centre, Canary Wharf, Canada Square, London E14 5LB | The Swap Collateral Account Agreement. See the section entitled "*Summary of the Key Transaction Documents – Swap Collateral Account Agreement*" for further information. |
| Security Trustee | Citicorp Trustee Company Limited | Citigroup Centre, Canary Wharf, Canada Square, London E14 5LB | Deed of Charge. See the sections entitled "*Overview of the Terms and Conditions of the Notes – Security*", "*Summary of the Key Transaction Documents – Deed of Charge*" and the Conditions for further information. |
| Note Trustee | Citicorp Trustee Company Limited | Citigroup Centre, Canary Wharf, Canada Square, London E14 5LB | Trust Deed. See the sections entitled "*Summary of the Key transaction documents – Trust Deed*" and the Conditions for further information. |
| Principal Paying Agent and Agent | Citibank N.A., London Branch | Citigroup Centre, Canary Wharf, | Agency Agreement. See the Conditions |

| | | | |
|---|---|---|---|
| Bank | | Canada Square, London E14 5LB | and the section entitled "*Summary of the Key transaction documents – Agency Agreement*" for further information. |
| Class Z VFN Registrar | Aldermore Bank PLC | 1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ | See the Conditions for further information. |
| Corporate Services Provider | Maples Fiduciary Services (UK) Limited | 11th Floor, 200 Aldersgate Street London EC1A 4HD | Corporate Services Agreement. See the section entitled "*Summary of the Key Transaction Documents – Corporate Services Agreement*" for further information. |
| Share Trustee | Maples Fiduciary Services (UK) Limited | 11th Floor, 200 Aldersgate Street London EC1A 4HD | Corporate Services Agreement. See the section entitled "*Summary of the Key Transaction Documents – Corporate Services Agreement*" for further information. |
| Collection Account Bank | Barclays Bank PLC | 1 Churchill Place, London E14 5HP | N/A |
| Arranger and Joint Lead Manager | Lloyds Bank Corporate Markets plc | 10 Gresham Street, London EC2V 7AE | See the section entitled "*Subscription and Sale*" for more information |
| Arranger and Joint Lead Manager | BofA Merrill Lynch | 2 King Edward Street London E14 5JP | See the section entitled "*Subscription and Sale*" for more information |
| Joint Lead Manager | BNP Paribas | 10 Harewood Avenue London NW2 6AA | See the section entitled "Subscription and Sale" for more information |

## 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. Most of these factors are contingencies which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. 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.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

### Risks relating to the Issuer and Availability of Funds to Pay the Notes

#### *Liabilities Under the Notes*

The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Interest Rate Swap Provider, the Arrangers, the Joint Lead Managers, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Back-Up Servicer Facilitator, the Corporate Services Provider, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, any other Paying Agent, the Agent Bank, the Class Z VFN Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

#### *Limited Source of Funds*

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent solely on receipts from the Loans in the Portfolio, interest earned on the Bank Accounts, income from any Authorised Investments, amounts standing to the credit of the General Reserve Fund, and the receipts under the Interest Rate Swap Agreement. 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 Relevant Margin payable by the Issuer in respect of the Class A Notes on and from the Step-Up Date will be 1.60 per cent. per annum. It is not expected that any additional sources of funds will be made available to the Issuer (including, without limitation, any additional Loans being made available by the Seller) in order for the Issuer to meet its payment obligations in respect of the increase in the Relevant Margin. The recourse of the Noteholders to the Charged Assets following service of a Note Acceleration Notice is described below (see further "*English law security and insolvency considerations*").

#### *Limited Recourse*

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal and interest from the Borrowers under the Loans and their Related Security in the Portfolio, (b) payments (if any) due from the Interest Rate Swap Provider, (c) interest income on the Bank Accounts, and income from any Authorised Investments, and (d) funds available in the General Reserve Fund. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. Upon enforcement of the security under the Deed of Charge (the Security) by the Security Trustee, if:

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

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

(c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal and interest),

then the Secured Creditors (which include the Noteholders) shall have no further claim against the Issuer or its directors, shareholders, officers or successors in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal and interest in respect of the Notes). As such, amounts available to the Issuer in such circumstances may be insufficient to pay Noteholders in full and any unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

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

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

***UK Government Guarantee Schemes not applicable***

The Notes are obligations of the Issuer only and any potential investors should be aware that they will not have recourse to any guarantee or compensation scheme operated by the UK Government in relation to an investment in the Notes.

**Macroeconomic and Market Risks**

***There can be no assurance of a secondary market for the Notes to provide Noteholders with liquidity of investment***

No assurance is provided that there is an active and liquid secondary market for the Class A Notes, and no assurance is provided that a secondary market for the Class A Notes will develop. All of the Class A Notes will be sold to third-party investors. Aldermore will purchase the Class Z VFN on the Closing Date. None of the Class A Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale*" and "*Transfer Restrictions and Investor Representations*". To the extent that a secondary market exists or develops, it may not continue for the life of the Class A Notes or it may not provide Class A Noteholders with liquidity of investment with the result that a Class A Noteholder may not be able to find a buyer to buy its Class A Notes readily or at prices that will enable the Class A Noteholder to realise a desired yield. Any investor in the Class A Notes must be prepared to hold their Class A Notes until their Final Maturity Date.

There is no secondary market for the Class Z VFN nor is it expected that one will develop.

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, amongst others, the Bank of England's Sterling Monetary Framework, the Funding for Lending Scheme, the Term Funding Scheme or the European Central Bank's liquidity scheme have provided an important source of liquidity in respect of eligible securities, as at the date of this Prospectus, use of such schemes is now restricted to the maintenance of existing drawings by participants. 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 make their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for such central bank schemes.

Pursuant to a referendum held in June 2016, the UK has voted to leave the European Union: see "*Risks in relation to the United Kingdom's vote to leave the European Union*" for further information. This may impact the eligibility of the Notes as eligible collateral under the European Central Bank's liquidity scheme.

Any potential investor in the Notes should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for such central bank schemes.

***Limited Secondary Market for Loans***

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default (as defined in the Conditions) in relation to the Notes while any of the Loans are still outstanding, may depend upon whether the Loans can be realised to obtain an amount sufficient to redeem the Notes. There is not, at present, an active and liquid secondary market for mortgage loans of this type in the United Kingdom. There can be no assurance that a secondary market for the Loans will develop or, if a secondary market does develop, that it will provide sufficient liquidity of investment for the Loans to be realised or that if it does develop it will continue for the life of the Notes. The Issuer, and following the occurrence of an Event of Default, the Security Trustee, may not, therefore, be able to sell the Mortgages for an amount sufficient to discharge amounts due to the Secured Creditors (including the Noteholders) in full should they be required to do so.

***General Eurozone market volatility***

Concerns relating to credit risk (including that of sovereigns and of those entities which have exposure to sovereigns) persist, in particular with respect to current economic, monetary and political conditions in the Eurozone. If such conditions further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more Member States or institutions and/or any exit(s) by any Member State(s) from the European Union and/or any changes to, including any break up of, the Eurozone), then these matters may cause further severe stress in the financial system generally and/or may adversely affect the UK housing market, the Issuer, one or more of the other parties to the Transaction Documents (including the Seller, the Servicer, the Back-Up Servicer, the Back-Up Servicer Facilitator, the Cash Manager, the Back-Up Cash Manager Facilitator, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank and/or the Interest Rate Swap Provider) and/or any Borrower in respect of the Loans.

**Risks in relation to the United Kingdom's vote to leave the European Union**

On 23 June 2016, the United Kingdom electorate voted to leave the European Union in a referendum (the **"Brexit Vote"**) and on 29 March 2017 the United Kingdom gave formal notice (the **"Article 50 Notice"**) under Article 50 of the Treaty on European Union as amended (**"Article 50"**) of its intention to leave the European Union. Article 50 provides that the European Union treaties will cease to apply to the UK two years after the Article 50 Notice, unless a withdrawal agreement enters into force earlier or the two year period is extended by unanimous agreement of the UK and the European Council. The date by which a

withdrawal agreement (or a further extension) must be in place has been extended, most recently on 10 April 2019 when an extension to 31 October 2019 was agreed, with the possibility of an earlier exit if a withdrawal agreement is reached.

On 23 March 2018, the European Union announced that agreement in principle had been reached on a transition period running from the UK's withdrawal from the European Union in March 2019 to the end of 2020, during which the UK would retain access to the European Union Internal Market and Customs Union on its current terms. This agreement is only political in nature and will not be legally binding until any withdrawal agreement is formally agreed and ratified. The European Union also announced that the European Council has adopted guidelines for the European Union's negotiators, with a view to opening the negotiations with the UK to agree a framework for the future relationship between the European Union and the UK following the UK's exit from the European Union.

The terms of the UK's exit from the European Union are being determined by ongoing negotiations and remain unclear. It is still possible that the UK will leave the European Union with no withdrawal agreement if no agreement can be finalised by 31 October 2019. In such circumstances, a high degree of political, legal, economic and other uncertainty may result. If it is not ratified, the Treaty on European Union and the Treaty on the Functioning of the European Union will cease to apply to the UK from that date. The European Union (Withdrawal) Act 2018 (the **"Withdrawal Act"**) will incorporate the majority of European Union law acquis into UK law the moment before the UK ceases to be a member of the European Union, with the intention of limiting immediate legal change. The Withdrawal Act will grant the UK Government wide powers to make secondary legislation in order to, among other things, implement any withdrawal agreement and to adapt those laws that would otherwise not function sensibly once the UK has left the European Union, on the whole with minimal parliamentary scrutiny. The secondary legislation made under those powers will be able to do anything that could be done by an Act of Parliament. Over time, however – and depending on the timing and terms of the UK's exit from the European Union – significant changes to UK law in areas relevant to the transaction and the parties to the transaction are likely. The Issuer cannot predict what any such changes will be or how they may affect payments of principal and interest to the Noteholders.

Due to the ongoing political uncertainty as regards the timing and the terms of the UK's withdrawal from the European Union and the structure of the future relationship, it is not possible to determine the precise impact on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the precise 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 European Union regulation or more generally.

The Brexit Vote has resulted in downgrades of the UK sovereign and the Bank of England by Standard & Poor's, Fitch and Moody's. In June 2016 both Standard and Poor's and Fitch lowered their ratings for the UK sovereign and that of the Bank of England with a negative outlook. Moody's took the same approach, however they decided to downgrade the UK and the Bank of England even further in September 2017, citing increasingly apparent challenges to policy making since the Brexit Vote. 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.

Since the Brexit Vote, there has been volatility and disruption of the capital, currency and credit markets, including the market for asset-backed securities. There may be further volatility and disruption depending on the conduct and progress of the formal withdrawal negotiations initiated by the Article 50 Notice. Potential investors should be aware that these prevailing market conditions affecting asset-backed securities could lead to reductions in the market value and/or a severe lack of liquidity in the secondary market for instruments similar to the Notes. Such falls in market value and/or lack of liquidity may result in investors

suffering losses on the Notes in secondary resales even if there is no decline in the performance of the securitised portfolio. The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there would be an increase in the market value and/or there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of any party to the Transaction Documents to satisfy its obligations thereunder and/or the Issuer to satisfy its obligations under the Notes and/or the market value and/or liquidity of the Notes in the secondary market.

**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 SONIA as a reference rate in the capital markets and its adoption as an alternative to the London Inter-bank Offered Rate (**"LIBOR"**). In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). 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 that reference a SONIA rate issued under this Prospectus. The nascent development of SONIA as an interest reference rate for sterling denominated notes, as well as continued development of SONIA-based rates in the market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes which reference a SONIA rate from time to time. Interest on Notes which reference a SONIA rate is only capable of being determined at the end of the relevant Observation Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in the Notes which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such Notes and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which could adversely impact the liquidity of such Notes. Further, if the Notes become due and payable under Condition 10 (*Events of Default*), the rate of interest payable shall be determined on the date the Notes became due and payable and shall not be reset thereafter. In addition, the manner of adoption or application of SONIA reference rates in the sterling denominated residential-mortgage-backed-securitisation markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SONIA reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SONIA.

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

Various interest rate benchmarks (including LIBOR and SONIA) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented including the Benchmarks Regulation.

In addition, the sustainability of LIBOR has been questioned by the UK Financial Conduct Authority as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to such benchmarks.

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

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 and which may, in turn, mean that the interest amounts received by Noteholders are different than they would otherwise be;

(b) while (1) an amendment may be made under Condition 12.13 (*Additional Right of Modification*) of the Terms and Conditions of the Notes to change the base rate on the Notes from SONIA to an alternative base rate under certain circumstances broadly related to SONIA dysfunction or discontinuation and subject to certain conditions being satisfied including no objection to the proposal being received by at least 10 per cent. of Noteholders of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding (in this regard please also refer to the risk factor above entitled "*Meetings of Noteholders, Modifications and Waivers*") or (2) an amendment may be made under Condition 12.13 (*Additional Right of Modification*) of the Terms and Conditions of the Notes to change the base rate that then applies in respect of the Interest Rate Swap Agreement to the base rate of the Notes following a Base Rate Modification, there can be no assurance that any such amendments will be made or, if made, that they (i) will fully or effectively mitigate all relevant interest rate risks or result in an equivalent methodology for determining the interest rates on the Notes and the Interest Rate Swap Agreement or (ii) will be made prior to any date on which any of the risks described in in this risk factor may become relevant (in this regard, please also refer to the risk factor below entitled "*Meetings of Noteholders, Modifications and Waivers*"); and

(c) if SONIA is discontinued, and whether or not an amendment is made under Condition 12.13 (*Additional Right of Modification*) to change the base rate with respect to the Notes as described in paragraph (c) above, if a proposal for an equivalent change to the base rate on the Interest Rate Swap Agreement is not approved in accordance with Condition 12.13, there can be no assurance that the applicable fall-back provisions under the Interest Rate Swap Agreement would operate to allow the transactions under the Interest Rate Swap Agreement 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 Interest Rate Swap Agreement 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 base rate as described in paragraph (b) 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 Interest Rate Swap Agreement, early redemption, discretionary valuation, delisting or other consequences in relation to the Notes. No assurance may be provided that relevant changes will not occur with respect to SONIA or 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.

***Ratings of the Class A Notes and confirmation of ratings***

The ratings assigned to the Class A Notes by each Rating Agency are based, amongst other things, on the terms of the Transaction Documents and other relevant structural features of this transaction, including (but not limited to) the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings or issuer default ratings of the Interest Rate

Swap Provider, the Account Bank, the Collection Account Bank and the Swap Collateral Account Bank, a credit assessment of the Loans, and reflect only the views of the Rating Agencies. The rating issued by Moody's addresses the likelihood of timely payment of interest due to the holders of the Class A Notes on each Interest Payment Date and the expected loss to a holder of the Class A Notes in proportion to the Principal Amount Outstanding on the Closing Date of such Class A Notes. The rating issued by Fitch addresses the likelihood of (i) timely payment of interest due to the holders of the Class A Notes on each Interest Payment Date and (ii) full payment of principal due to holders of the Class A Notes by a date that is not later than the final maturity date.

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

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 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. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Class A Notes.

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

The Class Z VFN will not be rated by the Rating Agencies.

**Risks Relating to the Notes and the Structure**

***Subordination of the Class Z VFN which will be subject to greater risk of loss***

The Class Z VFN is subordinated in right of payment of interest and principal to the Class A Notes. There is no assurance that the subordination of the Class Z VFN will protect the holders of Class A Notes from all risk of loss.

***Deferral of Interest Payments on the Class Z VFN***

If, on any Interest Payment Date whilst any of the Class A Notes remain outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of such amounts (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class Z VFN becomes immediately due and repayable in accordance with the Conditions. Such deferral will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled, under Condition 16 (*Subordination by Deferral*), to defer payments of interest in respect of the Class Z VFN.

Failure to pay interest on the Class A Notes or, if there are no Class A Notes then outstanding, the Class Z VFN, shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

From and including the Step-Up Date, any Available Revenue Receipts remaining on any Interest Payment Date after any required credit has been made to the General Reserve Ledger and the Class Z VFN Principal Deficiency Sub-Ledger will be diverted to Available

Principal Receipts in order to repay principal amounts on the Class A Notes. As such, from and including the Step-Up Date and until the Class A Notes have been redeemed in full, the Issuer will not have funds to pay interest on the Class Z VFN.

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

The yield to maturity of the Class A Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Notes of each Class. Prepayments on the Loans may result from refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under the insurance policies. The repurchase of Loans required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans. In addition, should a Borrower elect, subject to the agreement of the Seller and the Servicer, to change the terms of their Loan from an Interest-only Loan to a Repayment Loan, the Issuer would receive principal payments in respect of the relevant Loan earlier than would otherwise be anticipated. The yield to maturity of the Notes of any Class may be adversely affected by, amongst other things, the 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, the competitiveness of replacement products, the impact of whether a Loan imposes an early repayment charge on a Borrower, the end of any incentive periods which a particular Borrower may currently be on, local and regional economic conditions and homeowner mobility. However, the rate of prepayment cannot be predicted. 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 to repurchase a Loan or Loans and their Related Security because, for example, the relevant Loan does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of such Loan(s) under that Mortgage Account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below) or used to fund a Remaining Revenue Deficiency.

On any Interest Payment Date (i) falling on or after July 2024 or (ii) on which the aggregate Current Balance of all the Loans in the Portfolio is equal to or less than 10 per cent. of the aggregate Current Balance of the Loans in the Portfolio as of the Cut-Off Date, the Issuer may, subject to certain conditions, redeem all of the Class A 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 Interest Rate Swap Provider being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Class A Notes.

From and including the Step-Up Date, any Available Revenue Receipts remaining on any Interest Payment Date after any required credit has been made to the General Reserve Ledger and the Class Z VFN Principal Deficiency Sub-Ledger will be diverted to Available Principal Receipts in order to repay principal amounts on the Class A Notes. This will result in additional funds being available to redeem the Class A Notes and may adversely affect the yield to maturity on the Class A Notes.

***Interest rate risk***

The Loans in the Portfolio are subject to variable and fixed interest rates while the Issuer's liabilities under the Notes are based on Compounded Daily SONIA.

To hedge its interest rate exposure in relation to the Fixed Rate Loans in the Portfolio and the amounts payable under the Notes, the Issuer will enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider on or around the Closing Date (see "*Credit Structure — Interest Rate Risk for the Notes*" below).

There is no mechanism by which Loans in arrears or defaulted Loans will be removed from the calculations of the notional amount under the Interest Rate Swap Agreement. As a result, the notional amount of such transactions may be higher than the aggregate Current Balance of the Loans on which the Issuer is receiving payment.

The rates payable by the Issuer under the Interest Rate Swap is not intended to be an exact match of the interest rates that the Issuer receives in respect of the relevant Loans in the Portfolio. As such, and given the considerations in the above paragraph, there may be circumstances in which the rate payable by the Issuer under the Interest Rate Swap exceeds the amount that the Issuer receives in respect of the relevant Loans in the Portfolio.

A failure by the Interest Rate Swap Provider to make timely payments of amounts due under any Interest Rate Swap Agreement will constitute a default thereunder. The Interest Rate Swap Agreement provides that the Sterling amounts owed by the Interest Rate Swap Provider on any payment date under the Interest Rate Swap (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts owed by the Issuer on the same payment date. Accordingly, (i) if the amounts owed by the Issuer to the Interest Rate Swap Provider on a payment date are greater than the amounts owed by the Interest Rate Swap Provider to the Issuer on the same payment date, then the Issuer will pay the positive difference to the Interest Rate Swap Provider on such payment date; (ii) if the amounts owed by the Interest Rate Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Interest Rate Swap Provider on the same payment date, then the Interest Rate Swap Provider will pay the positive difference to the Issuer on such payment date; and (iii) if the amounts owed by both parties are equal on a payment date, neither party will make a payment to the other on such payment date. To the extent that the Interest Rate Swap Provider defaults in its obligations under the Interest Rate Swap Agreement to make payments to the Issuer in Sterling, then the Issuer will be exposed to the possible variance between the interest rates payable on the relevant Loans in the Portfolio and Compounded Daily SONIA. Further, if the Interest Rate Swap Provider fails to pay any amounts when due under the Interest Rate Swap Agreement, the Available Revenue Receipts may be insufficient to make the required payments on the Notes and the Noteholders may experience delays and/or reductions in the interest payments due to be received by them.

The Interest Rate Swap Provider will be obliged to make payments under the Interest Rate Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Interest Rate Swap Provider will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount that the Issuer would have received had no such withholding or deduction been required.

The Interest Rate Swap Agreement will provide, however, that in case of certain tax-related events, the Interest Rate Swap Provider may transfer its respective rights and obligations to another of its offices, branches or affiliates to avoid the relevant tax event triggering a termination of the Interest Rate Swap. If the Interest Rate Swap Provider is unable to transfer its rights and obligations under the Interest Rate Swap Agreement to another office, branch or affiliate, it will have the right to terminate the Interest Rate Swap Agreement. Upon such termination, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other party.

In the event that the Interest Rate Swap Provider does not have the Required Ratings, the Interest Rate Swap Provider is obliged to take certain actions (depending on which Required Rating has been breached).

Such actions may include providing collateral for the Interest Rate Swap Provider's obligations under the Interest Rate Swap Agreement, arranging for its obligations under the

Interest Rate Swap Agreement to be transferred to an entity with the Required Ratings, or procuring another entity with the Required Ratings to become a guarantor in respect of its obligations. Which action is required will depend, *inter alia*, on the rating of the Interest Rate Swap Provider following the loss of the Required Ratings.

The Issuer may terminate the Interest Rate Swap Agreement if the Interest Rate Swap Provider fails:

(a) to provide collateral within the time period stipulated in the Interest Rate Swap Agreement following breach of the Required Ratings resulting in an obligation to provide collateral; or

(b) where the Interest Rate Swap Provider is obliged to use commercially reasonable efforts to obtain a guarantor with the Required Ratings or transfer to another entity with the Required Ratings and no such action has occurred but the relevant time period has elapsed and one or more third parties has provided a quote for the Interest Rate Swap.

However, in the event that a breach of the Required Ratings as outlined above occurs, there can be no assurance that a guarantor or replacement interest rate swap provider will be found or that the amount of collateral provided will be sufficient to meet the Interest Rate Swap Provider's obligations. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

If the Interest Rate Swap Provider posts any Swap Collateral to an account established for such purpose with the Swap Collateral Account Bank, such collateral will be utilised solely in returning collateral and making payments directly to the Interest Rate Swap Provider (and not in accordance with the relevant Priority of Payments) under the terms of the Interest Rate Swap Agreement (including the credit support annex entered into under such agreement). Following the termination of the Interest Rate Swap Agreement, any Swap Collateral or the liquidation proceeds thereof which is not returned to the Interest Rate Swap Provider as a termination payment or applied in acquiring a replacement swap shall constitute Available Revenue Receipts.

The Interest Rate Swap Agreement will be terminable early by one party if an Early Termination Event occurs, which includes, *inter alia*, (i) an Event of Default or Termination Event (as defined in the Interest Rate Swap Agreement) occurring in relation to the other party; (ii) a Note Acceleration Notice being served; or (iii) the Notes being redeemed pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*). Events of default under the Interest Rate Swap Agreement in relation to the Issuer will be limited to (i) non-payment under the Interest Rate Swap Agreement and (ii) insolvency events.

The Interest Rate Swap will terminate on or around the earlier of (i) the date on which the Class A Notes are redeemed in full other than in circumstances which give rise to an Additional Termination Event (as set out in Part 1(q) of the Schedule to the Interest Rate Swap Agreement); (ii) the Interest Payment Date falling in October 2029; (iii) the Interest Payment Date on or immediately following the date on which the aggregate of the Current Balance of the Loans is reduced to zero; and (iv) the first Interest Payment Date on or after the Step-Up Date on which the Adjusted Fixed Rate Loan Balance (as defined in the Interest Rate Swap) is zero, in each case subject to adjustment in accordance with the Modified Following Business Day Convention.

If a replacement swap is entered into, this may be on terms less favourable to the Issuer and therefore may mean that reduced amounts are available for distribution by the Issuer to the Secured Creditors (including *inter alia*, the Noteholders). The Issuer may not be able to enter into a replacement Interest Rate Swap with a replacement interest rate swap provider immediately or at a later date.

In the case of the termination of the Interest Rate Swap Agreement, the risk of a difference between the rate of interest to be received by the Issuer on the Loans in the Portfolio subject

to fixed interest rates and the rate of interest payable by the Issuer on the Notes will not be hedged, and so the funds available to the Issuer to pay any interest on the Notes will be reduced if the interest revenues received by the Issuer on such Loans in the Portfolio are lower than the rate of interest payable by it on the Notes. In these circumstances, the holders of Notes may experience delays and/or reductions in the interest payments to be received by them, and the ratings of the Class A Notes may also be downgraded.

***Termination payments under Interest Rate Swap***

The Interest Rate Swap Agreement will provide that, upon the occurrence and continuation of certain events, the Interest Rate Swap may terminate and a termination payment by either the Issuer or the Interest Rate Swap Provider may be payable, depending on, among other things, the terms of the Interest Rate Swap and the cost of entering into a replacement interest rate swap transaction at the time. Any termination payment due by the Issuer (other than an Interest Rate Swap Excluded Termination Amount and to the extent not satisfied by any applicable Replacement Swap Premium or, in certain circumstances and/or to a limited extent, amounts standing to the credit of the Swap Collateral Account, if any, which shall be utilised in order to make payments directly by the Issuer to the Interest Rate Swap Provider under the Interest Rate Swap Agreement) will rank prior to payments in respect of the Notes and could affect the availability of sufficient funds of the Issuer to make payments of amounts due from it under the Notes in full. If any termination amount is payable, payment of such termination amounts may adversely affect amounts available to pay interest and principal on the Notes.

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

No assurance can be given as to the ability of the Issuer to enter into one or more replacement interest rate swaps, or if one or more replacement interest rate swaps are entered into, as to the credit rating of the Interest Rate Swap Provider for the replacement interest rate swaps.

***Conflict between Noteholders***

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

If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the holders of the Class A Notes and the holders of the Class Z VFN, the Note Trustee and the Security Trustee will be required to have regard only to the interests of the holders of the Class A Notes and will not have regard to the interests of the holders of the Class Z VFN.

Neither Aldermore nor any of its Subsidiaries or Holding Companies (or Subsidiaries of such Holding Companies) will have any voting rights in respect of any Notes (unless Aldermore or any of its Subsidiaries or Holding Companies (or Subsidiaries of such Holding Companies) holds all of the Relevant Class of Notes).

***Conflict between Noteholders and other Secured Creditors***

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed, the Deed of Charge and Condition 12.4 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

Aldermore will purchase the Class Z VFN (see "*Subscription and Sale*" below). A related entity of Aldermore may purchase a portion of the Class A Notes. However, pursuant to the terms of the Trust Deed, the Notes held or controlled for or by any of Aldermore or the Issuer

or any of their Holding Companies or Subsidiaries (or Subsidiaries of such Holding Companies), will not be taken into account by the Note Trustee or the Security Trustee, as applicable, for the purposes of: (i) the right to attend and vote at any meeting of the Noteholders of any Class or any written resolution, (ii) the determination of how many and which Notes are outstanding for the purposes of action, proceedings and indemnification by the Note Trustee, meetings of the Noteholders, events of default and enforcement, (iii) any discretion, power or authority which the Security Trustee and/or the Note Trustee is required to exercise by reference to the interests of the Noteholders of any Class and (iv) the determination by the Note Trustee of whether something is materially prejudicial to the interests of the Noteholders or any Class thereof except, in the case of Aldermore, Aldermore or any of its Subsidiaries or Holding Companies (or Subsidiaries of such Holding Companies) holding all of the relevant class of notes and there being no *pari passu* or junior classes of Notes which they do not also hold in their entirety.

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

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

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders, shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with Accrued Interest as provided in the Trust Deed.

So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee shall, if so directed in writing by the holders of the Class Z VFN (subject to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with Accrued Interest as provided in the Trust Deed.

Each of the Note Trustee and the Security Trustee may, at any time, at their discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including the Conditions) and/or (in the case of the Security Trustee) the Deed of Charge or (in either case) of the other Transaction Documents to which it is a party and at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion without notice, take such steps as it may think fit to enforce the Security. However, neither the Note Trustee nor the Security Trustee shall be bound to take any such proceedings or steps (including, but not limited to, the giving of a Note Acceleration Notice in accordance with Condition 10 (*Events of Default*)) unless:

(a) it shall have been directed to do so by (i) an Extraordinary Resolution of the Class A Noteholders or (ii) in writing by the holders of at least 25 per cent. in Principal Amount Outstanding of the Class A Notes then outstanding or (iii) if there are no Class A Notes then outstanding, the Class Z VFN Holder; and

(b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of the Class Z VFN Holder as aforesaid so long as any Class A Notes are outstanding. If the Note Trustee or the Security Trustee fail to exercise their discretion where they have not been directed as described above, it may adversely affect the ability of the Issuer to make payments on the Notes following the service of a Note Acceleration Notice.

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

In addition, each of the Note Trustee and the Security Trustee benefit from indemnities given to them by the Issuer pursuant to the Transaction Documents.

***Rating Agency Confirmations***

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

**Risks Relating to Changes to the Structure and Documents**

***Meetings of Noteholders, Modification and Waivers; the Security Trustee may agree to modifications without the prior written consent of Noteholders whch may adversely affect the interests of Noteholders***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit decisions of 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 provide that the Note Trustee or, as the case may be, the Security Trustee, with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document) but without the consent or sanction of the Noteholders or any of the other Secured Creditors (i) may agree to (other than in respect of a Basic Terms Modification) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders or (where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder), the Class A Noteholders or (ii) may agree to any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's, opinion, is of a formal, minor or technical nature or to correct a manifest error, provided that neither the Note Trustee nor the Security Trustee shall be obliged to agree to any such modification which, in the sole opinion of the Note Trustee or the Security Trustee, would have the effect of (a) exposing the Note Trustee and/or the Security 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 Note Trustee

and/or the Security Trustee under the Transaction Documents and/or the Conditions. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to any specified conditions, be treated as such. See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver*)" below.

Further, the Note Trustee or, as the case may be, the Security Trustee may also be obliged, in certain circumstances, to agree to amendments to the Conditions and/or the Transaction Documents without the consent or sanction of the Noteholders or any of the other Secured Creditors for the purpose of (i) 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, (ii) complying with (1) Article 6 of the Securitisation Regulation, after the Closing Date, including as a result of the adoption of additional regulatory technical standards in relation to the Securitisation Regulation or any other risk retention legislation or regulations or official guidance in relation thereto applicable to the Issuer or Aldermore or (2) any other provision of (A) the Securitisation Regulation, including Articles 19, 20, 21 or 22 of the Securitisation Regulation, or (B) Regulation (EU) 2017/2401 (which amends Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms), (iii) complying with EMIR, (iv) enabling the Notes to be (or to remain) listed on Euronext Dublin, (v) enabling the Issuer or any of the other Transaction Parties to comply with sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") (or any voluntary agreement entered into which a taxing authority in relation thereto), (vi) complying with any changes in the requirements of the CRA Regulation after the Closing Date including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation and the Commission Delegated Regulation 2015/3 (including, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators), as amended from time to time (the "**CRA3 Requirements**"), (vii) changing the base rate that then applies in respect of the Notes to an alternative base rate and make such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**") or (viii) changing the base rate that then applies in respect of the Interest Rate Swap Agreement as is necessary or advisable in the commercially reasonable judgement of the Issuer (or the Servicer on its behalf) and the Interest Rate Swap Provider for the purpose of aligning the base rate of the Interest Rate Swap Agreement to the base rate of the Notes following a Base Rate Modification after the Closing Date (each a "**Proposed Amendment**"), without the consent of the Noteholders.

In relation to any such Proposed Amendments specified in limbs (i), (vii) or (viii) (but not, for the avoidance of doubt, any other Proposed Amendment), the Issuer is required, amongst other things, to certify in writing to the Note Trustee that the Issuer has provided at least 40 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. In respect of the Proposed Amendments specified above where notice is required to be provided to Noteholders,, Noteholders should be aware that, in relation to each such Proposed Amendment, if Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification, the modification will be passed without Noteholder consent.

In respect of the Proposed Amendments specified in limbs (i), (vii) and (viii) above, where notice is required to be provided to Noteholders in relation to each such Proposed Amendment, if Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Class A Notes then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders,*

*Modification, Waiver*). See "Terms and Conditions of the Notes – Condition 12 (*Meetings of Noteholders, Modification, Waiver*)" below.

Therefore, it is possible that a modification could be made without the vote of any Noteholders (as may be the case in respect of the Proposed Modifications specified in limbs (ii) to (vi) (inclusive) above) or (in the case of the Proposed Modifications specified in limbs (i), (vii) and (viii) above) if holders holding less than 10 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding objected to it.

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

The written consent of the Interest Rate Swap Provider is required to modify any provision of the Transaction Documents or the Terms and Conditions of the Notes if such modification would affect the amount, timing or priority of payments due from the Issuer to the Interest Rate Swap Provider or from the Interest Rate Swap Provider to the Issuer or that immediately after such modification, the Interest Rate Swap Provider would be reasonably required to pay more or receive less under the Interest Rate Swap Agreement. Any failure to obtain such written consent will entitle the Interest Rate Swap Provider to terminate the Interest Rate Swap Agreement.

**Risks Relating to the Characteristics of the Notes**

***Book-Entry Interests***

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

The Class A Notes will be represented by Global Notes delivered to a common safekeeper for Clearstream, Luxembourg and Euroclear, and will not be held by the beneficial owners or their nominees. The Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Class A Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Note Trustee as Noteholders, as that term is used in the Trust Deed. 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.

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

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

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

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

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

The Class A Notes have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000. Accordingly, it is possible that the Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if definitive Notes are required to be issued, a Noteholder who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a definitive Note in respect of such holding and may need to purchase a principal amount of Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount).

If definitive Notes are issued, Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

**Counterparty Risks**

***Issuer Reliance on other Third Parties***

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Issuer and/or the Notes. In particular, but without limitation, the Interest Rate Swap Provider has agreed to provide hedging to the Issuer pursuant to the Interest Rate Swap Agreement, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Account Bank has agreed to provide the Transaction Account to the Issuer pursuant to the Bank Account Agreement, the Swap Collateral Account Bank will provide the Swap Collateral Account to the Issuer pursuant to the Swap Collateral Account Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Back-Up Servicer has agreed to provide back-up services pursuant to the Back-Up Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, the Back-Up Cash Manager Facilitator has agreed to assist in appointing a replacement cash manager pursuant to the Cash Management Agreement, the Back-Up Servicer Facilitator has agreed to assist in appointing a replacement back-up servicer pursuant to the Servicing Agreement and the Paying Agents, the Class Z VFN

Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement.

In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed or if such parties resign without sufficiently experienced substitutes or any substitutes being appointed in their place promptly thereafter, collections on the Portfolio and/or payments to Noteholders may be disrupted and Noteholders may be adversely affected. In particular:

(a) any failure or delay in the delivery of a Servicer Report to the Cash Manager could affect the payment of interest and principal on the Notes (as to which see Condition 5.8 (*Determinations and Reconciliation*)) and Noteholders acquiring or disposing of an interest in the Notes following such delay or failure may be adversely affected by any subsequent reconciliations made under Condition 5.8 (*Determinations and Reconciliation*) in respect of payments of principal and interest made in the Notes on the basis of estimations made in the absence of a Servicer Report;

(b) any failure or delay in the appointment of a replacement back-up servicer may adversely affect the receipt of collections on the underlying Loans and their Related Security, which would adversely affect payments on the Notes; and

(c) while the Back-Up Servicer is in place, there is no assurance that it will be able to commence its relevant obligations in a timely manner (in particular if there is a default of the Servicer shortly after the Closing Date and the Back-Up Servicer has not had sufficient time to undertake in full its review of the requirements).

The Interest Rate Swap Provider has agreed to provide hedging to the Issuer and investors should be aware that, further to EMIR, the Issuer is subject to certain regulatory requirements including, but not limited to, reporting transactions to a trade repository or ESMA and various compliance requirements for non-cleared OTC derivative transactions (known as the "risk mitigation techniques") which may result in future amendments by the Issuer to the Transaction Documents (see *Terms and Conditions of the Notes – Modifications and Waiver* and the risk factor entitled "*Meetings of Noteholders, Modification and Waivers*"), in particular where Noteholder consent will not be required for such amendments. The "risk mitigation techniques" include requirements for timely confirmation, portfolio reconciliation, and dispute resolution. As at the Closing Date, the Cash Manager will agree to provide services to the Issuer which are required in order for the Issuer to comply with its obligations under EMIR (as amended or replaced), to the extent that they may be delegated. In addition, such regulatory requirements may give rise to additional costs and expenses for the Issuer which would be payable prior to making payments on the Notes and, to the extent not adhered to, result in the Issuer being in breach of such regulatory requirements. 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 (including as a result of insolvency of such parties), payments on the Notes may be adversely affected. Certain portfolio reconciliation and dispute resolution services will continue to be provided by Aldermore to the Issuer notwithstanding the termination of the appointment of Aldermore as Cash Manager or the replacement of Aldermore as Cash Manager. See the section entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" for further information.

***The Servicer***

Aldermore has been appointed by the Issuer as the Servicer to service the Loans. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of a Note Acceleration Notice and with the prior written consent of the Security Trustee) the Issuer or (after delivery of a Note Acceleration Notice) the Security Trustee will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Back-Up Servicer will be required by notice to act as servicer within 60 calendar days of receipt of such notice of termination, as set out in the Back-Up Servicing Agreement, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date.

There can be no assurance that the Back-Up Servicer will be able to perform its obligation under the Back-Up Servicing Agreement, in which case there can be no assurance that a replacement servicer with sufficient experience of servicing loans would be found who would be willing and able to service the Loans on the terms, or substantially similar terms, of the Servicing Agreement, although such risk is mitigated by the terms of the Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, shall assist the Issuer in appointing a replacement Servicer and/or replacement Back-Up Servicer. Further, it may be that the terms on which a replacement servicer may be appointed are substantially different from those set out in the Servicing Agreement and the terms may be such that the Noteholders are adversely affected. In addition, as described below, any replacement servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the "**FSMA**") in order to service the Loans. The ability of a replacement servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

You should note that the Servicer has no obligation itself to advance payments to the Issuer that Borrowers fail to make under a Loan.

***Certain material interests***

The Arrangers and the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Aldermore. BofA Merrill Lynch is acting as an Arranger and a Joint Lead Manager, Lloyds Bank Corporate Markets plc is acting as an Arranger and a Joint Lead Manager, BNP Paribas is acting as a Joint Lead Manager and the Interest Rate Swap Provider, Barclays Bank PLC is acting as the Collection Account Bank, Citibank N.A., London Branch is acting as the Account Bank, the Swap Collateral Account Bank, the Paying Agent, the Agent Bank, the Common Safekeeper, and the Common Service Provider and Maples Fiduciary Services (UK) Limited will act as the Back-Up Servicer Facilitator, the Back-Up Cash Manager Facilitator and the Corporate Services Provider. Other parties to the transaction may also perform multiple roles, including Aldermore, who will act as (among other roles) the Servicer, the Cash Manager.

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

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

(a) from time to time being a Noteholder or having other interests with respect to the Notes;

(b) receiving (and not having to account to any person for) fees, brokerage and commission or other benefits in respect of the Notes;

(c) purchasing and reselling some or all of the Notes in individually negotiated transactions with varying terms;

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

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

(f) carrying out roles in other transactions for third parties. Delinquencies or Default by Borrowers in paying amounts due on their Loans

Borrowers may default on their obligations under the Loans in the Portfolio. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate

risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Although interest rates are currently at a historical low, this may change in the future and an increase in interest rates may adversely affect Borrowers' ability to pay interest or repay principal on their Loans. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Loans. In addition, the ability of a Borrower to sell a property given as security for a Loan at a price sufficient to repay the amounts outstanding under that Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

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

***Change of Counterparties***

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

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

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

**Risks Relating to the Underlying Assets**

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

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 Aldermore Managed Rate (**"AMR"**), in the Seller's mortgage terms, the reversionary rate for Borrowers reaching the end of their fixed 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 which could have an adverse effect on the Issuer's ability to make payments under the Notes.

***Decline in house prices may adversely affect the performance and market value of the Notes***

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. The strength and performance of the United Kingdom economy typically has a correlated effect on the housing market. The earliest date of origination of the Loans and their Related Security comprised in the Provisional Pool Date Portfolio is 8 June 2010 and since then the performance of both the United Kingdom economy and the residential property market has seen relatively modest growth. Nevertheless, a fall in property prices resulting from a further deterioration in the housing market could result in losses being incurred by lenders where the net recovery proceeds of a sale are insufficient to redeem the outstanding loan. If the value of the Related Security backing the Loans is reduced this may ultimately result in losses to Noteholders if the Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

Should residential property values decline, 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.

***Characteristics of the Portfolio***

The information in the section headed "Characteristics of the Portfolio" has been extracted from the systems of the Seller as at the Provisional Pool Date. The Portfolio will be randomly selected from the Provisional Pool Date Portfolio. The Provisional Pool Date Portfolio comprises 2,708 Loans with an aggregate Current Balance of £386,198,070.90. 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. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Provisional Pool Date Portfolio and the Portfolio, or the characteristics of the Provisional Pool Date Portfolio between the Provisional Pool Date and the Closing Date.

***Geographic Concentration Risks***

Loans in the Portfolio may also be subject to geographic concentration risks within certain regions of England and Wales. To the extent that specific geographic regions in England and Wales have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in England and Wales, 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 in England and Wales rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. Any natural

disasters in a particular region may reduce the value of affected Properties. This may result in a loss being incurred upon sale of the Property.

These circumstances could 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 Provisional Pool Date, see "*Characteristics of the Portfolio — Geographical Distribution*".

***Insurance Policies***

Although it is a requirement of the Mortgage Conditions that a Borrower insures the relevant Property on and from the date the Mortgage is granted to the Seller, the Seller does not on an ongoing basis verify if buildings insurance has been taken out by a Borrower. As such, the Seller cannot be certain that a Borrower has taken out or maintained buildings insurance or that any such cover would be sufficient to cover any loss and/or that the Seller's interest has been advised to the relevant insurer.

For more information on the policies of the Seller in relation to buildings insurance and Properties where the Seller is aware that adequate insurance is not in place, please see "*The Loans —Insurance Policies*" below.

Mortgage indemnity guarantee ("**MIG**") insurance was obtained by the Seller (at its own cost) in respect of each Loan with an original loan-to-value ("**LTV**") ratio of 80.01 per cent. or higher (a "**High LTV Loan**") upon origination. The Seller shall be required to repurchase each High LTV Loan for which MIG insurance was not obtained upon origination, and its Related Security, in accordance with the repurchase provisions in the Mortgage Sale Agreement.

MIG insurance is intended to provide only limited cover in the event of losses being incurred in respect of a mortgage loan covered under the policy in excess of the relevant LTV ratio following repossession and sale of a mortgaged property from a borrower, and is further limited in that such insurance is subject to certain exclusions. The MIG policy will not cover all losses suffered in relation to the Loans which continue to have MIG coverage and each such Loan is only covered for a seven year period following inception of the insurance of the Loan or Additional Borrowing. No assurance can be made that the MIG policy will have the effect of protecting the Noteholders from all risk of loss in respect of such Loans.

The Seller will assign its rights under the Mortgage Indemnity Guarantee Policy to the Issuer to the extent that it relates to any Loan from time to time comprised in the Portfolio. Quarterly audits of loans originated in that quarter carried out by the insurer are certified as insured, if such audit is satisfactory. Certification notes have been issued for all audits undertaken.

No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable insurance contracts. This could adversely affect the Issuer's ability to redeem the Notes.

**Searches, Investigations and Warranties in Relation to the Loans**

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security sold to the Issuer on the Closing Date and will give similar warranties to each of the Issuer and the Security Trustee regarding any Additional Borrowings or Product Transfers, at the last day of the Monthly Period in which such Additional Borrowing or Product Transfer occurs (see "*Summary of Key Transaction Documents — Mortgage Sale Agreement*" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arrangers, 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 warranties given in the Mortgage Sale Agreement by the Seller. 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 or on the last day of the Monthly Period in which the Additional Borrowing or Product Transfer (as applicable) was made, which breach is not remedied within 30 days after receiving written notice of such breach, is that the Seller shall be required to repurchase the relevant Loan and its Related

Security in accordance with the repurchase provisions in the Mortgage Sale Agreement. It should also be noted that any warranties made by the Seller in relation to Additional Borrowings and/or Product Transfers may be amended from time to time and differ from the warranties made by the Seller at the Closing Date without the consent of the Noteholders, provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee may, but is not obliged to, have regard to any confirmation from the Rating Agencies that certain actions proposed to be taken by the Issuer and the Security Trustee will not have an adverse effect on the then current rating of the Notes (a "**Ratings Confirmation**") (and, for the avoidance of doubt, the Rating Agencies will not be required to provide such confirmation)). Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes. Where the Seller is required to repurchase because a Loan Warranty is not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

***Interest-only Loans***

Each Loan in the Portfolio may be repayable either on a capital repayment basis or an interest-only basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Seller requires that the Borrower has a credible repayment strategy such as an investment policy in place to ensure that funds will be available to repay the capital at the end of the term. The Seller requires a declaration from the Borrower confirming the repayment strategy but does not take security over the repayment vehicle. Where the repayment vehicle is the sale of the Property the Seller also requires that the Borrower has a minimum amount of equity in the relevant Property at the end of the term of the Loan (£175,000 or £300,000 for Properties located in London and the South East) and the maximum LTV is 75%. This practice was implemented in November 2013. Prior to November 2013, no declaration was required from the Borrower although proof of the repayment vehicle was still required, the maximum LTV was 80% and where the repayment vehicle was the sale of the Property there was no separate minimum level of equity for London and the South East.

In compliance with rules which came into effect on 26 April 2014, Borrowers are reminded five years prior to the end of the term of their Mortgage that their repayment vehicle will be required to repay the mortgage at end of its term and all new applications (for both new loans and Additional Borrowings) will be assessed for affordability purposes as if such Loan was a Repayment Loan. On-going communications are maintained with Borrowers over the remainder of the period with the frequency, message and approach dependent on the level of Borrower engagement.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an Interest-only Loan (as defined in "*The Loans — Repayment Terms*" below) at maturity without resorting to the sale of the underlying property depends on such Borrower's ability to ensure that sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. In recent times, mortgage lenders have maintained stricter conditions to the advancing of interest-only (and other) mortgage loans. 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.

As a result of recent government focus, borrowers with interest-only mortgage loans have been encouraged to switch to a repayment loan, whereby the principal of the loan is repaid over its term. Should a Borrower elect, subject to the consent of the Seller and the Servicer, to amend the terms of its Loan from an Interest-only Loan to a Repayment Loan, the relevant

Loan would remain with the Issuer as part of the Portfolio, which may result in the Issuer and Noteholders receiving redemption payments on the relevant Loan and the relevant Notes respectively, earlier than would otherwise be the case. See further "*Risk Factors – Considerations Relating to Yield, Prepayments, Mandatory Redemption and Optional Redemption*" above.

***Additional Borrowing and Product Transfers***

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, an Additional Borrowing or a Product Transfer from time to time. Any Loan which has been the subject of an Additional Borrowing or a Product Transfer following an application by the Borrower will remain in the Portfolio. If the Issuer subsequently determines that any Additional Borrowing or Product Transfer does not satisfy the Asset Conditions, as at the last day of the Monthly Period in which the relevant Additional Borrowing or Product Transfer was made (and as determined on the relevant Monthly Test Date), and such default is not remedied in accordance with the Mortgage Sale Agreement, the Seller will be required to repurchase the relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Until a planned change to the systems of the Seller occurs (currently planned to occur during 2020) an Additional Borrowing in relation to a Loan will result in such Loan being redeemed and a new Loan being created. As such, until the system modification takes effect, Loans which are subject to an Additional Borrowing will breach Loan Warranty (f) and the Seller will be required to repurchase such Loans. See further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by the Seller*".

It should be noted that any Loan Warranty made by the Seller in relation to an Additional Borrowing and/or Product Transfer may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has given its prior consent to such amendment (and for such purpose, the Security Trustee may, but is not obliged to, have regard to any Ratings Confirmation in respect of those amendments). Where the Seller is required to repurchase because a Loan Warranty is not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

The number of Additional Borrowing and Product Transfer requests received by the Seller and/or the Servicer will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes.

Further, there may be circumstances in which a Borrower might seek to argue that any Loan, Additional Borrowing or Product Transfer is wholly or partly unenforceable by virtue of non-compliance with the FSMA or the CCA as further discussed below.

If this were to occur, then this could adversely affect the Issuer's ability to make payments due on the Notes or to redeem the Notes.

***Help to Buy Scheme not applicable to Loans in the Portfolio***

In March 2013, the UK Government announced the "Help to Buy" Scheme involving two separate proposals to assist home buyers. The first involves a shared equity loan made available by the UK Government to Borrowers for the purchase of new homes. The shared equity loans were available from 1 April 2013. No shared equity loans are included in the Portfolio. The second involves a guarantee provided by the UK Government for loans made to borrowers allowing up to a 95 per cent. loan to value ratio. The guarantee loans were available from 1 October 2013 (each of the loans under this scheme, a "**Help to Buy Loan**"). The Loans in the Portfolio do not benefit from any guarantee provided under the Help to Buy Scheme and the Portfolio does not contain any guarantee loans.

***Mortgage repossessions***

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008, which sets out the steps that judges will expect any lender to take before starting a claim. The Seller follows this protocol and the current policy of the Seller is not to start repossession proceedings until a Borrower is at least three months in arrears. The application of such moratorium may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc.) Act 2010 (the "**Repossession Act**") came into force on 1 October 2010. This Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

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

**Legal Risks**

***Change of Law***

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Class A Notes are based on the law and administrative practice in effect as at the date of this Prospectus, 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), administrative 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.

***Seller to Initially Retain Legal Title to the Loans and Risks Relating to Set-off***

The sale by the Seller to the Issuer of the Loans and their Related Security (until legal title is conveyed) takes effect in equity only. This means that legal title to the Loans in the Portfolio and their Related Security will remain with the Seller until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*Summary of the Key Transaction Documents — Mortgage Sale Agreement*" below). Until such time, the assignment by the Seller to the Issuer of the Loans and their Related Security takes effect in equity only. The Issuer has not and will not apply to the Land Registry to register or record its equitable interest in the Loans and their Related Security.

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

Further, prior to the insolvency of the Seller, unless notice of the assignment was given to a Borrower who is a creditor of the Seller in the context of the Loans and their Related Security, equitable or independent set-off rights may accrue in favour of the Borrower against his or her

obligation to make payments to the Seller under the relevant Loan. These rights may 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, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given.

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

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

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

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 relevant Loans and their Related Security.

Banks, insurance companies and other financial institutions in the UK are subject to the Financial Services Compensation Scheme (the "**FSCS**") which gives customers protection where an authorised firm is unable or is likely to be unable to meet claims against it because of its financial circumstances. Most deposits made by Borrowers with the Seller will be covered by the FSCS – however, in the event the Seller is unable to meet a claim from a Borrower, it should be noted that the FSCS only gives the Borrower protection up to the FSCS limit (as at the date of this Prospectus being £85,000) and as such, set-off rights of such Borrower, despite the giving of notice to the Borrowers of the assignment of the Loans and their Related Security to the Issuer, may apply. In order to mitigate this risk, the Seller will be required pursuant to the terms of the Mortgage Sale Agreement to report any loan that is a High Deposit Loan (being a Loan in respect of which the relevant Borrower has a deposit account with the Seller for an amount in excess of £85,000 (or such other amount as set by the FSCS from time to time) before notice of the transfer of legal ownership of that Borrower's Loan to the Issuer is given) and will be required to repurchase any such High Deposit Loans on or prior to the Monthly Pool Date falling at least 30 days following receipt by the Seller of a Loan Repurchase Notice.

***Securitisation Regulation Risk Factor***

The Securitisation Regulation applies in respect of the Notes. Amongst other things, the Securitisation Regulation includes provisions intended to implement the revised securitisation framework developed by BCBS (with adjustments) and provisions intended to harmonise and replace the risk retention, transparency and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain European Union regulated investors.

The Seller has given an undertaking in the Transaction Documents in relation to its risk retention obligation under Article 6 of the Securitisation Regulation, and the Issuer, the Cash Manager and the Seller have given certain other undertakings in the Transaction Documents (for example, in relation to disclosure of information) which may be of relevance to the Seller’s compliance with the Securitisation Regulation.

In addition, in order to enable the Issuer to comply with any obligation which applies to it under the Securitisation Regulation or any other regulatory technical standards authorised under the Securitisation Regulation or to enable the Notes to comply with the requirements of the Securitisation Regulation, amendments may be made to the Transaction Documents or the Conditions without the consent of the Noteholders and without the consent of any Secured Creditors (other than those Secured Creditors who are party to the relevant Transaction Document(s)) provided that the Issuer certifies to the Note Trustee or, as the case may be, the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect, as described below under Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

*Securitisation Regulation – transparency*

Aldermore (as originator) is the designated entity under Article 7(2) of the Securitisation Regulation responsible for providing the information set out in Article 7(1)(a)-(g), and has given undertakings in the Transaction Documents that it will either fulfil such requirements itself or shall procure that such requirements are complied with on its behalf.

The Securitisation Regulation (and, in particular, Article 7 of the Securitisation Regulation) imposes certain enhanced disclosure requirements on securitisation special purpose entities, originators and sponsors of all securitisation transactions under which any securities are issued after 1 January 2019. Such requirements include the disclosure, on a periodic basis, of information in relation to (amongst other things) the underlying exposures. Article 7 of the Securitisation Regulation provides for regulatory technical standards and implementing technical standards (together, the "**Technical Standards**") which specify the information which must be provided in order to comply with certain of these periodic disclosure requirements and the standardised templates on which such information must be provided.

As of the Closing Date, the relevant regulatory technical standards, including the standardised templates to be developed by ESMA to fulfil these requirements (the "**ESMA Disclosure Templates**") have not yet been adopted. As a result, the Securitisation Regulation transitional provisions will apply, which require that the disclosure templates prescribed under the Delegated Regulation (EU) No 2015/3 (the "**CRA3**") are to be used until the new regulatory technical standards have been published and the ESMA Disclosure Templates begin to apply. In a statement issued on 30 November 2018, the Joint Committee of the European Supervisory Authorities noted the operational difficulties of compliance with the Securitisation Regulation disclosure obligations using the CRA3 templates for some entities and indicated that national competent authorities should generally apply their supervisory powers in their day-to-day supervision and enforcement of applicable legislation in a proportionate and risk-based manner.

Furthermore, on 27 May 2019 ESMA published an updated "Questions and Answers on the Securitisation Regulation" which provides some further guidance in relation to reporting obligations under Article 7 of the Securitisation Regulation. Notwithstanding this publication, there is still uncertainty around reporting obligations.

*Securitisation Regulation – risk retention*

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 European Union originators, sponsors or original lenders.

*Securitisation Regulation – due diligence*

In relation to due diligence requirements, the Securitisation Regulation requires that, prior to holding a securitisation position, European Union 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 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 on-going requirements of Article 5 in relation to an investment in the Notes. None of the Issuer, Aldermore, the Arrangers or the Joint Lead Managers provides 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. The Seller has confirmed it will comply with Article 7 of the Securitisation Regulation (as to which, see the section of this Prospectus headed "*Regulatory Requirements*"). Investors should note that the requirements of Article 5 apply in addition to any other applicable regulatory requirements applying to such investor in relation to an investment in the Notes.

***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**"). 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 a STS Notification to ESMA confirming the compliance of the relevant transaction with the STS Criteria. The Seller believes, to the best of its knowledge, that the elements of the STS Criteria have, at the date of this Prospectus, been complied with in relation to the Notes, and it is intended that a STS Notification will be filed in relation to the Notes within 15 Business Days following the Closing Date. However, none of the Issuer, the Seller (in its capacity as the Seller and the Servicer), the Arrangers, the Joint Lead Managers, the Interest Rate Swap Provider, the Note Trustee or the Security Trustee gives any explicit or implied representation or warranty as to (i) inclusion in the list administered by ESMA within the meaning of Article 27 of the Securitisation Regulation, (ii) that the securitisation transaction described in this Prospectus does or continues to comply with the Securitisation Regulation or (iii) that this securitisation transaction does or continues to be recognised or designated as 'STS' or 'simple, transparent and standardised' within the meaning of Article 18 of the Securitisation Regulation after the date of this Prospectus. Following the withdrawal of the UK from the European Union, 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, the Notes may no longer satisfy such requirements under European Union law and/or UK law, as applicable. The 'STS' status of the Notes may change and prospective investors should verify the current status of the Notes on ESMA's website. Investors should also note that, to the extent the Notes are designated a STS Securitisation the designation of a transaction as a STS Securitisation is not an assessment by any party as to the creditworthiness of that transaction but is instead a reflection that the specific requirements of the Securitisation Regulation have been met as regards compliance with the STS Criteria.

Technical guidance in relation to certain elements of compliance with the simple, transparent and standardised securitisation regime are yet to be finalised. The timing for finalisation of these pieces of guidance by the relevant authorities remains unclear. As such, there is a degree of uncertainty around the manner in which compliance with certain elements of the new regulations will be achieved.

None of the Arrangers, the Joint Lead Managers, the Interest Rate Swap Provider, the Note Trustee or the Security Trustee has or shall have any liability to any prospective investor or any other person for any insufficiency of such information or any non-compliance by any such person with the due diligence and retention rules set out in Article 5 (Due-diligence requirements for institutional investors) and Article 6 (Risk retention) of the Securitisation Regulation or any other applicable legal, regulatory or other requirements, or has any obligation to provide any further information or take any other steps that may be required by any institutional investor to enable compliance by such person with the requirements of any due diligence and investor requirement or any other applicable legal, regulatory or other requirements.

Investors should consider the consequence from a regulatory perspective of the Notes not being considered a STS Securitisation, including (but not limited to) that the lack of such designation may negatively affect the regulatory position of the Notes and, in addition, may have a negative effect on the price and liquidity of the Notes in the secondary market. Furthermore, non-compliance with the STS Criteria could result in various administrative sanctions and/or remedial measures being imposed on the Issuer or the Seller which may be payable or reimbursable by the Issuer or the Seller. The Issuer does not have any funds to meet these obligations other than the sources of funds described in "*Limited source of funds*" above.

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. The STS Assessments 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 Article 13 of the LCR Regulation, and the STS Assessments cannot be relied on to determine compliance with the foregoing regulations in the absence of such assessments by the relevant entities. Furthermore, the STS Assessments are 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 the STS Assessments, the STS Notification or other disclosed information.

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

***CRA Regulation***

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

The CRA Regulation was amended by European Regulation 462/2013 of 21 May 2013 (known as "**CRA III**") on 20 June 2013. CRA III's provisions increase the regulation and supervision of credit rating agencies by ESMA but also impose new obligations on issuers of securities which have an EU element. Under Article 8b of the CRA Regulation, the issuer, originator and sponsor of structured finance instruments ("**SFI**") established in the European Union (a definition which the Notes fulfil) must jointly publish certain information about those SFI on a specified website set up by ESMA. This includes information on: the credit quality and performance of the underlying assets of the SFI; the structure of the securitisation transaction; the cashflows and any collateral supporting a securitisation exposure; and any information that is necessary to conduct comprehensive and wellinformed stress tests on the cashflows and collateral values supporting the underlying exposures. On 30 September 2014, the European Commission adopted a delegated regulation containing regulatory technical standards which set out in detail the information on SFI which must be published and rules on the presentation and updating of such information. The regulation applied from 1 January 2017. ESMA has not yet launched the website on which information about SFI must be published or published certain technical reporting instructions concerning, amongst other

things, the transmission of the relevant information to ESMA. Therefore, there remains some uncertainty surrounding the precise nature of the Issuer's and originator's obligations under the revised CRA Regulation and how the submission of information will work in practice.

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

Section 941 of the Dodd-Frank Act amended the Securities Exchange Act of 1934 to generally require the "securitizer" of a "securitization 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 came into effect on 24 December 2016 with respect to all classes of asset-backed securitizations. The U.S. Risk Retention Rules provide that the securitizer of an asset backed securitization 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 non-U.S. transactions. Such non-U.S. transactions must meet certain requirements, including that (1) the transaction is not required to be and is not registered under the Securities Act; (2) no more than 10 per cent. of the dollar value (or equivalent amount in the currency in which the "ABS interests" (as defined in Section 2 of the U.S. Risk Retention Rules) are issued) of all classes of ABS interests issued in the securitization 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 securitization 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, being a company incorporated in England.

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 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 clauses (b) and (h)(i), 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;[1]

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

[1] The comparable provision from Regulation S is "(ii) any partnership or corporation organised or incorporated under the laws of the United States".

(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;[2]

Each holder of a Note or a beneficial interest therein acquired on the Closing 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 and the Joint Lead Managers 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 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.

There can be no assurance that the exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. No assurance can be given as to whether 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 securitization 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 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 Closing 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.

***European Union regulatory framework and legal regime relating to derivatives: the European Market Infrastructure Regulation EU 648/2012, the Markets in Financial***

[2] The comparable provision from Regulation S is "(vii)(B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organised or incorporated, and owned, by accredited investors (as defined in 17 CFR 230.501(a)) who are not natural persons, estates or trusts".

***Instruments Directive 2014/65/EU and the Markets in Financial Instruments Regulation (EU) No 600/2014***

Regulation (EU) 648/2012, commonly known as the European Market Infrastructure Regulation ("**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 by a central counterparty (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 Interest Rate 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 Interest Rate 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.

If the classification of the Issuer changes and the Interest Rate Swap Agreement is regarded to be in-scope, then the Interest Rate 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 Interest Rate 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.

It should also be noted that changes are made to the EMIR framework following the publication of Regulation (EU) 2019/384 which amends EMIR and is in force with effect 17 June 2019, including in respect of counterparty classification. Such changes will not impact the Issuer's classification as an NFC-.

In addition, further changes have been proposed to the EMIR regime in relation to the supervision of European Union and third-country CCPs. The Council of the European Union announced on 13 March 2019 that provisional agreement had been reached on a proposed regulation amending EMIR, known as EMIR 2.2. The European Parliament adopted a legislative resolution at first reading on this proposed regulation on 18 April 2019. Once the Council of the European Union adopts the proposed legislation, it will enter into force twenty days after its publication. Under the proposals, third-country CCPs seeking recognition by ESMA would be divided into two tiers, depending on their systemic importance. Third-country CCPs recognised as being systemically important (including UK CCPs which are of systemic importance in the European Union, if the UK leaves the European Union without transitional arrangements under a withdrawal agreement) could be denied recognition by ESMA and

would need to relocate to the European Union and be authorised in order to continue to provide services in the European Union. EMIR 2.2 will need to be adopted by the European Council before it can enter into force. The changes introduced by EMIR 2.2 could impact the Issuer, should its counterparty status change such that it is required to clear through an authorised or recognised CCP.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the MiFID II Directive and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 (**"MiFIR"**), together with delegated acts and technical standards which set out further detail of the requirements under MiFID II / MiFIR. Amongst other requirements, MiFIR requires certain standardised derivatives to be traded on exchanges and other electronic trading platforms (the **"Trading Obligation"**). Certain interest rate and credit derivatives transactions have been subject to the Trading Obligation from 3 January 2018, and further regulatory technical standards will be developed to determine which other derivatives transactions will be subject to the Trading Obligation. The types of counterparties subject to the Trading Obligation is defined by cross-reference to the definition of financial and non-financial counterparties under EMIR.

Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II/MiFIR may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer's ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware that such risks are material and that the Issuer could be materially and adversely affected thereby. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR and MIFID II/MiFIR, and any technical standards made thereunder, in making any investment decision in respect of the Notes.

It should also be noted that the Securitisation Regulation, among other things, makes provisions for the development of technical standards in connection with the EMIR regime specifying (i) an exemption from clearing obligations and (ii) a partial exemption from the collateral exchange obligations for non-cleared OTC derivatives, in each case for “simple, transparent and standardised” ("**STS**") securitisation swaps (subject to the satisfaction of the relevant conditions). The final draft technical standards have been prepared by the European Supervisory Authorities and submitted to the European Commission in December 2018 and these are now subject to the European Union political negotiation process. As a result, the time of entry into force and the date of application of the new technical standards is unknown at this point.

As noted in summary section “Simple, Transparent and Standardised Securitisation”, Aldermore will make the STS Notification. However, until the final new technical standards referred to above are in force, no assurance can be given that the Interest Rate Swap Agreement 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 regime of the Issuer change from NFC- to NFC+ or FC and, if applicable, should the Interest Rate Swap Agreement be regarded as a type that is subject to the EMIR clearing requirement.

The Issuer will be required to continually comply with EMIR while it is party to any interest rate swaps, including any additional provisions or technical standards which may come into force after the Closing Date, and this may necessitate amendments to the Transaction Documents. Subject to receipt by the Note Trustee of a certificate from (i) the Issuer signed by two directors or (ii) the Servicer on behalf of the Issuer, in each case, certifying to the Note Trustee and the Security Trustee that the amendments requested by the Issuer are to be

made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR, the Note 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 and/or the 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 Terms and Conditions of the Notes require this to be done irrespective of whether such modifications are (i) materially prejudicial to the interests of the Noteholders of any Class of Notes or any other Secured Creditor or (ii) in respect of a Basic Terms Modification. Neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification if it would have the effect of exposing the Note Trustee and/or the Security 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 Note Trustee and/or the Security Trustee in the Transaction Documents and/or the Terms and Conditions of the Notes.

In respect of any modifications to any of the Transaction Documents in order for the Issuer to comply with any requirements which apply to it under EMIR, those modifications which would have the effect (i) of altering the amount, timing or priority of any payments due from the Issuer to the Interest Rate Swap Provider; or (ii) that immediately after such modification, the Interest Rate Swap Provider would be reasonably required to pay more or receive less under the Interest Rate Swap Agreement the prior written consent of the Interest Rate Swap Provider is required prior to such amendments being made.

Prospective investors should be aware that the regulatory changes arising from EMIR may significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer's ability to engage in transactions in OTC derivatives and 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. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR, and any technical standards made thereunder, in making any investment decision in respect of the Notes.

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

The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 1 April 2014, but was subject to a conformance period for certain funds which concluded on 21 July 2015. Under the Volcker Rule, unless otherwise jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the Investment Company Act. The Issuer is of the view that it is not now, and immediately after giving effect to the offering and sale of the Notes and the application of the proceeds thereof on the Closing Date will not be, a "covered fund" for the purposes of 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)(C) thereunder and, accordingly, may rely on the exemption from the definition of a "covered fund" under the Volcker Rule made available to certain issuers that do not rely solely on Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act for their exemption from registration under the Investment Company Act. The general effects of the Volcker Rule remain uncertain. 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 advisers regarding such matters and other effects of the Volcker Rule.

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

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

In particular, the ability to realise the security granted by the Issuer may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the Issuer. In this regard, it should be noted that:

(a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital market. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and

(b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify these exceptions.

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

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

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

Pursuant to the terms of the Deed of Charge, the Issuer has purported to grant fixed charges in favour of the Security Trustee over, amongst other things, its interests in the Mortgages and their respective Related Security, the Issuer's interest in its bank accounts maintained with the Account Bank and the Issuer's interest in all Authorised Investments purchased from time to time.

The law in England and Wales relating to the characterisation of fixed charges is unsettled. There is a risk that a court could determine that the fixed charges purported to be granted by

the Issuer take effect under English law as floating charges only, if, for example, it is determined that the Security Trustee does not exert sufficient control over the charged property for the security to be said to constitute fixed charges. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Security Trustee in respect of the floating charge assets. Monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities were a receiver, liquidator or administrator to be appointed in respect of the relevant company in whose name the account is held.

***Liquidation expenses***

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency (England and Wales) Rules 2016 (as amended).

As a result of the changes described above, upon the enforcement of the floating charge security granted by the Issuer, floating charge realisations which would otherwise be available to satisfy the claims of the Secured Creditors under the Deed of Charge may be reduced by at least a significant proportion of any liquidation or administration expenses. There can be no assurance that the Noteholders will not be adversely affected by such a reduction in floating charge realisations.

***Insolvency proceedings and subordination provisions***

There is uncertainty as to the validity and/or enforceability of a provision which, based on contractual (such as the contractual Priority of Payments as contemplated in this transaction) and/or trust principles, subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms included in the Transaction Documents relating to the subordination of Interest Rate Swap Excluded Termination Amounts payable in respect of the Interest Rate Swap Agreement (or any replacement interest rate swap agreement).

The Supreme Court of the United Kingdom has held that a flip clause as described above is valid under English law. Contrary to this, however, the U.S. Bankruptcy Court has 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 U.S. bankruptcy of the counterparty. The implications of this conflict remain unresolved. If a creditor of the Issuer (such as the Interest Rate Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priority of Payments which refers to the ranking of a swap provider's payment rights in respect of Interest Rate Swap Excluded Termination Amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as swap counterparty, including U.S. established entities and certain non-U.S. established entities with assets or operations in the U.S. (although the scope of any such proceedings may be limited if the relevant non-U.S. entity is a bank with a licensed branch in a U.S. state).

In general, if a subordination provision included in the Transaction Documents 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 Class A Noteholders, the market value of the Class A Notes and/or the ability of the Issuer to satisfy its obligations under the Class A Notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents include terms providing for the subordination of the Interest Rate Swap Excluded Termination Amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Class A Notes. If any rating assigned to the Class A Notes is lowered, the market value of the Class A Notes may reduce.

***Risks relating to the Banking Act 2009 and the Bank Recovery and Resolution Directive 2014***

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 authorised deposit-taking institutions and investment firms, and powers to take certain resolution actions in respect of third country institutions. 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. The relevant transaction entities for these purposes include the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Cash Manager, the Servicer and the Seller (each a "**relevant entity**").

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 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 practical scope of the powers afforded to UK authorities under the Banking Act and how the UK 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 entities to satisfy their 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 (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 (in the case of the Seller) 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. As noted above, the stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the Issuer was regarded to be a banking group company and no exclusion applied, then it would be possible in certain scenarios for the relevant authority to exercise one or more relevant stabilisation tools (including the property transfer powers and/or the bail-in powers) in respect of it, which could result in reduced amounts being available to make payments in respect of the Notes and/or in the modification ,cancellation or conversion of any unsecured portion of the liability of the Issuer under the notes at the relevant time. In this regard, it should be noted that the UK authorities have provided an exclusion for certain securitisation companies, which exclusion is expected to extend to the Issuer, although aspects of the relevant provisions are not entirely clear.

This regime has also been amended to ensure that it is compliant with the EU's Bank Recovery and Resolution Directive (2014/59/EU) (**"BRRD"**). Amongst other things, BRRD provides for the introduction of a package of minimum early intervention and resolution-related tools and powers for relevant authorities (including a bail-in tool) and for special rules for cross-border groups. BRRD has been implemented in the UK via the Bank Recovery and Resolution Order 2014 (the **"BRRD Order"**). Directive (2019/879/EU) amendeding the BRRD (**"BRRD II"**) entered into force on 27 June 2019. Member states are expected to adopt and publish the measures necessary to comply with BRRD II by 28 December 2020. BRRD II implements (among other reforms) the Financial Stability Board's standards on total loss absorbing capacity. BRRD II may affect the exercise of the special resolution regime powers under the Banking Act and BRRD Order. The Financial Services (Implementation of Legislation) Bill, which received its first reading in the House of Lords in November 2018, would, subject to the detailed provisions set out in the Bill, enable HM Treasury to make corresponding or similar provisions in UK law to upcoming European Union financial services legislation in the event that the UK leaves the European Union without a deal. The Bill was due to have its report stage and third reading on 4 March 2019, but this was postponed to a date to be announced.

At present, the UK authorities have not made an instrument or order under the Banking Act in respect of the entities referred to above 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 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 Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

Lastly, as a result of Directive 2014/59/EU providing for the establishment of an EEA-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 EEA state other than the UK and/or certain group companies could be subject to certain resolution actions in that other state. Once again, any such action may affect the ability of any relevant entity to satisfy its obligation under the Transaction Documents and there can be no assurance that Noteholders will not be adversely affected as a result.

## Regulatory Risks

### *Certain Regulatory Considerations in respect of the Loans*

*Mortgage regulation under the FSMA*

In the United Kingdom, regulation of residential mortgage business under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October 2004 (the date known as the "**Regulation Effective Date**"). Residential mortgage lending under the FSMA is regulated by the Financial Conduct Authority (the "**FCA**") (and, prior to 1 April 2013, was regulated by its predecessor the Financial Services Authority (the "**FSA**")). Subject to certain exemptions, entering into a **"Regulated Mortgage Contract"** (as defined in Article 61(3)(a) of

the FSMA (Regulated Activities) Order 2001 (as amended)) as a lender, arranging Regulated Mortgage Contracts and advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are each regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the "**RAO**") requiring authorisation and permission from the FCA.

If a mortgage contract was entered into on or after the Regulation Effective Date but prior to 21 March 2016, it will be a Regulated Mortgage Contract under the RAO if: (i) the lender provides credit to an individual or to trustees; and (ii) the obligation of the borrower to repay is secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower, the beneficiary under the trust where the borrower is a trustee and the beneficiary is an individual or a related person. A "related person" is broadly the borrower's spouse or civil partner, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse.

There have been incremental changes to the definition of Regulated Mortgage Contract over time, including the removal of the requirement for the security to be first ranking and the extension of the territorial scope to cover property in the EEA rather than just the UK. If the mortgage contract was entered into on or after 21 March 2016, it will be a Regulated Mortgage Contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions such as the buy-to-let exclusion): (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be 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 who 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 a related person is broadly the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

Credit agreements which were originated before 21 March 2016, which were regulated by the Consumer Credit Act 1974 (the "**CCA**"), and that would have been Regulated Mortgage Contracts had they been entered into on or after 21 March 2016 are 'consumer credit back book mortgage contracts' (as defined in the Mortgage Credit Directive Order 2015) and are also therefore Regulated Mortgage Contracts.

On and from the Regulation Effective Date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a Regulated Mortgage Contract as lender; (b) administering a Regulated Mortgage Contract ("**administering**" in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity. If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower. The regime under the FSMA regulating financial promotions covers 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 an originator) 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.

The Servicer holds authorisation and permission to enter into and to administer Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not, and does not propose to be, an authorised person under the FSMA. Under article 62 of the RAO, the Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to a servicing agreement by an entity having the required authorisation and permission under the FSMA to perform that administration. If such a servicing agreement terminates, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement servicer having the required FSMA authorisation and permission to do so.

The Issuer will only hold beneficial title to the Loans and their Related Security. In the event that legal title is transferred to the Issuer upon the occurrence of a Perfection Event, the Issuer will have arranged for a servicer to administer these Loans and is not expected to enter into any new Regulated Mortgage Contracts as lender under article 61(1) of the RAO. 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.

Further, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition, after the MCD Order (defined below) entered into force no variation has been or will be made to the Loans and no Additional Borrowing or Product Transfer has been or will be made in relation to a Loan, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

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

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FCA's rules for regulated mortgage activities, came into force on 31 October 2004. These rules cover, among other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. Further rules for prudential and authorisation requirements for mortgage firms, and for extending the appointed representatives regime to mortgages, came into force on 31 October 2004.

A borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of the FCA MCOB rules, and may set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such claim or set-off may adversely affect the Issuer's ability to make payments under the Notes.

*FCA Mortgage Market Review*

The FCA published final rules implementing its mortgage market review in October 2012. The majority of these new rules came into effect on 26 April 2014 through amendments to MCOB. Key changes include a requirement for lenders to undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure

mortgages remain affordable when interest rates increase. For interest-only mortgages, lenders must check that borrowers have a credible plan to repay the capital at the end of the loan (a thematic review on the fair treatment of existing interest-only mortgage customers was published on 30 January 2018). There were also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process. The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and mortgages entered into on or after 26 April 2014 must comply with these rules. These rules only apply to a Loan if (i) it is varied so as to increase the principal amount outstanding under the relevant Loan (e.g. by way of further advance) on or after 26 April 2014; and (ii) MCOB applies to the Loan generally as a regulated mortgage contract (as to which see "*Mortgage Regulation under FSMA*" above). To the extent that these rules do apply to any of the Loans, failure to comply with these rules may entitle a Borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may adversely affect the Issuer's ability to make payment on the Notes.

The FCA published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. This was in addition to regulatory reforms made as a result of the implementation of the MCD (as defined in "*Mortgage Credit Directive*" below) from 21 March 2016. On 6 December 2018, the FCA published a webpage providing the findings from a further thematic review (TR18/5) commenting on how mortgage lenders manage customers with long-term mortgage arrears and provide forbearance to affected customers. On 26 March 2019, the FCA published the final report on its mortgages market study (MS16/2.3), following thematic reviews and an interim report. On the same date, the FCA published a consultation paper proposing to change its rules to reduce regulatory barriers for consumers switching to a more affordable mortgage (CP19/14). A final policy statement is expected in the last quarter of 2019. It is possible that further changes may be made to the FCA's MCOB rules as a result of these reviews and regulatory reforms. 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 to set off the amount of the claim against the amount owing under the Loan. Any such claim or set-off may reduce the amounts available to meet the payments due in respect of the Notes.

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, may adversely affect the Loans, the Issuer, the Servicer and their respective businesses and operations.

*Other changes to mortgage regulation*

In December 2012, the Financial Services Act 2012 received royal assent. This Act contains provisions which (among other things) on 1 April 2013 replaced the FSA with the Prudential Regulation Authority ("**PRA**"), which is responsible for the regulation and prudential supervision of UK banks, insurance undertakings and specified large investment firms, and the FCA, which is responsible for conduct of business supervision of such entities and the regulation and supervision (including prudential supervision) of all other authorised financial entities. This Act also contains provisions enabling the transfer of regulatory authority (including consumer credit regulation) from the Office of Fair Trading (the "**OFT**") to the FCA. The relevant secondary legislation was enacted in July 2013 and February 2014 and the transfer was effected on 1 April 2014.

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. It also provides for formalised cooperation to exist between the FCA and the Financial Ombudsman Service ("**FOS**"), particularly where issues identified potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress

schemes. The FCA is normally obliged to consult the public and prepare a cost-benefit analysis before making any rules but there is an exemption to this requirement, which allows the FCA to make temporary product intervention rules (**"TPIRs"**) without consultation, if it considers that it is necessary or expedient to do so. TPIRs are intended to offer protection to consumers in the short term whilst either the FCA or the industry develop more permanent solutions and, in any event, are limited to a maximum duration of 12 months. In relation to agreements entered into in breach of a product intervention rule (including a TPIR), the FCA's rules may provide (i) for the relevant agreement or obligation to be unenforceable; (ii) for the recovery of any money or other property paid or transferred under the agreement; or (iii) for the payment of compensation for any loss sustained under the relevant agreement or obligation. Were such measures to apply to the Loans, this could adversely affect the Issuer's ability to make payments on the Notes.

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

The European Supervisory Authorities (such as ESMA and the European Banking Authority (**"EBA"**) (**"ESAs"**) and national competent authorities (such as the FCA) are empowered to impose product intervention measures under EU legislation. As a result of the implementation of MiFID II/MiFIR (defined below) on 3 January 2018, ESMA and EBA may, subject to certain limitations, temporarily prohibit or restrict in the EU (i) the marketing, distribution or sale of certain financial instruments with certain specified features; or (ii) a type of financial activity or practice. Action adopted by the ESAs would prevail over any previous action taken by the FCA.

Were such actions to apply to the Loans, this could adversely effect the Issuer's ability to make payments on the Notes.

*Unfair relationships*

An "unfair relationship" test (replacing the "extortionate credit" regime under the CCA) applies to all existing and new credit agreements except Regulated Mortgage Contracts under the FSMA and also applies to (as described above) "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the relevant originator, or any assignee such as the Issuer, to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wide range of circumstances surrounding the transaction, including the conduct of the creditor or anyone acting on behalf of the creditor before and after making the agreement or in relation to any related agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict when a court would find a relationship "unfair". 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 Consumer Credit Act 2006 for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle and by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

Plevin v Paragon [2014] UKSC 61, a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) 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.

In March 2017, the FCA published final rules and guidance with respect to payment protection insurance complaints in light of Plevin. The rules do not apply to borrowers with Regulated Mortgage Contracts. The FCA rules came into force on 29 August 2017 and required that firms that sold PPI to write to previously-rejected mis-selling complainants, who are eligible to complain again in light of Plevin, in order to explain this to them by 29 November 2017. The FCA rules state that if the anticipated profit share and commission or the likely range of profit share and commission on a PPI Contract were not disclosed to the borrower before the PPI Contract was entered into, the firm should consider whether it can satisfy itself on reasonable grounds that an unfair relationship did not arise. A firm should make a rebuttable presumption that failure to disclose commission gave rise to an unfair relationship if the anticipated combined profit share plus the commission known or reasonably foreseeable at the time of sale was in relation to a single premium payment protection contract, more than 50% of the total amount paid in relation to the PPI Contract or in the case of a regular premium PPI Contract, at any time in the relevant period or periods more than 50% of the total amount paid in relation to the PPI Contract in respect of the relevant period or periods. The FCA cites, amongst others, an example of such presumption being rebutted by the lender not having known and not being reasonably expected to have known or foreseen the level of commission and anticipated profit share. Where the firm concludes that the non-disclosure of commission on a PPI Contract has given rise to an unfair relationship, the FCA states that the firm should remedy the unfairness by paying the complainant a sum equal to the total commission actually paid by the complainant for PPI plus an amount representing any profit share payment, minus 50% of the total amount paid by the complainant for the PPI ("**Compensation Sum**"). The firm should also pay historic interest in relation to the Compensation Sum (which is the interest the complainant paid as a result of the Compensation Sum being included in the loan) where relevant and also pay simple interest on the whole amount.

The FCA have made a new rule which sets a deadline by which consumers will need to make their PPI complaints or lose their right to have them assessed by firms or the FOS (although consumers will still be able to bring claims in court after the deadline). This rule came into force on 29 August 2017 with the deadline for complaints falling on 29 August 2019.

If a court determined that there was an unfair relationship between the Seller and the relevant borrowers in respect of the Loans and ordered that financial redress was made in respect of such Loans or if redress was due in accordance with the FCA guidance on PPI complaints, such redress 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.

*Mortgage Credit Directive*

The Mortgage Credit Directive (**"MCD"**) was published in the Official Journal of the European Union on 28 February 2014, and entered into force on 21 March 2014. The MCD had to be transposed into the national law of each member state of the European Union by 21 March 2016. The MCD aims to create an European Union-wide mortgage credit market with a high level of consumer protection and it applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state of the European Union (a "**Member State**") on residential immovable property, or secured by a right relating to residential immovable property; (b) credit agreements the purpose of which is to finance the purchase or retention of rights in land or in an existing or proposed residential building; and extends the Consumer Credit Directive (2008/48/EC) to (c) unsecured credit agreements the purpose of which is to renovate residential immovable property involving a total amount of credit above €75,000. The MCD does not apply to certain equity release credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The MCD requires (among other things): standard information in advertising; pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the

borrower to make early repayment of the credit agreement. The MCD also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

The UK Government and the FCA consulted on the transposition and implementation of the MCD. In September 2014 the UK Government published a consultation paper on the transposition of the MCD together with a draft impact assessment and draft Mortgage Credit Directive Order 2015 (the **"MCD Order"**). The draft MCD Order contained amendments to legislation including the FSMA, CCA and the RAO. The final text of the draft MCD Order, together with a draft explanatory memorandum and draft transposition table, was published on legislation.gov.uk on 28 January 2015.

On 25 March 2015, the MCD Order was passed in order to make the necessary legislative changes to implement the MCD. Whilst certain provisions of the MCD Order came into force before 21 March 2016, the MCD Order took effect for most purposes on 21 March 2016. On 27 March 2015 the FCA published its Policy Statement PS15/9, which contained the final text of the sections of its handbook that are to give effect to the MCD. This handbook material contained extensive changes to MCOB. Lenders had the option to elect to apply these new requirements from 21 September 2015 onwards, but they became mandatory from 21 March 2016. On 5 June 2015 the FCA published its Policy Statement PS15/11, which contained further amendments to its handbook in order to give effect to the MCD, including the amendment to make CBTL mortgage business subject to the FCA's dispute resolution rules and within the jurisdiction of the FOS. On 31 July 2015 the FCA published a further Policy Statement (PS15/20), which set out further amendments to its handbook to implement the MCD, including amendments to MCOB and rules in the Consumer Credit sourcebook ("**CONC**") to set out the types of agreement that are regulated by each.

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

Since the MCD was only implemented fully into UK law through the MCD Order on 21 March 2016, it remains to be seen what effect the MCD and the implementation of the directive into UK law will have on the Loans, the Seller, the Issuer and/or the Servicer and their respective businesses and operations. However, the UK's approach to implementation has been to minimise the impact of the MCD on the UK mortgage market by building on the existing UK regulatory regime (rather than copy out the directive into UK legislation).

The date range of the underlying Loan agreements is from 8 June 2010 to 28 June 2019. This means that the Loan agreements include agreements entered into both before and after the coming into force of the MCD Order on 21 March 2016. Therefore, the Loan agreements entered into after this date will be subject to the MCD Order.

*Automatic capitalisation*

On 24 April 2017, the FCA issued finalised guidance relating to issues arising from automatic capitalisation, in particular cases where lenders both add arrears to an account balance (and as a result readjust the amount of regular payments due under the loan) and keep a separate record of the borrower's arrears and seek separate (and additional) payment of those. In the finalised guidance, the FCA state that they expect FCA authorised firms to ensure this practice ceases and to carry out remediation. The review period for remediation commenced on 25 June 2010 and the FCA expects all remediation programmes to have been concluded by 30 June 2018. This does not *prima facie* prevent a borrower from bringing a claim after that time. Borrowers which are in scope of the FCA guidance are those with current or past payment shortfalls on a Regulated Mortgage Contract or home purchase plan to which MCOB chapter 13 applies.

The FCA have proposed a framework for remediation and in broad terms, the FCA expect borrowers to be compensated for any incorrectly charged fees and interest and where fees have been paid by the customer, simple interest of 8% p.a. and simple interest of 8% on any "overpayments", i.e. any actual payments of monthly payments in excess of those which would have been required to pay off the arrears had there been no automatic capitalisation.

Firms using the remediation framework will only reconstitute mortgage accounts where at least one automatic capitalisation resulted in an additional payment greater than £10 per month. Use of the framework is not mandatory, but the FCA expect firms to determine a remediation approach to achieve fair outcomes for the affected customers.

If any remediation is required or Borrowers bring claims in connection with their Loans in respect of an automatic capitalisation, such remediation and claims, and any set-off by Borrowers in respect of such claims against the amount due by the Borrowers under the relevant 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.

***Distance Marketing***

In the United Kingdom, the Financial Services (Distance Marketing) Regulations 2004 apply to credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A regulated mortgage contract under the FSMA, if originated by a United Kingdom lender from an establishment in the United Kingdom, will not be cancellable under these regulations, but will be subject to related pre-contract disclosure requirements in MCOB. Certain other credit agreements will be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 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 notice of cancellation or, if later, the originator receiving notice of cancellation; (b) the borrower is liable to pay interest or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (c) any security is to be treated as never having had effect for the cancelled agreement. If a significant portion of the Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of the Loans, affecting the Issuer's ability to make payments in full on the Notes when due.

***Unfair Terms in Consumer Contracts Regulations and the CRA***

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 Regulation 1994 (together with the 1999 Regulations, (the "**UTCCR**")), applies to agreements made on or after 1 July 1995 but prior to 1 October 2015 by a "consumer" within the meaning of the UTCCR, where the terms have not been individually negotiated. The Consumer Rights Act 2015 (the "**CRA**") has revoked the UTCCR in respect of contracts made on or after 1 October 2015 (see "*Consumer Rights Act 2015*" below).

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

The UTCCR and CRA will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR and CRA 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 (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off in relation to a Loan in the Portfolio may adversely affect the Issuer's ability to make payments due under the Notes.

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

- mortgages and the selling of mortgages;
- insurance and the selling of insurance;
- bank, building society and credit union accounts;
- life assurance;
- pensions;
- investments;
- consumer credit;
- consumer hire; and
- other credit-related regulated activities.

MCOB rules for Regulated Mortgage Contracts require that (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 October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR, provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR. As of 1 April 2013, the FCA has the power to enforce the UTCCR in relation to Regulated Mortgage Contracts originated by lenders authorised under the FSMA.

In July 2012, the 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 published its advice, in a paper entitled "Unfair Terms in Consumer Contracts: Advice to the Department for Business, Innovation and Skills". This advice paper repeats the recommendation from the 2005 Report on Unfair Terms in Contracts that the Unfair Contract Terms Act 1977 and the UTCCR should be consolidated, as well as providing new recommendations, including extending the protections of unfair terms legislation to

notices and some additions to the "grey list" of terms which are indicatively unfair. The Law Commission also recommended that the UTCCR should expressly provide that, in proceedings brought by individual 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 are included in the CRA, which came into force in October 2015.

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

On 2 March 2015, the FCA updated its online unfair contract terms library by removing some of its material (including the abovementioned guidance) relating to unfair contract terms. The FCA stated that such material "no longer reflects the FCA's views on unfair contract terms" and that firms should no longer rely on the content of the documents that had been removed.

The extremely broad and general wording of the UTCCR and 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 UTCCR and 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 entered into between 1 October 1999 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Notes.

***Consumer Rights Act 2015***

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

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

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

A consumer contract may not be assessed for fairness to the extent that (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the

price payable under the contract by comparison with the goods, digital content or services supplied under it; unless it appears on the "grey list" referenced above. A trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent (i.e. that it is expressed in plain and intelligible language and is legible) and prominent (i.e. that it is brought to the consumer's attention in such a way that an average consumer would be aware of the term).

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

In December 2018, the FCA published its final guidance, "Fairness of variation terms in financial services consumer contracts under the Consumer Rights Act 2015" The guidance outlines factors financial services firms should consider under the CRA when drafting and reviewing variation terms in their consumer contracts.

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide which was updated by the FCA before the CRA came into force (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the "**CMA Guidance**"). In deciding whether to ask a firm to undertake to stop including a term in new contracts or to stop relying on it in concluded contracts, the FCA considers the full circumstances of each case, including: (a) whether the FCA is satisfied that the term may properly be regarded as unfair within the meaning of the CRA; (b) the extent and nature of the detriment to consumers resulting from the term or the potential harm which could result from the term; and (c) whether the firm has fully cooperated with the FCA in resolving their concerns about the fairness of the particular contractual term.

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". Guidance withdrawn by the FCA relating to the law before the CRA should not be relied on as it may no longer reflect the FCA's view on unfair terms but may still be relevant to terms governed by UTCCR as explained above.

The CMA Guidance 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 entered into on or after 1 October 2015 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 Servicer 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. No assurance can be given that any such changes in guidance on the UTCCR, or reform of the UTCCR and the CRA, will not have a material adverse effect on the Seller, the Issuer, the Servicer or their respective businesses and operations.

***Decisions of the FOS could lead to some terms of the Loans being varied, which may adversely affect payments on the Notes***

Under the FSMA, the FOS (as defined above) is required to make decisions on certain complaints relating to the activities and transactions under its jurisdiction on the basis of what, in the opinion of the FOS, would be fair and reasonable in all circumstances of the case, taking into account law and guidance. Complaints properly brought before the FOS 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 FOS.

As the FOS is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the FOS 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 the Council adopted a Directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). Generally the Unfair Practices Directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

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

The Unfair Practices Directive is implemented in the UK by the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTR**"), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence. Draft amendments to the CPUTR propose to give consumers a right to redress for prohibited practices, including a right to unwind agreements.

In addition, the Unfair Practices Directive is taken into account in reviewing rules under the FSMA. For example, MCOB rules for regulated mortgage contracts from 25 June 2010 (formerly these were matters of non-binding guidance) prevent the lender from: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term, or conversion to interest-only for a period, or a Product Transfer, and (b) automatically capitalising a payment shortfall.

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission published a report on the application of the Unfair Practices Directive, which indicated (among other things) that there is no case for further harmonisation in the fields of financial services and immovable property.

In April 2018 the Commission adopted its "New Deal for Consumers" package, the aims of which include the strengthening of the enforcement of EU consumer protection rules. The package included a proposal for a directive on better enforcement and modernisation of European Union consumer protection rules and a proposal for a directive on representative actions for the protection of the collective interests of consumers. The European Parliament and Council reached provisional agreement on this directive in April 2019 and final adoption is expected later in 2019. This directive will, if implemented in its current form, amend the

Unfair Practices Directive which may in principle require the CPUTR to be updated (depending on the outcome of Brexit and any transitional arrangements).

No assurance can be given that the implementation of the Unfair Practices Directive into law in the UK and any further harmonisation will not have a material adverse effect on the Loans or the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

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

No assurance can be given that additional regulatory changes and/or temporary product interventions by or guidance from the CMA, the FCA, the FOS (as applicable) or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Seller's particular sector in that market or specifically in relation to the Seller. Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

***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 of 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 Arrangers, the Joint Lead Managers nor any other party to the Transaction Documents nor any of their affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment in the Notes 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 introduced 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 capital 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 the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements.

European authorities have partially incorporated the Basel III framework into European Union law, primarily through: (i) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directive 2006/48/EC and 2006/49/EC (as amended) (Capital Requirements Directive) ("**CRD**"); and (ii) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (as amended) ("**CRR**") (known collectively as ("**CRD IV-Package**"), which generally entered into force in the European Union on 1 January 2014. It should be noted that, whilst the provisions of the CRD were required to be incorporated into the domestic law of each European Union member state, the CRR has direct effect, and does not need to be implemented into the relevant national law.

In the event that the UK withdraws from the European Union without a political deal or transitional agreement, CRR will cease to apply directly in the UK. However the UK

Government has announced that, in these circumstances, the CRR will be incorporated into UK domestic law via the operation of the European Union (Withdrawal) Act 2018. The onshored version of the CRR will mirror the EU text, but for the amendments introduced by the Capital Requirements (Amendment) (EU Exit) Regulations 2018, with no policy changes currently intended beyond those required to account for the updated legal position as regards the UK and the European Union following Brexit.

Further changes are also required to implement revisions to the Basel III framework that have also been proposed by European authorities. On 23 November 2016 the Commission proposed a new Regulation amending the CRR ("**CRR II**") and a new Directive amending the CRD ("**CRD V**"). On 5 December 2018, the European Parliament announced that political agreement had been reached on the texts of CRR II and CRD V. The texts were formally approved by the Council of the European Union on 14 May 2019 and were published in the Official Journal of the European Union on 10 June 2019. CRD V and CRR II came into force 20 days after publication. The changes under CRR II and CRD V may have an impact on the capital requirements in respect of the Notes and/or on incentives to hold the Notes for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Notes.

Additionally, in accordance with Article 460 of the CRR, on 17 January 2015 the Commission Delegated Regulation (EU) No 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for credit institutions ("**LCR Regulation**") was published in the Official Journal of the European Union; this subsequently entered into force on 1 October 2015. The LCR Regulation implements the Liquidity Coverage Ratio in the European Union. The Liquidity Coverage Ratio requires that an institution maintains a stock of unencumbered high quality liquid assets ("**HQLA**") that can meet its liquidity needs during a liquidity stress scenario. No assurance can be given as to whether the Notes qualify as HQLA in each European Union member State and the Issuer makes no representation as to whether such criteria are met by the Notes.

On 30 October 2018, Delegated Regulation (EU) 2018/1620 amending the LCR Regulation (the "**Delegated Regulation**") was published in the Official Journal of the European Union and subsequently entered into force on 19 November 2018, pursuant to which, inter alia, (i) the calculation of the expected liquidity outflows and inflows on repurchase agreements, reverse repurchase agreements and collateral swaps shall be aligned with the international liquidity standard developed by BCBS; (ii) the treatment of certain reserves held with third-country central banks shall be amended and (iii) transactions exposures of securitisations, which qualify as simple, transparent and standardised securitisations in accordance with the Securitisation Regulation, shall qualify as HQLA if they additionally fulfil the conditions laid down in Article 13 of the LCR Regulation (see also the above section entitled "*Securitisation Regulation Risk Factor*"). The effect of this will be that certain LCR Regulation eligible securitisations which would currently be eligible as high quality liquid assets for the purposes of the LCR Regulation would likely cease to be so eligible following the application date of the revised delegated regulations unless they are at such time classified as simple, transparent and standardised securitisations. While the Seller intends to submit an STS Notification that the transaction meets the criteria to be an STS securitisation, there is no obligation on the Issuer, the Seller, the Arrangers, the Joint Lead Managers or any of the other transaction parties to ensure that the securitisation is classified as STS as at the application date of the revised delegated regulations. The revised delegated regulations are anticipated to apply from approximately the middle of 2020. Neither the Issuer nor the Seller gives any representation, warranty, confirmation or guarantee to any investor in the Notes that the Notes will at any time prior to redemption in full, be eligible under the LCR Regulation. The provisions of the Delegated Regulation will apply as from 30 April 2020.

Notwithstanding the above, it is noted that implementation of any changes to the Basel framework also requires national legislation; as a result, 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" regulatory framework introduced in the European Economic Area with effect from 1 January 2016.

For further details, please see "*Securitisation Regulation Risk Factor*" and the statements set out in "*Regulatory Requirements*".)

***General***

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, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

***UK taxation treatment of the Issuer***

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as set out in the Taxation of Securitisation Companies Regulations 2006 (as amended) (SI 2006/3296) (the "**Securitisation Tax Regulations**")), and as such should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Tax Regulations), for so long as it satisfies the conditions of the Securitisation Tax Regulations. However, if the Issuer does not satisfy the conditions to be taxed in accordance with the Securitisation Tax Regulations (or subsequently ceases to satisfy those conditions) then the Issuer may be subject to tax liabilities not contemplated in the cashflows for the transaction described in this Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

***The proposed European Union financial transaction tax***

On 14 February 2013, the European Commission issued proposals, including a draft Directive (the "**Commission's proposal**") for a financial transaction tax (FTT) to be adopted in certain participating European Union member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia, although Estonia has since stated that it will not participate). If the Commission's proposal was adopted in its current form, the FTT would be a tax primarily on "financial institutions" (which would include the Issuer) in relation to "financial transactions" (which would include the conclusion or modification of derivative contracts and the purchase and sale of financial instruments).

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

If the Commission's proposal is adopted in its current form, the FTT may give rise to tax liabilities for the Issuer with respect to certain transactions (including concluding swap transactions and/or purchases or sales of securities (such as authorised investments)). Any such liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest or principal than expected. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the Issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the Issuer (and its general estate) in priority to the claims of Noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the Notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary

market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

However, the FTT proposal remains subject to negotiation between the participating member states. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional European Union member states may decide to participate.

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

***Withholding tax under the Notes***

Provided that the Notes are and continue to be "listed on a recognised stock exchange" (within the meaning of section 1005 of the Income Tax Act 2007), as at the date of this Prospectus no withholding or deduction for or on account of United Kingdom income tax will be required on payments of interest on the Notes. However, there can be no assurance that the law in this area will not change during the life of the Notes.

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

The applicability of any withholding or deduction for or on account of United Kingdom tax on payments of interest on the Notes is discussed further under "*United Kingdom Taxation*" below.

## TRANSACTION OVERVIEW – PORTFOLIO AND SERVICING

Please refer to the sections entitled "***Characteristics of the Portfolio***", "***Summary of the Key Transaction Documents – Mortgage Sale Agreement***" and "***Summary of the Key Transaction Documents – Servicing Agreement***" 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 primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Portfolio to the Issuer on the Closing Date. The sale by the Seller to the Issuer of each Loan in the Portfolio which is secured by a Mortgage over a Property located in England or Wales will be given effect by an equitable assignment.

The terms **sale**, **sell** and **sold** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest. The terms **repurchase** and **repurchased** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to include the repurchase of the equitable interest of the Issuer in respect of such Loans and their Related Security from the Issuer. Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Portfolio will not be given to the relevant individual or individuals specified as borrowers in the relevant mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay a relevant Loan or any part of it (the "**Borrowers**") under those Loans transferred and the Issuer will not apply to the Land Registry to register or record its equitable interest in the Mortgages.

The Portfolio will consist of the Loans, the Related Security and all monies derived therefrom from time to time.

**The Loans**

The term Loans when used in this Prospectus means the residential mortgage loans, secured by Mortgages and Related Security, in the Portfolio to be sold to the Issuer by the Seller on the Closing Date together with, where the context so requires, each Additional Borrowing (as defined in "*Summary of the Key Transaction Documents — Mortgage Sale Agreement*") sold to the Issuer by the Seller after the Closing Date and any alteration to a Loan by the Seller pursuant to a Product Transfer but excluding (for the avoidance of doubt) each Loan and its Related Security which is 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 the Issuer.

When used in this Prospectus:

"**Business Day**" means a day other than a Saturday or Sunday on which banks are open for business in London.

"**Calculation Date**" means the 14th of January, April, July and October of each year or if such day is not a Business Day, the next following Business Day unless such day falls in the next month, in which case the preceding Business Day.

"**Collection Period**" means the quarterly period commencing on and including the Collection Period Start Date and ending on but excluding the immediately following Collection Period Start Date except that the first Collection Period will commence on the Cut-Off Date and end on but exclude the Collection Period Start Date falling in January 2020.

"**Collection Period Start Date**" means the 1st of January, April, July and October of each year.

**"Cut-Off Date"** means 31 July 2019.

"**Monthly Period**" means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on the Cut-Off Date and end on the last calendar day of September 2019.

"**Monthly Period End Date**" means the last day of the calendar month.

"**Monthly Pool Date**" means the 12th Business Day of each month, provided that the first Monthly Pool Date will fall in October 2019.

"**Monthly Test Date**" means the 10th Business Day of each month, provided that the first Monthly Test Date will fall in October 2019.

"**Mortgage**" means in respect of any Loan each first fixed charge by way of legal mortgage, which is, or is to be, sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement which secures the repayment of the relevant Loan including the Mortgage Conditions applicable to it.

"**Property**" means a freehold or leasehold property located in England or Wales which is subject to a Mortgage.

"**Related Security**" means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of any Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement (as described more fully in the section entitled "*Summary of the Key Transaction Documents* –

*Mortgage Sale Agreement*").

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

(a) the original amount advanced to the relevant Borrower and any Additional Borrowing advanced on or before such date to the relevant Borrower secured or intended to be secured by the related Mortgage;

(b) any disbursement, legal expense, fee, charge, rent, service charge, premium or payment which bears interest or which has been properly capitalised (including any related interest amounts) in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent and added to the amounts secured or intended to be secured by the related Mortgage; and

(c) any other amount (including, for the avoidance of doubt, 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 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 prepayment, repayment or payment of any of the foregoing made on or before the end of the Business Day immediately preceding that given date and excluding any retentions made but not released and any Additional Borrowings committed to be made but not made by the end of the Business Day immediately preceding that given date.

As at the Closing Date, the Loans in the Portfolio will comprise Loans which pay interest based on:

(a) discretionary rates of interest set by the Seller based on general interest rates and competitive forces in the UK mortgage market from time to time (which may include discounted rate loans);

(b) fixed rates of interest or series of rates of interest set for a fixed period or periods.

In addition, the Loans will comprise repayment Loans and/or Interest-only Loans. See "*The Loans*" for a full description of the Loans.

**Features of the Loans**

The following is a summary of certain features of the Loans as at 30 June 2019 (the "**Provisional Pool Date**"). Noteholders should refer to, and carefully consider, further details in respect of the Loans set out in "*Characteristics of The Portfolio*".

| | |
|---|---|
| Type of Borrower | Prime |
| Self-certified Loan | No |
| Buy to Let Loan | No |
| Offset Loan | No |
| Right to Buy Loan | No |
| Shared Ownership Loan | No |
| Shared Equity Loan | No |
| Fast-Track Mortgage | No Loan |
| Type of mortgage | Repayment, Interest-only |
| Help to Buy Loan | No |
| Number of Loans | 2708 |
| Aggregate Current Balance | £386,198,070.90 |

| | Average | Minimum | Maximum |
|---|---|---|---|
| Current Balance (£) | 142,614 | 2,104 | 996,654 |
| | Weighted average | Minimum | Maximum |
| Indexed LTV (per cent.) | 69.02% | 0.70% | 95.00% |
| Original LTV (per cent.) | 72.16% | 6.00% | 95.00% |
| Seasoning (months) | 13.83 | 0.07 | 108.79 |
| Remaining Term (years) | 23.82 | 1.18 | 40.03 |

**Consideration**

The Issuer will use the proceeds of the issue of the Class A Notes to pay the Initial Consideration (or a portion thereof). If the proceeds of the Class A Notes are insufficient to pay the Initial Consideration in respect of the Portfolio, the remaining portion of the Initial Consideration will be funded using the proceeds of the Class Z VFN. The Loans will be sold to the Issuer at a price equal to their Current Balance as at the Cut-Off Date. The Issuer will pay Deferred Consideration to the Seller from excess Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments or excess proceeds from the Post-Acceleration Priority of Payments.

**Representations and Warranties**

The Seller will make the Loan Warranties regarding the Loans and Related Security to the Issuer on the Closing Date and, in respect of the relevant Loans, on the last day of the Monthly Period in which each Additional Borrowing and/or Product Transfer takes place.

The Loan Warranties are comprised of representations and warranties in respect of the legal nature of the Loans and their Related Security, as well as asset representations and warranties which include the following:

- the Lending Criteria are consistent with the criteria that would be used by a Reasonable,

Prudent Mortgage Lender;

- all of the Properties are in England or Wales;
- subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry the whole of the Current Balance on each Loan and all interest amounts, costs and expenses payable in respect of that Loan are secured by a Mortgage or Mortgages over a residential Property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or charge and subject only in certain appropriate cases to applications for registrations or recordings at the Land Registry of England and Wales which, where required, have been made and are pending and in relation to such cases the Seller is not aware of any notice or any other matter that would prevent such registration or recording;
- prior to the granting of each Mortgage, the Seller received a Valuation Report from a Valuer on the relevant Property (or such other form of valuation as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender;
- no Loan is a Self-certified Loan, a Buy to Let Loan, an Offset Loan, a Right to Buy Loan, a Shared Ownership Loan, a Fast-Track Mortgage Loan or a Shared Equity Loan;
- to the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestrated or had a county court judgment or court decree entered or awarded against him or her on or 6 years prior to the date they executed the relevant Mortgage;
- no Loan is in arrears or has been in arrears since its origination;
- to the best of the Seller's knowledge, no Borrower had been in arrears with another mortgage lender at any point during the 12 months prior to the date of such Borrower's Initial Advance under its Loan;
- each self-employed Borrower has been trading for at least 2 years and has provided at least 2 years of evidence of trading to the Seller through the provision of HMRC SA302 and Tax Year Overview documentation;
- no Loan has a maturity date falling later than two years earlier than the Final Maturity Date; and
- in relation to any Loan subject to Additional Borrowing or a Product Transfer, the loan

identifier is the same pre- and post- the completion of the Additional Borrowing or Product Transfer. Until a planned change to the systems of the Seller occurs (currently planned to occur during 2020) an Additional Borrowing in relation to a Loan will result in such Loan being redeemed and a new Loan being created. As such, until the system modification takes effect, Loans which are subject to an Additional Borrowing will breach this Loan Warranty and the Seller will be required to repurchase such Loans.

See section "*Summary of the Key Transaction Documents – Mortgage Sale Agreement*" for further details.

**Repurchase of the Loans and Related Security**

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

- Upon a breach of any of the Loan Warranties (which is either not capable of remedy or which has not been remedied by the Seller within a 30 day grace period) in respect of that Loan sold into the Portfolio on the Closing Date;
- If the Issuer is unable to fund the purchase of any Additional Borrowing in relation to that Loan from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall;
- Upon a breach of any of the Asset Conditions on the relevant Monthly Test Date in respect of such Loan subject to an Additional Borrowing or Product Transfer (which is either not capable of remedy or if the Seller failed to remedy it within a 30 day grace period);
- If any Back-to-Back Swap relating to the Interest Rate Swap Agreement (or to any replacement interest rate swap entered into on terms similar to those set out in the Interest Rate Swap Agreement) is terminated, the Seller will be required to repurchase any Fixed Rate Loan subject to an Additional Borrowing or a Product Transfer or any AMR Loan subject to a Product Transfer which results in such AMR Loan becoming a Fixed Rate Loan;
- In the event that the Seller determines on any Monthly Test Date that the relevant Loan is a High Deposit Loan; and
- In the event that the Seller determines on any Monthly Test Date that the relevant Loan is a High LTV Loan for which MIG insurance was not obtained upon origination.

The repurchase price for such Loan shall be equal to its Current Balance (excluding, if applicable, the amount of

any Additional Borrowing which has not yet been paid for by the Issuer).

The Seller may offer to repurchase Loans and their Related Security which are not compliant with Article 13 (Level 2B securitisations) of the LCR Regulation or Articles 19, 20, 21 or 22 of the Securitisation Regulation and/or in accordance with any official guidance issued in relation thereto.

**Consideration for repurchase**

The amount payable by the Seller in respect of the repurchase of the Loan and its Related Security shall be equal to the aggregate of the Current Balance (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer) of the relevant Loan calculated as at the actual date on which such Loan is repurchased. In the case of the repurchase of Non-Compliant Loans, the Seller may offer the Issuer (and the Issuer shall accept) Substitute Loans as consideration for the repurchase.

**Perfection Events**

Completion of transfer of the legal title of the Loans by the Seller to the Issuer will be completed on or before the 20th Business Day after the earliest to occur of the following:

(a) the Seller being required to perfect transfer of legal title to the Loans and their Related Security: (i) by an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply;

(b) it becoming necessary by law to perfect the transfer of legal title to the Loans and their Related Security;

(c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee to take action to reduce that jeopardy (including due to the possible insolvency of the Seller);

(d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee;

(e) the occurrence of a Seller Insolvency Event; or

(f) the Seller is in breach of its obligations under the Mortgage Sale Agreement, but only if: (i) such breach, where capable of remedy, is not remedied to the reasonable satisfaction of Issuer and to the satisfaction of the Security Trustee within 90 calendar days; and (ii) any of Fitch,

and/or Moody's shall have provided confirmation that the then current ratings of the Class A Notes will be withdrawn, downgraded or qualified as a result of such breach, and provided further that: (A) this provision shall only be applicable if the Seller has not delivered a certificate to the Issuer and the Security Trustee that the occurrence of such event does not impact the designation as a 'simple, transparent and standardised' securitisation (within the meaning of the Securitisation Regulation) in respect of the Class A Notes; and (B) this provision shall be subject to such amendment as the Seller may require so long as the Seller delivers a certificate to the Issuer and the Security Trustee that the amendment of such event does not impact the designation as a 'simple, transparent and standardised' securitisation (within the meaning of the Securitisation Regulation) in respect of the Class A Notes.

Prior to the completion of the transfer of legal title to the relevant Loans and Related Security, the Issuer will hold only the equitable title and will therefore 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 Risk Factors section.

**Servicing of the Portfolio**

The parties to the Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Security Trustee, the Servicer, the Seller, the Cash Manager, and the Back-Up Servicer Facilitator (the "**Servicing Agreement**").

The Servicer will be appointed by the Issuer (and, upon the earlier to occur of (i) service of a Note Acceleration Notice and (ii) enforcement or realisation of the Security, shall act pursuant to the direction of the Security Trustee) to service, on a day-to-day basis, the Loans sold to the Issuer and their Related Security on behalf of the Issuer (such services, *inter alia*, the Services).

So long as Aldermore acts as the Servicer, the Issuer will, on each Interest Payment Date, pay to the Servicer a servicing fee (inclusive of VAT) (the "**Servicing Fee**") totalling 0.08 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date. If a replacement servicer which is not the Back-Up Servicer is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the replacement servicer for its services a fee to be determined at the time of such appointment. The Servicing Fee will rank ahead of all payments on the Notes.

The appointment of the Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) upon the occurrence of the following events (the "**Servicer Termination Events**" and each a

"**Servicer Termination Event**"):

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;

- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the opinion of the Security Trustee is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee as the case may be requiring the Servicer's non-compliance to be remedied (subject to certain provisos in relation to the situation where the default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations); or

- an Insolvency Event occurs in relation to the Servicer.

If a Servicer Termination Event occurs then the Back-Up Servicer may assume the provision of the Services to the Issuer, subject to the terms of the Back-Up Servicing Agreement. If at the time the Servicer Termination Event occurs the appointment of the Back-Up Servicer has been terminated under the Back-Up Servicing Agreement, the Back-Up Servicer has resigned or the Back-Up Servicer is unable to assume the role of Servicer under the Back-Up Servicing Agreement, the Back-Up Servicer Facilitator will (pursuant to the Servicing Agreement) use its reasonable endeavours to identify, on behalf of the Issuer, a suitable replacement servicer and a replacement back-up servicer to replace the Servicer and the Back-Up Servicer respectively (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a replacement servicer or replacement back-up servicer).

Subject to the fulfilment of certain conditions, the Servicer may also resign upon giving 12 months' written notice provided either (i) the Back-Up Servicer assumes the role of Servicer under the Servicing Agreement or (ii) if there is no Back-Up Servicer in place at such time or the Back-Up Servicer is unable to assume the role of Servicer under the Back-Up Servicing Agreement, when a replacement servicer has been appointed by the Issuer (with the assistance of the Back-Up Servicer Facilitator)

(with the prior written consent of the Security Trustee).

In the absence of a Servicer Termination Event, Noteholders have no right to instruct the Issuer to terminate the appointment of the Servicer.

"**Insolvency Event**" means, in respect of the Servicer, the Back-Up Servicer, the Corporate Services Provider or the Cash Manager (each, for the purposes of this definition, a "**Relevant Entity**"):

(a) an order is made or an effective resolution passed for the winding up of the Relevant Entity; or

(b) the Relevant Entity ceases or threatens to cease to carry on the whole of its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or

(c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or the substantial part of the undertaking or assets of the Relevant Entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 15 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness.

See "*Summary of Key Transaction Documents — Servicing Agreement*" below.

**Delegation**

The Servicer may delegate some of its servicing functions to a third party provided that the Servicer remains liable for the failure of and for the performance of any functions so delegated.

See "*Summary of Key Transaction Documents — Servicing Agreement*" below.

**Back-Up Servicing**

The parties to the Back-Up Servicing Agreement to be entered into on or about the Closing Date will be the Issuer, the Back-Up Servicer, the Security Trustee, the Seller and the Servicer (the "**Back-Up Servicing Agreement**").

The Back-Up Servicer will be appointed by the Issuer (and, upon the earlier to occur of (i) service of a Note Acceleration Notice and (ii) enforcement or realisation of the Security, shall act pursuant to the direction of the Security Trustee) to service, on a day-to-day basis, the Loans sold to the Issuer and their Related Security on behalf of the Issuer (such services, *inter alia*, the Back-Up Services), after a Servicer Termination Notice has been served on the Servicer. Prior to the occurrence of a Servicer Termination Event, the Back-Up Servicer will carry out certain monitoring functions to enable it to assume the role of servicer within 60 days of a Servicer Termination Notice being served on the Servicer, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date.

If the Back-Up Servicer assumes the role of servicer (replacing Aldermore in its capacity as Servicer in the first instance) or if the appointment of the Back-Up Servicer is terminated for any reason or if it gives notice of its intention to resign, then (pursuant to the Servicing Agreement) the Back-Up Servicer Facilitator shall promptly, following the assumption of the role of Servicer by the Back-Up Servicer, use its reasonable endeavours to identify, on behalf of the Issuer, a suitable replacement back-up servicer to act as back-up servicer (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a replacement servicer). The terms of any replacement back-up servicing agreement must be substantially similar to the terms of the Back-Up Servicing Agreement (subject to the market availability of those terms at that time) and acceptable to the Security Trustee.

So long as Link Mortgage Services Limited acts as the Back-Up Servicer, the Issuer will pay to the Back-Up Servicer a servicing fee of £20,000 per annum (exclusive of VAT) (the "**Back-Up Servicing Fee**") (subject to adjustment from the second anniversary of the date of the Back-Up Servicing Agreement in accordance with the retail prices index).

The appointment of the Back-Up Servicer may be terminated by the Issuer (subject to the prior written consent of the Security Trustee) upon the occurrence of any of the following events (the "**Back-Up Servicer**

**Termination Events**"):

- the Back-Up Servicer defaults in the payment on the due date of any payment due and payable by it under the Back-Up Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Back-Up Servicer becoming aware of such default and receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied; or

- the Back-Up Servicer defaults in the performance or observance of any of its covenants and obligations under the Back-Up Servicing Agreement, which default in the opinion of the Security Trustee is materially prejudicial to the interests of the Noteholders, and the Back-Up Servicer does not remedy that failure within 30 Business Days after the earlier of (i) the Back-Up Servicer becoming aware of the failure or (ii) receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or the Security Trustee as the case may be requiring the Back-Up Servicer's non-compliance to be remedied; or

- an Insolvency Event occurs in relation to the Back-Up Servicer; or

- the Issuer resolves, after due consideration and acting reasonably (with the consent of the Security Trustee), that the appointment of the Back-Up Servicer should be terminated.

Subject to the fulfilment of certain conditions, the Back-Up Servicer may also resign upon giving 3 months' written notice provided a replacement back-up servicer has been appointed by the Issuer.

If the Back-Up Servicer resigns, if its appointment is terminated or if the Back-Up Servicer is appointed as servicer (and therefore ceases to be Back-Up Servicer), the Issuer (with the assistance of the Back-Up Servicer Facilitator) will (pursuant to the Servicing Agreement) promptly use its reasonable endeavours to appoint a suitable replacement back-up servicer to replace the Back-Up Servicer (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a suitable replacement back-up servicer).

In the absence of a Back-Up Servicer Termination Event, Noteholders have no right to instruct the Issuer to terminate the appointment of the Back-Up Servicer.

See "*Summary of Key Transaction Documents — Back-Up Servicing Agreement*" below.

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

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

## FULL CAPITAL STRUCTURE OF THE NOTES

| | Class A Notes | Class Z VFN |
|---|---|---|
| Currency | GBP | GBP |
| Principal Amount: | £343,500,000 | £37,636,300 (being the initial Principal Amount subscribed for as at the Closing Date) up to a maximum of £500,000,000 |
| Credit enhancement and liquidity support features: | Subordination of the Class Z VFN.<br><br>The availability of the General Reserve Fund, as funded by the proceeds of issue of the Class Z VFN on the Closing Date, to provide for any Revenue Deficiency in the Available Revenue Receipts.<br><br>Excess Available Revenue Receipts.<br><br>The application in certain circumstances of Principal Receipts to provide for any Remaining Revenue Deficiency in the Available Revenue Receipts. | Excess Available Revenue Receipts. |
| Issue Price: | 100 per cent. | 100 per cent. |
| Interest Rate: | Compounded Daily SONIA | Compounded Daily SONIA |
| Relevant Margin: | Prior to the Step-Up Date 0.80 per cent. per annum and on and after the Step-Up Date 1.60 per cent. per annum | 0.00 per cent. per annum |
| Step-Up Date: | Interest Payment Date falling in July 2024 | N/A |
| Interest Accrual Method: | Actual/365 | Actual/365 |

| | Class A Notes | Class Z VFN |
|---|---|---|
| Interest Payment Dates: | 28th day of January, April, July and October in each year | 28th day of January, April, July and October |
| First Interest Payment Date: | 28 January 2020 | 28 January 2020 |
| Final Maturity Date: | Interest Payment Date falling in July 2061 | Interest Payment Date falling in July 2061 |
| Form of the Notes: | Bearer | Registered |
| Application for Exchange Listing: | Euronext Dublin's Regulated Market | Not listed |
| Clearance/Settlement: | Euroclear / Clearstream, Luxembourg | N/A |
| ISIN: | XS2034869441 | N/A |
| Common Code: | 203486944 | N/A |
| CFI: | DGVNFB | N/A |
| FISN: | OAK NO.3 PLC/VARMBS 20550526 RESTN | N/A |
| Ratings (Moody's/Fitch): | Aaa(sf)/AAA(sf) | Not rated |
| Minimum Denomination | £100,000 and integral multiples of £1,000 in excess thereof | £100,000 and integral multiples of £100 in excess thereof |

**Ranking and Form of the Notes**

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

- Class A Mortgage Backed Floating Rate Notes due July 2061 (the "**Class A Notes**"); and
- Class Z Variable Funding Note due July 2061 (the "**Class Z VFN**"),

and together, the Class A Notes and the Class Z VFN, are the "**Notes**" and the holders thereof from time to time, the "**Noteholders**".

The Class A Notes will rank *pari passu* and *pro rata* as to payments of interest and principal ahead of the Class Z VFN at all times.

The Class A Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest. Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Amounts due in respect of the Class A Notes will rank in priority to amounts due in respect of the Class Z VFN. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to

amounts due in respect of the Notes.

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

**Variable Funding Note**

The Issuer will issue the Class Z VFN on the Closing Date.

On the Closing Date, the Class Z VFN will be subscribed for in the amount of £37,636,300. Prior to the Class Z VFN Commitment Termination Date, the Class Z VFN will have a maximum principal amount of £500,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class Z VFN (the Class Z VFN Holder) (which on the Closing Date will be Aldermore) and notified to the Note Trustee (the Maximum Class Z VFN Amount), that can be funded by the Class Z VFN Holder at the request of the Issuer.

The commitment of the Class Z VFN Holder in respect of holding the Class Z VFN will be extinguished on the earlier to occur of:

(a) the Interest Payment Date falling in July 2024; and

(b) an Event of Default,

(the "**Class Z VFN Commitment Termination Date**").

The maximum principal amount outstanding under the Class Z VFN shall not exceed the Maximum Class Z VFN Amount.

If the Maximum Class Z VFN Amount in relation to the Class Z VFN has been drawn and, in accordance with the Conditions, the Issuer repays some of the principal due on such Class Z VFN, such repaid principal amount will be available to be redrawn by the Issuer up to the Maximum Class Z VFN Amount.

**Security**

Pursuant to a deed of charge to be entered into between, *inter alios*, the Issuer and the Security Trustee (the "**Deed of Charge**") on the Closing Date the Notes will be secured by, *inter alia*, the following security (the "**Security**"):

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

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

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

(d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any other bank account or securities account of the Issuer and any sums standing to the credit thereof;

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

(f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge.

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

**Collateral**

Mortgage loans that were originated by the Seller on the terms of the Standard Documentation of the Seller from time to time and comprised in the Cut-Off Date Portfolio as at the Cut-Off Date.

**Interest Provisions**

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

**Interest Deferral**

Interest due and payable on the Class A Notes outstanding will not be deferred. Interest due and payable on the Class Z VFN may be deferred in accordance with Condition 16 (*Subordination by Deferral*).

**Gross-up**

None of the Issuer nor any Paying Agent or any other person will be obliged to gross-up if there is any withholding or deduction in respect of the Notes on account of taxes.

**Redemption**

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

- mandatory redemption in whole on the Interest Payment Date falling in July 2061 (the "**Final Maturity Date**"), as fully set out in Condition 7.1 (*Redemption at Maturity*);

- mandatory partial redemption on any Interest Payment Date following the first Interest Payment Date (but prior to the service of a Note Acceleration Notice) in an amount equal to the Available Principal Receipts which shall be applied (a) to repay the Class A Notes pro rata and *pari passu* until they are repaid in full and then (b) to repay the Class Z VFN until it is repaid in full, as fully set out in Condition 7.2 (*Mandatory Redemption*);

- optional redemption of all (but not some only) of the Class A Notes, exercisable by the Issuer on the Optional Redemption Date, subject to certain provisions as fully set out in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*); and

- optional redemption of the Class A Notes exercisable by the Issuer in whole for tax or other reasons on any Interest Payment Date following the date on which there is a change in tax law or other law, as fully set out in Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*).

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

**Expected Average Lives of the Class A Notes**

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

**Event of Default**

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

- non-payment of interest and/or principal in respect of the Class A Notes;

- breach of contractual obligations by the Issuer under the Transaction Documents;

- certain insolvency events in respect of the Issuer; and

- the entry into the documents and/or the performance of the obligations thereunder by the Issuer becoming illegal under the laws of England and Wales.

**Purchase of Class Z VFN**

It is intended that Aldermore will subscribe for and retain

| | |
|---|---|
| | the Class Z VFN on the Closing Date. |
| **Limited Recourse** | The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 11.4 (*Limited Recourse*). |
| **Governing Law** | The Trust Deed, the Deed of Charge, the Notes and the Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law. |

## RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

| | | | |
|---|---|---|---|
| **Prior to an Event of Default** | Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding (or, if no Class A Notes are then outstanding, not less than 10 per cent. of the Principal Amount Outstanding of the Class Z VFN) are entitled to direct the Note Trustee to convene a Noteholders' meeting. The Note Trustee shall have no obligation to convene a Noteholders' meeting unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction. Noteholders are also entitled to participate in a Noteholders' meeting convened by the Issuer or the Note Trustee to consider any matter affecting their interests.<br><br>However, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Note Trustee, without the consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such actions under the relevant Transaction Documents. | | |
| **Following an Event of Default** | Following the occurrence of an Event of Default, Noteholders may (subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction), if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding or if they pass an Extraordinary Resolution, direct the Note Trustee to give a Note Acceleration Notice to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding.<br><br>So long as no Class A Notes remain outstanding, upon the occurrence of an Event of Default, the Note Trustee shall, if so directed in writing by the holder of the Class Z VFN (subject to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that the Class Z VFN is immediately due and repayable at its Principal Amount Outstanding, together with Accrued Interest as provided in the Trust Deed. | | |
| **Noteholders' Meeting provisions** | Notice period: | 21 clear days for an initial meeting. | 10 clear days for an adjourned meeting. |
| | Quorum: | For an initial meeting, one or more persons holding or representing not less than 25 per cent. of the | One or more persons holding or representing any percentage holding for an adjourned meeting (other than a |

| | | |
|---|---|---|
| | Principal Amount Outstanding of the relevant Class of Notes then outstanding for all Ordinary Resolutions; one or more persons holding or representing not less than 50 per cent. of the Principal Amount Outstanding of the relevant Class of Notes for an Extraordinary Resolution (other than a Basic Terms Modification, which requires one or more persons holding or representing not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding). | Basic Terms Modification, which requires one or more persons holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding). |
| Required majority: | More than 50 per cent. of votes cast for matters requiring Ordinary Resolution and not less than 75 per cent. of votes cast for matters requiring Extraordinary Resolution (including a Basic Terms Modification). | |
| Written Resolution: | More than 50 per cent. of the Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Ordinary Resolutions and not less than 75 per cent. of the Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Extraordinary Resolutions. A written resolution has the same effect as an Ordinary Resolution or an Extraordinary Resolution, as | |

appropriate.

Electronic Consents: Noteholders may also pass an Ordinary Resolution or Extraordinary Resolution by way of electronic consents communicated through the electronic communications systems of the Clearing System(s) to the Principal Paying Agent or another specified agent and/or the Note Trustee in accordance with the operating rules and procedures of the relevant Clearing System(s) ("**Electronic Consent**"). Such consents are required from Noteholders of more than 50 per cent. in aggregate Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Ordinary Resolutions and Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant class of Notes then outstanding for matters requiring Extraordinary Resolutions. A resolution passed by such means has the same effect as an Ordinary Resolution or an Extraordinary Resolution, as appropriate.

"**Extraordinary Resolution**" means:

(a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a majority consisting of not less than 75 per cent. of the votes cast;

(b) a resolution in writing signed by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of any Class of the Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class;

(c) consent given by way of Electronic Consent by or on behalf of the Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding; or

(d) a resolution signed by the Class Z VFN Holder.

"**Ordinary Resolution**" means:

(a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a clear majority;

(b) a resolution in writing signed by or on behalf of the Noteholders of more than 50 per cent. in aggregate Principal Amount Outstanding of the

relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders;

(c) consent given by way of Electronic Consent by or on behalf of the holders of more than 50 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding; or

(d) a resolution signed by the Class Z VFN Holder.

**Matters requiring Extraordinary Resolution**

Broadly speaking, the following matters require an Extraordinary Resolution:

- to approve any Basic Terms Modification;
- to approve the substitution of any person for the Issuer (or any previous substitute for the Issuer) as principal debtor under the Notes and the Trust Deed;
- to approve or assent to any modification of the provisions contained in the Notes, the Conditions or the Trust Deed or any other Transaction Document;
- to waive any breach or authorise any proposed breach by the Issuer of its obligations under the Notes or any Transaction Document or any act or omission which might otherwise constitute an Event of Default or potential Event of Default under the Notes;
- to remove the Note Trustee and/or the Security Trustee;
- to approve the appointment of a new Note Trustee and/or Security Trustee;
- to authorise the Note Trustee, the Security Trustee and/or any Appointee to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- to discharge or exonerate the Note Trustee, the Security Trustee and/or any Appointee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- to give any other authorisation or sanction which under the Trust Deed or the Notes or any other Transaction Document is required to be given by Extraordinary Resolution; and
- to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by

Extraordinary Resolution.

See Condition 13 (*Indemnification and Exoneration of the Note Trustee and the Security Trustee*) in the section entitled "Terms and Conditions of the Notes" for more detail.

**Relationship between Classes of Noteholders**

Subject to the provisions governing a Basic Terms Modification, an Extraordinary Resolution of Class A Noteholders shall be binding on the Class Z VFN Holder and would override any resolutions to the contrary by them.

A Basic Terms Modification requires an Extraordinary Resolution of the Class A Noteholders.

**Relationship between Noteholders and other Secured Creditors**

So long as the Notes are outstanding, the Security Trustee will have regard solely to the interests of the Noteholders and shall not have regard to the interests of any other Secured Creditor.

**Provision of Information to the Noteholders**

The Cash Manager on behalf of the Issuer will publish the Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. The first Investor Report will be delivered by no later than the 18th Business Day of October 2019 and thereafter such Investor Reports shall be delivered monthly. Such Investor Reports will be published on the Aldermore website at www.aldermore.co.uk. The website and the contents thereof do not form part of this Prospectus. Aldermore will also procure that the Investor Report is published on the website of European DataWarehouse at https://editor.eurodw.eu/home/index. In addition, for so long as the Notes are outstanding, loan level information will be provided on a quarterly basis. The loan level information will be published on the website of European DataWarehouse at https://editor.eurodw.eu/home/index. Until the Notes are redeemed in full, a cashflow model shall be made available (directly or indirectly) by Aldermore to investors, potential investors and firms that generally provide services to investors. See further "*Regulatory Requirements*" at page 123.

**Communication with Noteholders**

Other than the Investor Reports referenced above, any notice to be given by the Issuer or the Note Trustee to Noteholders shall be given in the following ways:

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

(b) so long as the Notes are listed on a recognised stock exchange, by the Issuer by delivery in accordance with the notice requirements of that exchange.

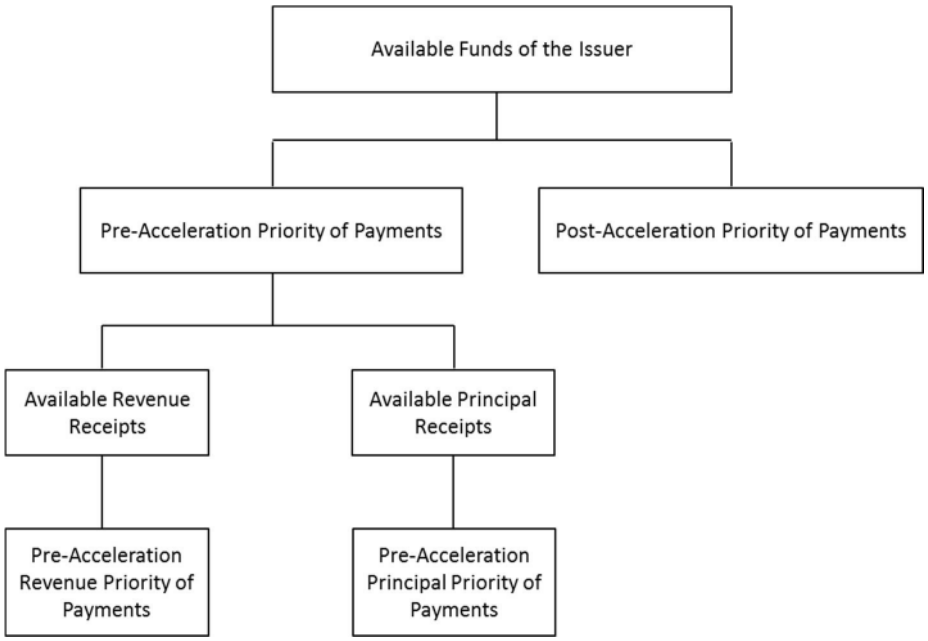
The Note Trustee shall be at liberty to sanction another method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then

prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require. Notices to the Class Z VFN Holder will be sent to it by the Issuer to the email address notified to the Issuer from time to time in writing.

See Condition 15 (*Notice to Noteholders*) in the section entitled "*Terms and Conditions of the Notes*" for more detail.

## TRANSACTION OVERVIEW – CREDIT STRUCTURE AND CASHFLOW

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




**Available Funds of the Issuer**

The Issuer will have Available Revenue Receipts and Available Principal Receipts for the purposes of making interest and principal payments under the Notes and the other Transaction Documents.

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

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

(b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral 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 Interest Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) in respect of the Interest Rate Swap Agreement, any Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral or part thereof has been applied, pursuant to the provisions of the Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Interest Rate Swap Provider to the Issuer on early termination of an interest rate swap under the Interest Rate Swap Agreement and, to the extent so applied in reduction

of the amount otherwise payable by the Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap in which case such amounts will be included in Available Revenue Receipts, (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Interest Rate Swap Provider and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date);

(d) any General Reserve Release Amounts;

(e) other net income of the Issuer received during the immediately preceding Collection Period (excluding any Principal Receipts);

(f) amounts applied as Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments;

(g) amounts credited to the Transaction Account (including any interest thereon (if any)) on the immediately preceding Interest Payment Date in accordance with item (n) of the Pre-Acceleration Revenue Priority of Payments; and

(h) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.8(c) (*Determinations and Reconciliation*);

*less:*

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

(i) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;

(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 properly incurred by the Account Bank under the direct debit scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals), but in each case only to the extent that such amounts (i) cannot be recouped by the Account Bank from amounts standing to the credit of the Seller's Collection Accounts from time to time and (ii) have been determined by the Cash Manager to be referable to a Loan in the Portfolio;

(iii) payments by the Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and

(iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

(items within (i) of the definition of Available Revenue Receipts being collectively referred to herein as "**Third Party Amounts**"). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere;

*plus:*

(j) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (i) above is insufficient to pay or provide for items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments, any amounts then standing to the credit of the General Reserve Ledger to the extent required to cover such Revenue Deficiency; and

(k) if a Remaining Revenue Deficiency occurs such that the aggregate of items (a) to (h) and (j) less (i) above is insufficient to pay or provide for items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Remaining Revenue Deficiency.

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

(a) all Principal Receipts or, in relation to a Determination Period, any Calculated Principal Receipts, in each case excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date that are (i) received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Additional Borrowing Purchase Prices paid by the Issuer in such Collection Period (including any Additional Borrowing Purchase Prices paid out on a Monthly Pool Date that is also an Interest Payment Date) but in aggregate not exceeding such Principal Receipts) and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;

(b) (in respect of the first Interest Payment Date only) the amount paid into the Transaction Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to

pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;

(c) the amounts (if any) credited on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments to the Class A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger, by which the debit balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger is reduced; and

(d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.8(c) (*Determinations and Reconciliation*);

*less*

(e) any amounts utilised to pay a Remaining Revenue Deficiency pursuant to item (k) of the definition of Available Revenue Receipts;

*plus*

(f) from and including the Step-Up Date, any Available Revenue Receipts applied as Available Principal Receipts in accordance with item (k) of the Pre-Acceleration Revenue Priority of Payments.

**Summary of Priorities of Payments**

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

| Pre-Acceleration Revenue Priority of Payments: | Pre-Acceleration Principal Priority of Payments: | Post-Acceleration Priority of Payments: |
|---|---|---|
| (a) Amounts due in respect of the Note Trustee and Security Trustee fees, costs and expenses | (a) To repay all Principal amounts due on the Class A Notes | (a) Amounts due in respect of the Note Trustee and the Security Trustee and the Receiver's fees, costs and expenses |
| (b) Amounts due in respect of the fees, costs and expenses of the Agent Bank, the Paying Agents, the Account Bank, the Back-Up Servicer, the | (b) To repay all Principal amounts due on the Class Z VFN | (b) Amounts due in respect of the fees, costs and expenses of the Agent Bank, the Paying Agents, the |

| | | |
|---|---|---|
| Swap Collateral Account Bank, the Reporting Delegate, the Corporate Services Provider, the Class Z VFN Registrar | | Account Bank, the Back-Up Servicer, the Swap Collateral Account Bank, the Reporting Delegate, the Corporate Services Provider and the Class Z VFN Registrar |
| (c) Third party expenses (including but not limited to (if applicable) any fees, costs, liabilities and expenses of any securitisation repository) | (c) Amounts to be applied as Available Revenue Receipts | (c) Amounts due in respect of the fees and costs of the Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator and the Back-Up Servicer Facilitator |
| (d) Amounts due in respect of the fees and costs of the Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator and the Back-Up Servicer Facilitator | | (d) Amounts due to the Interest Rate Swap Provider (excluding any Interest Rate Swap Excluded Termination Amounts) |
| (e) Amounts due to the Interest Rate Swap Provider (excluding any Interest Rate Swap Excluded Termination Amounts) | | (e) Interest and principal amounts due on the Class A Notes |
| (f) Issuer Profit Amount | | (f) Amounts due in respect of principal and interest on the Class Z |

| | |
|---|---|
| | VFN |
| (g) Interest due on the Class A Notes | (g) Interest Rate Swap Excluded Termination Amounts |
| (h) Amounts to be credited to the Class A Principal Deficiency Sub-Ledger | (h) Issuer Profit Amount |
| (i) Amounts to be credited to the General Reserve Ledger | (i) Deferred Consideration |
| (j) Amounts to be credited to the Class Z VFN Principal Deficiency Sub-Ledger | |
| (k) From and including the Step-Up Date, all remaining Available Revenue Receipts to be applied as Available Principal Receipts until the Class A Notes have been redeemed in full | |
| (l) Interest due on the Class Z VFN | |
| (m) Interest Rate Swap Excluded Termination Amounts | |
| (n) If such Interest Payment Date falls directly after a Determination Period, then the excess (if any) to the Transaction | |

Account

(o) Following redemption in full of the Class A Notes, Principal Amounts due on the Class Z VFN

(p) Deferred Consideration

**General Credit Structure**

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

- availability of the "**General Reserve Fund**", funded on the Closing Date by the Class Z VFN up to the General Reserve Required Amount from a portion of the proceeds of the Class Z VFN Holder's subscription of the Class Z VFN. Monies standing to the credit of the General Reserve Fund will be used as Available Revenue Receipts on each Interest Payment Date, to the extent required to make up any Revenue Deficiency. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments (see section *"Credit Structure – General Reserve Fund and General Reserve Ledger"* for further details);

- a Principal Deficiency Ledger will be established for each Class of Notes to record the notional principal losses corresponding to each Class of Notes in reverse sequential order. Available Revenue Receipts will be applied in accordance with the Pre-Acceleration Revenue Priority of Payments to make up the relevant Principal Deficiency Ledger in sequential order (see section *"Credit Structure – Principal Deficiency Ledgers"* for further details);

- availability of an overnight rate provided by the Account Bank in respect of monies held in the Transaction Account (see section *"Credit Structure – Transaction Account"* for further details);

- availability of an interest rate swap provided by the Interest Rate Swap Provider to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes (see section *"Credit Structure – Interest Rate Risk for the Notes"* for further details);

- if, on any Interest Payment Date whilst there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class Z VFN, then the Issuer

will be entitled to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date (see the section *"Credit Structure – Available Receipts"* for further details.)

**Bank Accounts**

The Issuer will enter into the Bank Account Agreement with the Account Bank in respect of the Transaction Account and any additional accounts to be established by the Issuer pursuant to the Bank Account Agreement (together, the "**Bank Accounts**").

Collections of revenue and principal in respect of the Loans in the Portfolio are received by the Seller in its Collection Account(s). The Seller (and, where relevant, the Servicer) is obliged to transfer collections in respect of the Loans in the Portfolio to the Transaction Account from the Collection Account(s) on a daily basis. On each Interest Payment Date, the Cash Manager will apply monies from the Transaction Account in accordance with the relevant Priority of Payments. Monies from the Transaction Account may also be used to pay the Additional Borrowing Purchase Price in respect of any Additional Borrowing on any Monthly Pool Date.

"**Swap Collateral Account**" means an account (including a cash and/or a securities account) opened by the Issuer with Citibank N.A., London Branch in its capacity as the Swap Collateral Account Bank for the purposes of depositing any collateral to be posted by the Interest Rate Swap Provider pursuant to the terms of the Interest Rate Swap Agreement.

"**Swap Collateral Account Bank**" means Citibank N.A., London Branch with whom the Swap Collateral Account is held, pursuant to the terms of the Swap Collateral Account Agreement.

**Cash Management**

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 the Swap Collateral Account. In addition, the Cash Manager will:

(a) provide the Issuer, the Note Trustee, the Seller, the Paying Agent, the Class A Noteholders, the Interest Rate Swap Provider and the Rating Agencies with a monthly investor report in each case by publication on the website of Aldermore Bank PLC at www.aldermore.co.uk and the website of European DataWarehouse at https://editor.eurodw.eu/home/index (being a securitisation repository, or, in the absence of a securitisation repository, any website 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 "**Investor Report**") setting out certain aggregated loan data in relation to the Portfolio by no later than the 18th Business Day of each month;

(b) calculate the Available Revenue Receipts and

Available Principal Receipts of the Issuer;

(c) apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;

(d) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Acceleration Priority of Payments;

(e) record credits to, and debits from, the General Reserve Ledger, the Revenue Ledger, the Issuer Profit Ledger, the Principal Deficiency Ledger and the Principal Ledger as and when required;

(f) make payments of any Additional Borrowing Purchase Price to the Seller;

(g) make a drawing under the Class Z VFN as required, including, without limitation, any drawing required to fund the Additional Borrowing Purchase Price;

(h) make any determinations required to be made by the Issuer under the Interest Rate Swap Agreement;

(i) credit all Swap Collateral posted by the Interest Rate Swap Provider if required pursuant to the Interest Rate Swap Agreement to the Swap Collateral Account; and

(j) make any determinations and calculations in respect of the Reconciliation Amount, if necessary.

**Back-Up Cash Manager Facilitator**

At the time a Cash Manager Termination Event occurs, the Back-Up Cash Manager Facilitator will (pursuant to the Cash Management Agreement) use its reasonable endeavours to identify, on behalf of the Issuer, a suitable replacement cash manager to replace the Cash Manager (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a replacement cash manager).

**Interest Rate Swap**

On or about the Closing Date, the Interest Rate Swap Provider will enter into an ISDA Master Agreement (including a schedule and a credit support annex thereto and one or more confirmations thereunder) with the Issuer (as amended from time to time) (the "**Interest Rate Swap Agreement**").

Payments received by the Issuer under certain of the Loans in the Portfolio will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Compounded Daily SONIA. Pursuant to the Interest Rate Swap Agreement the Issuer will enter into a swap to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Compounded Daily SONIA (the "**Interest Rate Swap**"). The rate payable by the Issuer under the Interest Rate Swap is not intended to be an exact match

of the interest rates that the Issuer receives in respect of the Fixed Rate Loans in the Portfolio.

The Interest Rate Swap has the following key commercial terms:

"**Fixed Rate Notional Amount**": an amount in Sterling equal to, in respect of a Calculation Period (as defined in the Interest Rate Swap Agreement), the Adjusted Fixed Rate Loan Balance (as defined in the Interest Rate Swap Agreement) for such Calculation Period, provided that for the first Calculation Period the Fixed Rate Notional Amount will be £357,470,697.

"**Issuer payment**": the amount equal to the product of (i) a percentage to be specified in the Interest Rate Swap Agreement and (ii) Fixed Rate Notional Amount of the Interest Rate Swap for the relevant Calculation Period and (iii) the relevant day count fraction.

"**Interest Rate Swap Provider Payment**": the amount equal to the product of (i) the Fixed Rate Notional Amount of the Interest Rate Swap for the relevant Calculation Period; (ii) Compounded Daily SONIA determined in accordance with the Interest Rate Swap Agreement; and (iii) the relevant day count fraction.

"**Frequency of payment**": quarterly on each of:

(i) the 28th calendar day of each of January, April, July and October from and including 28 January 2020 to but excluding the last such day falling prior to the Termination Date; and

(ii) the Termination Date,

in each case subject to adjustment in accordance with the Modified Following Business Day Convention.

"**Termination Date**": the earlier of (i) the date on which the Class A Notes are redeemed in full other than in circumstances which give rise to an Additional Termination Event (as set out in Part 1(q) of the Schedule to the Interest Rate Swap Agreement); (ii) the Interest Payment Date falling in October 2029; (iii) the Interest Payment Date on or immediately following the date on which the aggregate of the Current Balance of the Loans is reduced to zero; and (iv) the first Interest Payment Date on or after the Step-Up Date on which the Adjusted Fixed Rate Loan Balance (as defined in the Interest Rate Swap) is zero, in each case subject to adjustment in accordance with the Modified Following Business Day Convention. The Interest Rate Swap may terminate in advance of the Termination Date if an Early Termination Event were to occur and in such circumstances a termination amount would be payable.

See section *"Credit Structure – Interest Rate Risk for the Notes – Interest Rate Swap"* for further details.

## TRANSACTION OVERVIEW – TRIGGERS TABLES

### Rating Triggers Table

| Transaction Party | Required Ratings | Contractual requirements on occurrence of breach of ratings trigger include the following: |
|---|---|---|
| **Interest Rate Swap Provider** | *Rating Event I:* | |
| | With respect to Moody's, (i) if its short-term, unsecured and unsubordinated debt or counterparty risk assessment is rated "Prime-1" or above by Moody's and its long-term, unsecured and unsubordinated debt or counterparty risk assessment is rated "A2" or above by Moody's or (ii) if such entity's short-term, unsecured and unsubordinated debt or counterparty risk assessment is not rated by Moody's, if its long-term, unsecured and unsubordinated debt or counterparty risk assessment is rated "A1" or above by Moody's; and | The consequences of breach (a "Rating Event I" or "Rating Event II") under the Interest Rate Swap Agreement include the requirement to provide collateral or replace the Interest Rate Swap Provider or procure a guarantee of the Interest Rate Swap Provider's obligations.<br><br>Where the Interest Rate Swap Provider does not have the minimum ratings that are required to support the then rating of the Class A Notes even where the Interest Rate Swap Provider has provided collateral under the terms of the Interest Rate Swap Agreement, the Interest Rate Swap Provider shall provide, or cause to be provided, a guarantee to the Issuer from a third party that has the sufficient rating or transfer its rights and obligations under the Interest Rate Swap Agreement to a third party that is sufficiently rated. |
| | with respect to Fitch, if:<br><br>(A) the Class A Notes have a rating of "AAAsf", the short-term Issuer Default Rating assigned to it by Fitch is "F1" or above or the long-term Issuer Default Rating assigned to it by Fitch is "A" or above; or | If none of these remedial measures is taken within the timeframes stipulated in the Interest Rate Swap Agreement, the Interest Rate Swap Agreement may, in certain circumstances, be terminated early and a termination payment may become payable either by the Issuer or the Interest |

| Transaction Party | Required Ratings | Contractual requirements on occurrence of breach of ratings trigger include the following: |
|---|---|---|
| | | Rate Swap Provider. |
| | (B) the Class A Notes have a rating of "AA+sf" or lower (but higher than "A+sf"), the short-term Issuer Default Rating assigned to it by Fitch is "F1" or above or the long-term Issuer Default Rating assigned to it by Fitch is "A-" or above; or | |
| | (C) the Class A Notes have a rating of "A+sf" or lower (but higher than "BBB+sf"), the short-term Issuer Default Rating assigned to it by Fitch is "F2" or above or the long-term Issuer Default Rating assigned to it by Fitch is "BBB" or above; or | |
| | (D) the Class A Notes have a rating of "BBB+sf" or lower (but higher than "BB+sf"), the short-term Issuer Default Rating assigned to it by Fitch is "F3" or above or the long-term Issuer Default Rating assigned to it by Fitch is "BBB-" or above; or | |
| | (E) the Class A Notes have a rating of "BB+sf" or lower (but higher than "B+sf"), the long-term Issuer Default Rating assigned to it by Fitch is equal to or higher than the rating of the highest rated outstanding Class A Notes; or | |
| | (F) the Class A Notes have a rating of "B+sf" or lower, the long-term Issuer Default Rating assigned to it by Fitch is equal to or higher | |

| Transaction Party | Required Ratings | Contractual requirements on occurrence of breach of ratings trigger include the following: |
|---|---|---|
| | than the rating of the highest rated outstanding Class A Notes.<br><br>*Rating Event II:*<br><br>With respect to Moody's, (i) if its short-term, unsecured and unsubordinated debt or counterparty risk assessment is rated "Prime-2" or above by Moody's and its long-term, unsecured and unsubordinated debt or counterparty risk assessment is rated "A3" or above by Moody's or (ii) if such entity's short-term, unsecured and unsubordinated debt or counterparty risk assessment is not rated by Moody's, if its long-term, unsecured and unsubordinated debt or counterparty risk assessment is rated "A3" or above by Moody's; and<br><br>with respect to Fitch, if:<br><br>(A) the Class A Notes have a rating of "AAAsf", the short-term Issuer Default Rating assigned to it by Fitch is "F3" or above if such entity is an Unadjusted Entity or "F2" or above if such entity is an Adjusted Entity or the long-term Issuer Default Rating assigned to it by Fitch is "BBB-" or above if such entity is an Unadjusted Entity or "BBB+" or above if such entity is an Adjusted Entity; or<br><br>(B) the Class A Notes have a rating of "AA+sf" or lower (but higher than "A+sf"), the short-term Issuer Default Rating assigned to it by Fitch is "F3" or above if such | |

| Transaction Party | Required Ratings | Contractual requirements on occurrence of breach of ratings trigger include the following: |
|---|---|---|
| | entity is an Unadjusted Entity or "F2" or above if such entity is an Adjusted Entity or the long-term Issuer Default Rating assigned to it by Fitch is "BBB-" or above if such entity is an Unadjusted Entity or "BBB+" or above if such entity is an Adjusted Entity; or | |
| | (C) the Class A Notes have a rating of "A+sf" or lower (but higher than "BBB+sf"), the short-term Issuer Default Rating assigned to it by Fitch is "F2" or above if such entity is an Adjusted Entity or the long-term Issuer Default Rating assigned to it by Fitch is "BB+" or above if such entity is an Unadjusted Entity or "BBB" or above if such entity is an Adjusted Entity; or | |
| | (D) the Class A Notes have a rating of "BBB+sf" or lower (but higher than "BB+sf"), the short-term Issuer Default Rating assigned to it by Fitch is "F3" or above if such entity is an Adjusted Entity or the long-term Issuer Default Rating assigned to it by Fitch is "BB-" or above if such entity is an Unadjusted Entity or "BBB-" or above if such entity is an Adjusted Entity; or | |
| | (E) the Class A Notes have a rating of "BB+sf" or lower (but higher than "B+sf"), the long-term Issuer Default Rating | |

| Transaction Party | Required Ratings | Contractual requirements on occurrence of breach of ratings trigger include the following: |
|---|---|---|
| | assigned to it by Fitch is "B+" or above if such entity is an Unadjusted Entity or "BB-" or above if such entity is an Adjusted Entity; or<br><br>(F) the Class A Notes have a rating of "B+sf" or lower, the long-term Issuer Default Rating assigned to it by Fitch is "B-" or above if such entity is an Unadjusted Entity or an Adjusted Entity.<br><br>The ratings required to support the rating of the Class A Notes are set out in full in the Interest Rate Swap Agreement. | |
| **Account Bank** | In respect of Moody's, a short-term, unsecured, unguaranteed and unsubordinated debt obligation rating at least P-1 or a long-term rating of at least A3, or such other ratings as are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.<br><br>In respect of Fitch, a short-term issuer default rating of at least F1 or a long-term issuer default rating (or deposit rating, if assigned) of at least A, or such other ratings as are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.<br><br>In each case, such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of | The consequences of breach are that the Account Bank's appointment may be terminated and the Bank Accounts closed by the Issuer (within 60 calendar days) (such termination being effective on a replacement account bank being appointed by the Issuer with the prior written consent of the Security Trustee). |

| Transaction Party | Required Ratings | Contractual requirements on occurrence of breach of ratings trigger include the following: |
|---|---|---|
| | the Class A Notes. | |
| **Swap Collateral Account Bank** | In respect of Moody's, a short-term, unsecured, unguaranteed and unsubordinated debt obligation rating of at least P-1 or a long-term rating of at least A3, or such other ratings as are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes.<br><br>In respect of Fitch, a short-term issuer default rating of at least F1 or a long-term issuer default rating (or deposit rating, if assigned) of at least A, or such other ratings as are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Class A Notes. | The consequences of breach are that the Swap Collateral Account Bank's appointment may be terminated and the Swap Collateral Accounts closed by the Issuer (within 60 calendar days) (such termination being effective on a replacement account bank being appointed by the Issuer with the prior written consent of the Security Trustee). |

**Non-Rating Triggers Table**

| Nature of Trigger | Description of Trigger | Contractual requirements on occurrence of breach of trigger include the following: |
|---|---|---|
| **Servicer Termination Event**<br><br>See the section entitled *"Summary of the Transaction documents – The Servicing Agreement"* for further information. | The occurrence of any of the following:<br><br>(a) the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;<br><br>(b) the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, and the Servicer does not remedy that failure within thirty (30) Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the | On the occurrence of a Servicer Termination Event, the Issuer may terminate the appointment of the Servicer under the Servicing Agreement and the Back-Up Servicer may following a notice period of 60 days commence the provision of the Back-Up Services as set out in the Back-Up Servicing Agreement, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date. |

| Nature of Trigger | Description of Trigger | Contractual requirements on occurrence of breach of trigger include the following: |
|---|---|---|
| | Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Servicer's non-compliance to be remedied; or<br><br>(c) an Insolvency Event occurs in relation to the Servicer. | |
| **Back-Up Servicer Termination Event** | The occurrence of any of the following:<br><br>(a) the Back-Up Servicer defaults in the payment on the due date of any payment due and payable by it under the Back-Up Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Back-Up Servicer becoming aware of such default and receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;<br><br>(b) the Back-Up Servicer defaults in the performance or observance of any of its covenants and obligations under the Back-Up Servicing Agreement, which default in the opinion of the Security Trustee is | On the occurrence of a Back-Up Servicer Termination Event, the Issuer may terminate the appointment of the Back-Up Servicer under the Back-Up Servicing Agreement and the Issuer (with the assistance of the Back-Up Servicer Facilitator) will, as soon as reasonably practicable after such Back-Up Servicer Termination Event, appoint a replacement back-up servicer. |

| Nature of Trigger | Description of Trigger | Contractual requirements on occurrence of breach of trigger include the following: |
|---|---|---|
| | materially prejudicial to the interests of the Secured Creditors, and the Back-Up Servicer does not remedy that failure within thirty (30) Business Days after the earlier of the Back-Up Servicer becoming aware of the failure or of receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Back-Up Servicer's non-compliance to be remedied;<br><br>(c) an Insolvency Event occurs in relation to the Back-Up Servicer; or<br><br>(d) the Issuer resolves, after due consideration and acting reasonably (with the consent of the Security Trustee), that the appointment of the Back-Up Servicer should be terminated. | |
| **Cash Manager Termination Event** | The occurrence of any of the following:<br><br>(a) the Cash Manager defaults in the payment on the due date of any payment due and payable by it under the Cash Management Agreement and such default continues unremedied for a | On the occurrence of a Cash Manager Termination Event, the Issuer (prior to the delivery of a Note Acceleration Notice) (with the written consent of the Security Trustee) or (following the service of a Note Acceleration Notice) the Security Trustee may terminate the appointment of the Cash Manager under the Cash Management Agreement and the Issuer (with the assistance of the |

| Nature of Trigger | Description of Trigger | | Contractual requirements on occurrence of breach of trigger include the following: |
|---|---|---|---|
| | | period of seven (7) Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied; | Back-Up Cash Manager Facilitator) will, as soon as reasonably practicable after such Cash Manager Termination Event, appoint a replacement back-up cash manager. |
| | (b) | the Cash Manager defaults in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which default in the opinion of the Security Trustee is materially prejudicial to the interests of the Secured Creditors, and the Cash Manager does not remedy that failure within thirty (30) Business Days after the earlier of the Cash Manager becoming aware of the failure or of receipt by the Cash Manager of written notice from the Issuer or (following the service of a Note Acceleration Notice) the Security Trustee requiring the Cash Manager's non-compliance to be remedied; | |
| | (c) | an Insolvency Event occurs in relation to | |

| Nature of Trigger | Description of Trigger | Contractual requirements on occurrence of breach of trigger include the following: |
|---|---|---|
| | the Cash Manager; or<br><br>(d) a Potential Cash Manager Termination Event occurs and the Cash Manager (or any back-up cash manager on its behalf) does not remedy such default during the next following two Business Days. | |
| **Potential Cash Manager Termination Event**<br><br>See the section entitled *"Summary of the Transaction documents – The Cash Management Agreement"* for further information. | The occurrence of any of the following:<br><br>(a) the Cash Manager defaults in its obligation to provide the Investor Report within the time period set out in the Cash Management Agreement; or<br><br>(b) the Cash Manager defaults in its obligation to provide the Principal Paying Agent with certain information required within the time period set out in the Agency Agreement. | On the occurrence of a Potential Cash Manager Termination Event, the Cash Manager shall remedy such breach during the next following 2 Business Days. A failure to remedy such event within 2 Business Days shall constitute a Cash Manager Termination Event. |

## TRANSACTION OVERVIEW – FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

| Type of Fee | Amount of Fee | Priority in Cashflow | Frequency |
|---|---|---|---|
| Servicing Fees | For so long as Aldermore is the Servicer, 0.08 per cent. Per annum, (inclusive of VAT, if any), on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date (if a replacement servicer which is not the Back-Up Servicer is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the replacement servicer for its services a fee to be determined at the time of such appointment). | Ahead of all outstanding Notes | In arrear on each Interest Payment Date |
| Back-Up Servicing Fees | On the Closing Date, the Issuer shall pay to the Back-Up Servicer a one-off, upfront Back-Up Servicing fee of £25,000 (exclusive of VAT). From the period beginning on the date of the Back-Up Servicing Agreement and ending on the day before the Back-Up Servicer Succession Date, the Issuer shall pay to the Back-Up Servicer a Back-Up Servicing fee of £20,000 per annum (exclusive of VAT) (subject to adjustment from the second anniversary of the date of the Back-Up Servicing Agreement in accordance with the retail prices index). | Ahead of all outstanding Notes | On the Closing Date and then annually from the second anniversary of the date of the Back-Up Servicing Agreement until the Back-Up Servicer Successor Date |
| Cash Management | For so long as Aldermore is the Cash | | |

| | | | |
|---|---|---|---|
| Fee | Manager, 0.01 per cent. per annum, (inclusive of VAT, if any), on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date (if a replacement cash manager is appointed in accordance with the terms of the Cash Management Agreement, the Issuer shall pay the replacement cash manager for its services a fee to be determined at the time of such appointment) | | |
| Back-Up Servicer Facilitator and Back-Up Cash Manager Facilitator Fees | The Back-Up Servicer Facilitator is appointed in accordance with the terms of the Servicing Agreement and the Issuer shall pay the Back-Up Servicer Facilitator for its services a fee as agreed between the Issuer and the Back-Up Servicer Facilitator<br><br>The Back-Up Cash Manager Facilitator is appointed in accordance with the terms of the Cash Management Agreement and the Issuer shall pay the Back-Up Cash Manager Facilitator for its services a fee as agreed between the Issuer and the Back-Up Cash Manager Facilitator | Ahead of all outstanding Notes | Semi-annually in advance on each Interest Payment Date |
| Other fees and expenses of the Issuer | Estimated at £120,000 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 | Estimated at €6,000 (exclusive of any Closing Date the Notes applicable VAT) | | On or before the Closing Date |

Notes

VAT is currently chargeable at 20.0 per cent.

## REGULATORY REQUIREMENTS

Aldermore, as originator, will retain a material net economic interest of not less than 5 per cent. of the nominal value of the securitised exposures in the securitisation described in this Prospectus as required by Article 6(1) of the Securitisation Regulation (as such article is interpreted and applied on the date hereof and not taking into account any relevant national measures). As at the Closing Date and while any of the Notes remain outstanding, such interest will be comprised of an interest in the Class Z VFN in accordance with Article 6(3)(d) of the Securitisation Regulation. The aggregate Principal Amount Outstanding of the Class Z VFN as at the Closing Date is equal to at least 5 per cent. of the nominal value of the securitised exposures. Aldermore will confirm its ongoing retention of the net economic interest described above in the Investor Reports and any change to the manner in which such interest is held will be notified to Noteholders. Aldermore has provided corresponding undertakings with respect to the interest to be retained by it to the Joint Lead Managers in the Subscription Agreement.

The Loans have not been selected to be sold to the Issuer with the aim of rendering losses on the Purchased Receivables 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 Aldermore in accordance with Article 6(2) of the Securitisation Regulation.

The Loans in the Portfolio are homogeneous for purposes of Article 20(8) of the Securitisation Regulation and the EBA Final Draft Regulatory Technical Standards on the homogeneity of the underlying exposures in securitisation under Articles 20(14) and 24(21) of the Securitisation Regulation dated 31 July 2018 and adopted by the European Commission on 28 May 2019, on the basis that all Loans in the Portfolio: (i) have been underwritten by Aldermore in accordance with similar underwriting standards applying similar approaches with respect to the assessment of a potential Customer's credit risk; (ii) are repayment mortgage loans or interest-only mortgage loans entered into substantially on the terms of similar standard documentation for residential mortgage loans; (iii) are serviced by the Servicer pursuant to the servicing agreement in accordance with similar servicing procedures with respect to monitoring, collections and administration of cash receivables generated from the loans; and (iv) form one asset category, namely residential loans secured with one or several mortgages on residential immovable property in England and Wales.

Any material change to the Seller's Policy 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) be disclosed (along with explanation of the rationale for such changes being made) to investors by the Seller without undue delay.

Aldermore confirms that it has applied to the Loans which will be transferred by it to the Issuer the same sound and well-defined criteria for credit-granting in accordance with Article 9(1) of the Securitisation Regulation which it applies to non-securitised Loans. In particular, Aldermore has:

(a) applied the same clearly established processes for approving and, where relevant, amending, renewing and refinancing the Loans; and

(b) effective systems in place to apply those criteria and processes in order to ensure that credit granting is based on a thorough assessment of the Borrower's creditworthiness taking appropriate account of factors relevant to verifying the prospect of the Borrower meeting his obligations under the Loan.

The Seller's rights and obligations to sell the Loans to the Issuer and/or repurchase the Loans from the Issuer pursuant to the Mortgage Sale Agreement do not constitute active portfolio management for purposes of Article 20(7) of the Securitisation Regulation.

For further information on the requirements referred to above and below in this section "*Regulatory Requirements*" and the corresponding risks, please refer to the Risk Factors

entitled "*Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes*" and "*Securitisation Regulation Risk Factor*".

***Designation***

For the purposes of Article 7(2) of the Securitisation Regulation, Aldermore (as originator) has been designated as the entity responsible for compliance with the requirements of Article 7 and will either fulfil such requirements specified below itself or shall procure that such requirements are complied with on its behalf provided that Aldermore will not be in breach of such undertaking if it fails to so comply due to events, actions or circumstances beyond its control after having used best efforts to comply with the relevant requirements applicable to it under the Securitisation Regulation.

***Reporting under the Securitisation Regulation***

Aldermore (as originator) will (and in the case of items (b), (c), (f), (g) and (h) has made such materials available in draft form to investors pre-pricing of the Notes) and will undertake to the Issuer in the Deed of Charge that for so long as any Notes remain outstanding it will:

(a) procure that a quarterly investor report in respect of the relevant Collection Period; is published on each Interest Payment Date or shortly thereafter (and at the latest one month after the relevant Interest Payment Date) on the website of European DataWarehouse at https://editor.eurodw.eu/home/index (being a securitisation repository, or, in the absence of a securitisation repository, any website 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), in each case in connection with Aldermore's obligations under Article 7(1)(e) of the Securitisation Regulation, which shall, at the Closing Date contain the information set out in Annex VIII of the Delegated Regulation (EU) No 2015/3, as required by Article 43(8) of the Securitisation Regulation. For the avoidance of doubt, such website and the contents thereof do not form part of this prospectus;

(b) procure the publication on a quarterly basis on each Interest Payment Date or shortly thereafter (and at the latest one month after the relevant Interest Payment Date) on the website of European DataWarehouse at https://editor.eurodw.eu/home/index (being a securitisation repository, or, in the absence of a securitisation repository, any website 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) of certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period (the "**Loan-by-Loan Information**") as required by and in accordance with Article 7(1)(a) of the Securitisation Regulation which shall be provided as at the Closing Date in the form of the standardised template set out in Annex I of the Delegated Regulation (EU) No 2015/3 as required by Article 43(8) of the Securitisation Regulation;

(c) procure that the STS Notification is made available within 15 Business Days of the Closing Date via the website of European DataWarehouse at https://editor.eurodw.eu/home/index (being a securitisation repository, or, in the absence of a securitisation repository, any website 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) in accordance with Article 7(1)(d) of the Securitisation Regulation;

(d) following the date specified for compliance in the finalised regulatory technical standards read together with the applicable implementing technical standards (the "**SR Technical Standards**"), as published in accordance with Articles 7(3) and 7(4) of the Securitisation Regulation (such date, the "**RTS Effective Date**"), use reasonable endeavours to procure the publication on a quarterly basis of: (i) investor reports pursuant to Article 7(1)(e) of the Securitisation Regulation; and (ii) the Loan-by-Loan Information, in each case, in the manner required by such technical standards;

(e) procure the publication on the website of European DataWarehouse at https://editor.eurodw.eu/home/index (being a securitisation repository, or, in the absence of a securitisation repository, any website 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) any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay;

(f) procure that copies of the documents required pursuant to Article 7(1)(b) of the Securitisation Regulation (including the Transaction Documents, this Prospectus and any supplements thereto) are made available prior to the pricing of the Notes (and in final form within 15 days following the issuance of the Notes), via the website of European DataWarehouse at https://editor.eurodw.eu/home/index (being a securitisation repository, or, in the absence of a securitisation repository, any website 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);

(g) make available, to the extent required by Article 22(1) of the Securitisation Regulation static and dynamic historical performance data in relation to the Loans (through the website of European DataWarehouse at https://editor.eurodw.eu/home/index or such other website as may be notified by Aldermore to the Issuer, Cash Manager, the Note Trustee, the Security Trustee and the Noteholders) and ensure that such information covers a period of at least 5 years; and

(h) 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 and Aldermore 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 before pricing of the Notes and on an ongoing basis and to potential investors in the Notes upon request.

Following the RTS Effective Date being known, Aldermore will propose in writing to the Cash Manager, the form, timing, frequency of distribution, method of distribution and content of the reporting provided by the Cash Manager in order to ensure compliance with the requirements of Article 7 of the Securitisation Regulation from the RTS Effective Date. The Cash Manager shall consult with Aldermore and if it agrees to provide such reporting on such proposed terms (the "**Updated Report**") shall confirm in writing to Aldermore.

The information set out above shall be published on the website of European DataWarehouse at https://editor.eurodw.eu/home/index, being a website which conforms with the requirements set out in Article 7(2) of the Securitisation Regulation. For the avoidance of doubt, such website and the contents thereof do not form part of this Prospectus.

Within 15 Business Days of the Closing Date, it is intended that the Seller (as Originator) will submit an STS Notification to ESMA.

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with the Securitisation Regulation and any corresponding national measures which may be relevant and none of the Issuer nor any Relevant Party makes any representation that the information described above or in the Prospectus is sufficient in all circumstances for such purposes.

Please also see the section of this Prospectus entitled "*Characteristics of the Portfolio – Verification of Data*".

***Environmental Performance Reporting***

The administrative records of the Seller do not contain any information related to the environmental performance of the property securing the loans. To the extent such certificates

are available in the future, Aldermore will disclose available information related to the environmental performance of the assets by means of a securitisation repository (as defined in the Securitisation Regulation) or such other method as the Seller deems appropriate from time to time.

**Mitigation of interest rate risks**

The Loans and the Notes are affected by interest rate risks (see "Interest rate risk" and "Changes or uncertainty in respect of SONIA may affect the value or payment of interest under the Loans or the Notes" in the Risk Factors section of this Prospectus). The Issuer aims to hedge the relevant interest rate exposures in respect of the loans and the notes, as applicable, by entering into the Interest Rate Swap Agreement (see "Credit Structure – Interest Rate Swap" in this Prospectus).

Interest rate risks are also managed through a requirement in the Servicing Agreement that, following a Perfection Event, the Aldermore Managed Rate set by the Servicer in respect of the Loans are set at a minimum rate (see "Summary of the Key Transaction Documents - The Servicing Agreement—Undertakings by the Servicer" in this Prospectus).

Except for the purpose of hedging interest-rate risk, the Issuer has not entered into derivative contracts, for purposes of Article 21(2) of the Securitisation Regulation.

**Aldermore Managed Rate**

The table below shows the Bank of England base rate (**"BBR"**), SONIA and Aldermore Managed Rate interest rate correlations for the period from 1 January 2010 to 30 June 2019.

| | BBR | SONIA | AMR |
|---|---|---|---|
| BBR | 1.000 | 0.964 | 0.996 |
| SONIA | 0.964 | 1.000 | 0.960 |
| AMR | 0.996 | 0.960 | 1.000 |

*Source of information: Bloomberg and Aldermore Bank PLC*

## SUMMARY OF THE KEY TRANSACTION DOCUMENTS

### Mortgage Sale Agreement

*Portfolio*

Under the Mortgage Sale Agreement, on the Closing Date, subject to the condition that no Event of Default shall have occurred which is continuing as at the Closing Date, the Issuer will pay the Initial Consideration to the Seller and a portfolio of English and Welsh residential mortgage loans (the Loans) and their associated Mortgages and other Related Security will be assigned by way of equitable assignment to the Issuer. The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**". The terms "**Loans**", "**Mortgages**" and "**Related Security**" are further defined in "Transaction Overview".

As part of the assignment of the Portfolio, the Seller will grant an assignment to the Issuer of the Third Party Buildings Policies and the Mortgage Indemnity Guarantee Policy (to the extent relating to the Loans).

The Consideration due to the Seller in respect of the sale of the Portfolio will consist of:

(a) an amount equal to the aggregate Current Balance of the Loans in the Portfolio on the Cut-Off Date (the "**Initial Consideration**"); and

(b) a covenant by the Issuer to pay any Deferred Consideration.

The Deferred Consideration will be paid in accordance with the priority of payments set out in the section headed "*Cashflows — Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*" below.

"**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 (o) inclusive of the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date; or

(b) the items described in (a) to (h) inclusive of the Post-Acceleration Priority of Payments.

"**Consideration**" means the Initial Consideration and the Deferred Consideration.

*Title to the Mortgages, Registration and Notifications*

The completion of the transfer 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 be given to any Borrower until the occurrence of a Perfection Event.

The transfers to the Issuer will be completed as soon as reasonably practicable, and in any case, on or before the 20th Business Day after the earliest to occur of the following:

(a) the Seller being required to perfect legal title to the Loans and their Related Security (i) by an order of a court of competent jurisdiction, (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise, but are not necessarily limited to, mortgage lenders with whose instructions it is customary for the Seller to comply; or

(b) it becoming necessary by law to perfect legal title to the Loans and their Related Security; or

(c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee (on behalf of the Noteholders) so long as any Notes are outstanding or the other Secured Creditors if no Notes are then outstanding to take action to reduce that jeopardy (including due to the possible insolvency of the Seller); or

(d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or

(e) the occurrence of a Seller Insolvency Event; or

(f) the Seller is in breach of its obligations under the Mortgage Sale Agreement, but only if: (i) such breach, where capable of remedy, is not remedied to the reasonable satisfaction of Issuer and to the satisfaction of the Security Trustee within 90 calendar days; and (ii) any of Fitch, and/or Moody's shall have provided confirmation that the then current ratings of the Class A Notes will be withdrawn, downgraded or qualified as a result of such breach, and provided further that: (A) this provision shall only be applicable if the Seller has not delivered a certificate to the Issuer and the Security Trustee that the occurrence of such event does not impact the designation as a 'simple, transparent and standardised' securitisation (within the meaning of the Securitisation Regulation) in respect of the Class A Notes; and (B) this provision shall be subject to such amendment as the Seller may require so long as the Seller delivers a certificate to the Issuer and the Security Trustee that the amendment of such event does not impact the designation as a 'simple, transparent and standardised' securitisation (within the meaning of the Securitisation Regulation) in respect of the Class A Notes,

(each of the events set out in sub-paragraphs (a) to (f) inclusive being a "**Perfection Event**").

A "**Seller Insolvency Event**" will occur in the following circumstances:

(a) an order is made or an effective resolution passed for the winding up of the Seller; or

(b) the Seller stops or threatens to stop payment to its creditors generally or the Seller ceases or threatens to cease to carry on its business or substantially the whole of its business; or

(c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Seller or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the Seller and, in the case of any of the foregoing events, is not discharged within 30 days; or

(d) the Seller is unable to pay its debts as they fall due; or

(e) the Seller takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or a moratorium is declared in respect of any of its indebtedness; or

(f) the commencement of negotiations with one or more creditors of the Seller with a view to rescheduling any indebtedness of the Seller other than in connection with any refinancing in the ordinary course of business; or

(g) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of the Seller, a reorganisation of the Seller, a conveyance to or assignment for the creditors of the Seller generally or the making of an application to a court of competent jurisdiction for protection from the creditors of the Seller generally other than in connection with any refinancing in the ordinary course of business; or

(h) any distress, execution, diligence, attachment or other process being levied or enforced or imposed upon or against the whole or any material part of the undertaking or assets of the Seller (excluding, in relation to the Issuer, by the Security Trustee or any Receiver) and, in the case of any of the foregoing events, is not discharged within 30 days; or

(i) any procedure or step is taken, or any event occurs, analogous to those set out in (a) - (h) above, in any jurisdiction.

Save in relation to Loans which are Dematerialised Loans, the title deeds and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the title deeds and 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 or following the occurrence of an Event of Default, to the order of the Security Trustee.

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

*Representations and Warranties*

On the Closing Date, the Loan Warranties (as defined below) will be given by the Seller in respect of the Loans and their Related Security sold by the Seller to the Issuer.

The Seller will represent and warrant to the Issuer and the Security Trustee in the Mortgage Sale Agreement on the terms of the Loan Warranties (as defined below) in each case subject to certain additional amendments and conditions as set out in the Mortgage Sale Agreement:

(a) in respect of each Loan and its Related Security in the Portfolio, as at the Cut-Off Date;

(b) in relation to any Additional Borrowing, as at the last day of the Monthly Period in which the relevant Advance Date occurred;

(c) in relation to each Loan which is subject to a Product Transfer, as at the last day of the Monthly Period in which the relevant Transfer Date occurred; and

(d) in relation to each Substitute Loan on the Utilisation Date; subject that:

  (i) any references to the Portfolio Notice shall be deemed to mean the schedule to the Substitution Notice; and

  (ii) any references to the Cut-Off Date shall mean the last day of the Monthly Period immediately preceding the relevant Substitution Date.

If any of the Loan Warranties are breached in respect of a Loan as at the Cut-Off Date or as at the last day of the Monthly Period in which the relevant Advance Date and/or Transfer Date (as the case may be) occurred, such Loan will be repurchased by the Seller in accordance with the provisions of the Mortgage Sale Agreement (see "Repurchase by the Seller" below for more details).

The "**Loan Warranties**" to be given by the Seller will include, *inter alia*, the following warranties:

**Loans**

(a) The particulars of the Loans set out in the Portfolio Notice are true, complete and accurate in all material respects.

(b) Each Loan (i) was originated by the Seller in the ordinary course of business pursuant to underwriting standards that were no less stringent than those that the Seller

applied at the time of origination to similar loans that are not securitised and (ii) was denominated in pounds Sterling upon origination.

(c) No Loan has a Current Balance of more than £1,000,000.

(d) As at the Closing Date, there are more than 1,000 Loans in the Portfolio.

(e) Prior to the making of each Initial Advance and each Additional Borrowing, the Lending Criteria and all preconditions to the making of any Initial Advance or, as applicable, any Additional Borrowing were satisfied in all material respects subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender.

(f) In relation to any Loan subject to Additional Borrowing or a Product Transfer, the loan identifier is the same pre- and post- the completion of the Additional Borrowing or Product Transfer.

(g) The Lending Criteria are consistent with the criteria that would be used by a Reasonable, Prudent Mortgage Lender.

(h) Each Loan was made and its Related Security was taken or received substantially on the terms of the Standard Documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect.

(i) At least one monthly payment due in respect of each Loan has been paid by the relevant Borrower as at the Cut-Off Date.

(j) The Current Balance on each Loan and its Related Security constitutes a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable and non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies.

(k) 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 collectability of that Loan or its Related Security.

(l) The rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto.

(m) No agreement for any Loan is wholly or partly a regulated agreement as defined in section 8(3) of the Consumer Credit Act 1974 as amended, extended or re-enacted from time to time or treated as such or, to any extent that any Loan is wholly or partly a regulated agreement or treated as such, the Seller complied in all material respects with all regulatory requirements in respect of the Loan, in particular, without limitation, the provisions under the CCA and of CONC.

(n) All of the Borrowers are individuals (and not partnerships) and were aged 21 years or older at the date he or she executed the relevant Mortgage.

(o) No Loan has a maturity date falling later than two years earlier than the Final Maturity Date;

(p) All approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the Seller to the Issuer, of the Loans and their related Mortgages to be sold under the Mortgage Sale Agreement have been obtained or taken and there is no requirement in order for the transfer to

be effective to obtain the consent of any Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the Issuer, the Security Trustee or any of their successors in title or assigns.

(q) None of the provisions of the Loans have been waived, altered or modified in any way by the Seller other than:

(i) any variation agreed with a Borrower to control or manage arrears on a Loan;

(ii) any variation in the maturity date of a Loan unless the maturity date is later than two years earlier than the Final Maturity Date;

(iii) any variation imposed by statute or as a result of UK Government policy changes or initiatives aimed at assisting homeowners (including Borrowers) in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Loan is charged;

(iv) any variation in the frequency with which the interest payable in respect of the Loan is charged;

(v) any variation to the rate of Interest payable by a Borrower as a result of the Borrowers switching to a different rate;

(vi) any change in the method in which the Borrower makes repayments under the Loan; or

(vii) any partial release of security where, after such release, the Loan continues to satisfy the applicable LTV ratio requirements set out in the Asset Tests,

provided that this Loan Warranty (q) does not apply to Product Transfers.

(r) No Loan is in arrears or has been in arrears since its origination.

(s) No loan is considered by the Seller as being in default within the meaning of Article 178(1) of the CRR, as further specified by the Commission Delegated Regulation (EU) 2018/171 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.".

(t) So far as the Seller is aware, no Borrower is in breach of any obligation under a Loan other than in respect of Monthly Payments.

(u) Each Loan is of a type described in paragraph 2(g)(i) of Article 13 (Level 2B securitisations) in the European Commission adopted text of the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing Regulation (EU) 575/2013 of the European Parliament and the Council with regard to the liquidity coverage requirement for Credit Institutions (or, if different, the equivalent provisions in such approved version of such Commission Delegated Regulation) and/or in accordance with any official guidance issued in relation thereto.

(v) Each loan was originated by the Seller and the Seller was, at the time of the origination of each loan, a credit institution as defined in points (1) and (2) of Article 4(1) of the CRR.

(w) So far as the Seller is aware, having made all reasonable enquiries, no Loan is an exposure to (i) "credit-impaired obligors" or where applicable, "credit-impaired guarantors" as described in Article 13(2)(j) of the LCR Regulation (or if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation) or (ii) "credit-impaired debtors or guarantors" as described in Article

20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto;

(x) No Loan is a Self-certified Loan, a Buy to Let Loan, an Offset Loan, a Right to Buy Loan, a Shared Ownership Loan, a Fast-Track Mortgage Loan or a Shared Equity Loan.

(y) No Loan had an Unindexed Current LTV greater than 95 per cent. as at the Cut-Off Date.

(z) No Loan had an Indexed Current LTV greater than 95 per cent. as at the Cut-Off Date.

(aa) No Loan had an Original LTV greater than 95 per cent. as at the date of origination of that Loan.

(bb) No Loan shall cause the standardised risk weight calculated in respect of the Portfolio on an exposure value-weighted average basis for the Portfolio to exceed 40% as at the Cut-Off Date, as such terms are described in Article 243 of the CRR.

(cc) To the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestrated or had a county court judgment or court decree entered or awarded against him or her on or 6 years prior to the date they executed the relevant Mortgage.

(dd) No Loan is guaranteed by a third-party guarantor.

(ee) Each Loan has been designated as a prime Loan under the Seller's designated origination policies.

(ff) The Seller is not required to make any future Additional Borrowings under any Loan (such as with future reserve loans and retention loans).

(gg) To the best of the Seller's knowledge, no Borrower had been in arrears with another mortgage lender at any point during the 12 months prior to the date of such Borrower's Initial Advance under its Loan.

(hh) No Borrower under a Loan is an employee or director of the Seller.

(ii) Each self-employed Borrower has been trading for at least 2 years and has provided at least 2 years of evidence of trading to the Seller through the provision of HMRC SA302 and Tax Year Overview documentation.

**Mortgages**

(a) Subject in certain appropriate cases to the completion of an application for registration or recording at the Land Registry the whole of the Current Balance on each Loan and all interest amounts, costs and expenses payable in respect of that Loan are secured by a Mortgage or Mortgages over a residential Property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage or charge and subject only in certain appropriate cases to applications for registrations or recordings at the Land Registry of England and Wales which, where required, have been made and are pending and in relation to such cases the Seller is not aware of any notice or any other matter that would prevent such registration or recording.

(b) Each Mortgage is substantially in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed.

(c) The Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage or standard security) which would

materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold or long lease Property:

(i) the lease cannot be forfeited on the bankruptcy of the tenant; and

(ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given.

(d) None of the property transferred under the Mortgage Sale Agreement consists of or includes any stock or marketable securities (for the purposes of section 125 of the Finance Act 2003), chargeable securities (for the purposes of section 99 of the Finance Act 1986) or a chargeable interest (for the purposes of section 48 of the Finance Act 2003).

**The Properties**

(a) All of the Properties are in England or Wales.

(b) Each Property constitutes a separate dwelling unit and is either freehold or leasehold.

(c) Save for children of Borrowers and children of someone living with the Borrower (including in each case, children under the age of 25 who are in full-time education), every person who, at the date upon which a Mortgage over Property situated in England and Wales was granted, had attained the age of 17 and who had been notified to the Seller as being in or about to be in actual occupation of the relevant Property, 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 which was applicable at the time the Mortgage was executed.

(d) No Loan relates to a Property which is not a residential property.

**Valuers' and Solicitors' Reports**

The value of the Properties in connection with each Loan has been determined at origination in accordance with the standards and practices of the RICS Valuation Standards (including those relating to competency and required documentation) by an individual valuer who is an employee or a contractor of a valuer firm engaged by the Seller and accredited to the Seller's valuers panel, who is a fellow, member or associate member of the Royal Institution of Chartered Surveyors ("**RICS**") and whose compensation is not affected by the approval or non-approval of the Loan. Each Valuation Report includes three comparable properties providing evidence for the valuation of each Property.

The valuers' panel is maintained (including the appointment of valuer firms to the panel) by the credit risk department of the Seller with no involvement of sales or product staff. Likewise, sales and product staff are not involved in the selection of the valuer firm from the valuers panel engaged to carry out the valuation of the Properties in connection with each Loan.

(a) Prior to the granting of each Mortgage, the Seller received a Valuation Report from a Valuer on the relevant Property (or such other form of valuation as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender.

(b) Prior to the taking of each Mortgage (other than a remortgage), the Seller:

(i) instructed its solicitor or licensed conveyancer to carry out an investigation of title to the relevant Property and to undertake other searches, investigations, enquiries and other actions on behalf of the Seller in accordance with the instructions which the Seller issued to the relevant solicitor or licensed conveyancer as are set out in the CML's Lenders' Handbook for England and Wales or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a Reasonable, Prudent Mortgage Lender; and

(ii) received a Certificate of Title from the solicitor or licensed conveyancer referred to in sub-paragraph (i) relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender.

(c) The benefit of all Valuation Reports, any other valuation report referred to above and Certificates of Title, to the extent assignable, which were provided to the Seller not more than two years prior to the date of the Mortgage Sale Agreement or the relevant Transfer Date (as applicable) can be validly assigned to the Issuer without obtaining the consent of the relevant Valuer, solicitor or licensed conveyancer.

**Buildings Insurance**

As far as the Seller is aware, at origination, each Property was insured under:

(i) a buildings insurance policy arranged by the Borrower in accordance with the relevant Mortgage Conditions; or

(ii) in the case of a leasehold property, a buildings insurance policy arranged by the relevant landlord or property management company.

**The Seller's Title**

(a) Immediately prior to the purchase of any Loan and the Related Security by the Issuer, and subject to registration or recording at the Land Registry, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned and/or held in trust by the Seller to or for the Issuer pursuant to the Mortgage Sale Agreement, free and clear of all Security Interests, adverse claims, assignments and equities (including, without limitation, rights of set-off or counterclaim and unregistered dispositions which override first registration and unregistered interests which override registered dispositions (as listed in Schedule 1 and Schedule 3 respectively of the Land Registration Act 2002), subject to the Mortgage Sale Agreement and the Borrower's equity of redemption and the Seller is not in breach of any covenant or warranty implied by reason of its selling the Portfolio with full title guarantee.

(b) As far as the Seller is aware, 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.

(c) Save in relation to Loans which are Dematerialised Loans, the Loan Files relating to each of the Loans and their Related Security are held by, or are under the control of:

(i) the Seller; or

(ii) the Servicer.

(d) Neither the entry by the Seller into the Mortgage Sale Agreement nor any transfer, assignment or creation of trust contemplated by the Mortgage Sale Agreement affects or will adversely affect any of the Loans and their Related Security.

(e) 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.

(f) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan or its Related Security, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make on a case by case basis.

**Interest Rates payable under the Loans**

Each Loan in the Portfolio is either a Variable Rate Loan (including a Loan on which a margin either above or below the AMR is applied) or a Fixed Rate Loan.

**Regulation**

(a) The Seller was authorised by and had permission from the Appropriate Regulator to enter into Regulated Mortgage Contracts as lender at the time that it entered into each such Mortgage and continues to be so authorised and hold such permission.

(b) The Seller is authorised by and had permission from the Appropriate Regulator for conducting any other regulated activities (as set out in the FSMA (Regulated Activities) Order 2001 (as amended) (the Order)) in respect of a Regulated Mortgage Contract (as defined in Article 61(3)(a) of the Order) in respect of the Mortgages, as currently detailed in the Financial Services Register entry number 204503.

(c) The Seller has complied in all material respects with all regulatory requirements in respect of the Mortgages, in particular, without limitation, the provisions of MCOB.

(d) Each officer or employee of the Seller in any capacity which involves a controlled function (as defined in the rules of the Appropriate Regulator) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered approved person in accordance with the Appropriate Regulator's rules.

(e) The Seller has created and maintained all records in respect of the Mortgages in accordance with the Appropriate Regulator's rules and any other regulatory requirement.

(f) The Seller has not altered the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed any of the terms and conditions relating to any Loan other than in accordance with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower or other than as requested by a Borrower.

(g) To the extent that any of the Loans qualify as distance contracts (as defined by Article 2 of the Distance Marketing of Consumer Financial Services Directive) the Seller complied with the relevant provisions of the Distance Marketing of Consumer Financial Services Directive, as implemented in the United Kingdom.

**General**

(a) The Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such Loan; such accounts, books and records are up-to-date and in the possession of the Seller or held to its order.

(b) Neither the Seller nor as far as the Seller is aware any of its agents has received written notice of any litigation, claim, dispute, complaint or notice of default (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Loan, Related Security or Properties in Possession Cover which (if adversely determined) might have a material adverse effect on the value of the Portfolio or any part of it.

(c) There are no governmental authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform its obligations under the Mortgage Sale Agreement or to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence in a court in England and Wales which have not been obtained.

(d) The assignment of the Loans and their Related Security to the Issuer on the Closing Date will comply with all applicable laws in England and Wales. The assignment of the Loans and their Related Security to the Issuer on the Closing Date is a legal, valid and binding assignment by the Seller, which is enforceable against the Seller and any creditors of the Seller and is not prohibited or invalid and any sale, transfer or assignment contemplated by the Mortgage Sale Agreement and its related agreements will not materially adversely affect any of the Loans and its related Mortgage and other Related Security.

"**Aldermore Managed Rate**" or "**AMR**" means the Seller's discretionary standard variable rate;

"**Aldermore Managed Rate Loans**" or "**AMR**" Loans means Loans which are subject to the Seller's discretionary standard variable rate;

"**Appropriate Regulator**" means:

(a) in respect of the period before 1 April 2013:

(i) the FSA; or

(ii) the Office of Fair Trading (solely in respect of 'consumer credit back book mortgage contracts' (as that term is defined in article 2 of the Mortgage Credit Directive Order 2015)); and

(b) in respect of the period on or after 1 April 2013:

(i) the FCA; or

(ii) the FCA and the PRA; or

(iii) the Office of Fair Trading (solely in respect of 'consumer credit back book mortgage contracts' (as that term is defined in article 2 of the Mortgage Credit Directive Order 2015)),

as applicable.

"**Buy to Let Loans**" means Loans taken out by Borrowers in relation to the purchase or re-mortgage of properties for letting purposes;

"**Additional Borrowing**" means, in relation to a Loan, any advance of further money to the relevant Borrower (including any commitment to fund any further amount which has not yet been advanced or any further amount advanced but not yet drawn) following the making of the Initial Advance, which is secured by the same mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

"**Dematerialised Loan**" means a Loan completed on or after 1 January 2004 over a Property located in England or Wales in respect of which the Seller does not retain the Title Deeds;

"**Fast-Track Mortgage Loan**" means a Loan which is approved by a lender without proof of income of the Borrower at the time of the making of the Loan;

"**Fixed Rate Loan**" means a Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the outstanding balance does not vary and is fixed for a certain period of time by the Seller;

"**Indexed Current LTV**" means the ratio of the Current Balance of the relevant Loan divided by the indexed valuation of the relevant Property based on the Nationwide House Price Index, from the date of the latest recorded valuation of the Property to the Cut-Off Date;

"**Loan Agreement**" means, in relation to a Loan, the loan agreement entered into between the relevant Borrower and the Seller, as amended and/or restated from time to time;

"**Loan Files**" means the file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing *inter alia* correspondence between the Borrower and the Seller and including mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to that extent available, the solicitor's or licensed conveyancer's certificate of title;

"**LTV**", "**LTV ratio**" or "**loan-to-value ratio**" means the ratio (expressed as a percentage) of the outstanding Current Balance of a Loan to the valuation of the Property securing that Loan;

"**Monthly Payment**" means the amount which the relevant Mortgage Conditions require a Borrower to pay on each monthly payment date in respect of that Borrower's Loan;

"**Mortgage Conditions**" means all the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's relevant mortgage conditions booklet, as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

"**Mortgage Deed**" means, in respect of any Mortgage, the deed in written form creating that Mortgage;

"**Mortgage Indemnity Guarantee Policy**" means the mortgage indemnity guarantee policy with policy number MIG447 in favour of the Seller and underwritten by Canopius Managing Agents Limited pursuant to which the insurers provide certain insurance cover in respect of mortgage loans that satisfy the criteria set out in the policy;

"**New Loan Type**" means a new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the Issuer, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Loans comprised in the Portfolio and for the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate or any other interest rate or the benefit of any discounts, cash backs and/or rate guarantees or if it has flexible features;

"**Offset Loan**" means a Loan which permits the Borrower to offset the amount of monies standing to the credit of specified savings account(s) against the Current Balance of their Loan for the purposes of reducing the interest bearing balance of their Loan;

**"Original LTV"** means the ratio of the balance of the relevant Loan divided by the valuation of the Property, in each case at the time of origination of the relevant Loan;

"**Reasonable, Prudent Mortgage Lender**" means a reasonably prudent residential mortgage lender lending to borrowers in England or Wales who generally satisfies the lending criteria of traditional sources of residential mortgage capital;

"**Right to Buy Loan**" means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under the Housing Act 1985 and the Housing Act 1996 (each as amended and updated from time to time);

"**Self-certified Loan**" means a Loan which was marketed and underwritten on the premise that the loan applicant or, as applicable, any intermediary, was made aware that evidence of the declared income was unavailable and would not be required in order to underwrite the case or that the information provided might not be verified by the Seller (as originator);

"**Shared Equity Loan**" means a loan in respect of a property where the borrower purchases 100 per cent. of the relevant property but only pays a percentage of the market value with the balance of the purchase monies being provided by an equity sharing lender;

"**Shared Ownership Loan**" means a loan in respect of a property where the borrower acquires a percentage of the relevant property and pays rent to a landlord in respect of the remaining interest in the property;

"**Standard Documentation**" means the standard documentation of the Seller, a list of which is set out in Exhibit 1 to the Mortgage Sale Agreement, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;

"**Third Party Buildings Policies**" means the buildings insurance policies referable to each Property;

"**Title Deeds**" means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which relate to the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

"**Transfer Date**" means the date that the Product Transfer is made;

"**Unindexed Current LTV**" means the ratio of the Current Balance of the relevant Loan divided by the latest recorded valuation of the relevant Property;

"**Valuation Report**" means the valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by 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 Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller; and

"**Variable Rate Loans**" means those Loans to the extent that and for such period that their Mortgage Conditions provide that they are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (and shall, for the avoidance of doubt, exclude Loans during the period that they are Fixed Rate Loans).

*Additional Borrowings and Product Transfers*

As used in this Prospectus, "**Initial Advance**" means all amounts advanced by the Seller to a Borrower under a Loan other than an Additional Borrowing. Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire Additional Borrowings.

**Additional Borrowings**: The Issuer shall purchase Additional Borrowings from the Seller on the date that the relevant Additional Borrowing is advanced to the relevant Borrowers by the Seller (the "**Advance Date**"). The Issuer will pay the Seller an amount equal to the principal amount of the relevant Additional Borrowing (the "**Additional Borrowing Purchase Price**") on the Monthly Pool Date immediately following the Monthly Period in which the relevant Advance Date occurred by using amounts standing to the credit of the Principal Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the aggregate of the amounts standing to the credit of the Principal Ledger would not be sufficient to fund such Additional Borrowing Purchase Price, the Issuer will, prior to the Class Z VFN Commitment Termination Date, make a drawing under the Class Z VFN in an amount equal to the difference between (i) amounts standing to the credit of the Principal Ledger and (ii) the Additional Borrowing Purchase Price and use such proceeds of the Class Z VFN to fund the purchase of Additional Borrowings under the Loans. If the Issuer is unable to fund the purchase of any Additional Borrowing from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall in the Additional Borrowings Purchase Price to be paid on the Monthly Pool Date, or if the Additional Borrowing occurs after the Step-Up Date the Issuer shall not complete the purchase of the relevant Additional Borrowing and the Seller must repurchase the related Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement. (See *"Repurchase by the Seller"* below for more details).

The Issuer will also pay Deferred Consideration in relation to the Loan to which such Additional Borrowing relates in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable).

If it is determined by the Servicer on the Monthly Test Date immediately following the Monthly Period in which the relevant Advance Date occurred that any of the Asset Conditions have not

been met as at the last day of the Monthly Period in which the relevant Advance Date occurred (or if it is subsequently discovered that the Asset Conditions were breached as at the last day of the Monthly Period in which the relevant Advance Date occurred) in respect of the Loan subject to such Additional Borrowing, then the Seller will have an obligation to remedy such breach within 30 days after receiving written notice of such breach from the Servicer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 day period on behalf of the Issuer, the Seller has an obligation to repurchase such Loan and its Related Security in accordance with the provisions of the Mortgage Sale Agreement. (See *"Repurchase by the Seller"* below for more details).

Neither the Servicer nor the Seller shall make an offer to a Borrower for an Additional Borrowing if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

**Product Transfers:** The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Transfer. Any Loan which has been subject to a Product Transfer will remain in the Portfolio provided that it continues to satisfy the Asset Conditions. If it is subsequently determined by the Servicer on the Monthly Test Date immediately following the Monthly Period in which the Product Transfer was made that any of the Asset Conditions have not been met as at the last day of the Monthly Period in which the relevant Transfer Date occurred (or such breach was subsequently discovered in respect of such date) in respect of a Loan which is the subject of a Product Transfer and which remains in the Portfolio, then the Seller will have an obligation to remedy such breach within 30 days after receiving written notice of such breach from the Servicer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 day period, the Seller has an obligation to repurchase such Loan and its Related Security (See *"Repurchase by the Seller"* below for more details).

The Seller (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Transfer. Neither the Servicer nor the Seller shall make an offer to a Borrower for a Product Transfer if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

"**Product Transfer**" means a variation to the financial terms or conditions included in the Mortgage Conditions applicable to a Loan other than any variation:

(a) agreed with a Borrower to control or manage arrears on the Loan;

(b) in the maturity date of the Loan (unless the maturity date would be extended to a date later than two years before the Final Maturity Date of the Notes in which case such variation will constitute a Product Transfer);

(c) imposed by statute or legislation;

(d) to the rate of interest payable by a Borrower as a result of the relevant Borrowers transferring to a different rate by operation of the Loan (including, but not limited to, following the end of any reversionary period or initial fixed rate period in respect of the Loan);

(e) in the method in which the Borrower makes repayments under the Loan; or

(f) agreed with a Borrower to change the Loan from an Interest-only Loan to a Repayment Loan.

*High Deposit Loans*

On each Monthly Test Date, the Seller shall determine whether any Borrower has a deposit account with the Seller where the balance of such deposit account is in excess of £85,000 (or such other amount as set by the Financial Services Compensation Scheme from time to time

as being the limit on deposits in an account which would be protected by the Financial Services Compensation Scheme) before notice of transfer of the legal ownership of that Borrower's Loan to the Issuer is given (any such Borrower a "**High Deposit Borrower**" and the relevant Loan, a "**High Deposit Loan**"). The Seller shall send notice to the Issuer, the Cash Manager and the Rating Agencies of any such High Deposit Loan(s) and the amount held on deposit by the relevant High Deposit Borrower with the Seller as at the immediately preceding Monthly Period End Date.

The Seller shall, pursuant to the terms of the Mortgage Sale Agreement, be required to repurchase any High Deposit Loan from the Issuer.

*Repurchase by the Seller*

As set out above and below, the Seller shall repurchase the relevant Loans and their Related Security in the following circumstances:

(a) *Breach of Loan Warranties on the Closing Date.* If it is determined that a Loan sold to the Issuer on the Closing Date had breached any of the Loan Warranties as at the Closing Date, and where such breach is either not capable of remedy or has not been remedied by the Seller within 30 days of receiving notice of such breach from the Issuer, then the Issuer shall serve a notice on the Seller (the "L**oan Repurchase Notice**") requiring the Seller to repurchase such Loan on or before the Monthly Pool Date following the receipt by the Seller of such Loan Repurchase Notice or such other date as the Issuer may direct and which is no later than 30 days after receipt by the Seller of the Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase;

(b) *Insufficient Funds to fund Additional Borrowings.* If the Issuer is unable to fund the purchase of any Additional Borrowing from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall, then the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase the Loan subject to such Additional Borrowing on the Monthly Pool Date following the period in which such Additional Borrowing was advanced. The repurchase price for such Loan shall be equal to its Current Balance determined as at such Monthly Pool Date (excluding the amount of the Additional Borrowing);

(c) *Breach of the Asset Conditions in respect of Loans subject to an Additional Borrowing and/or Product Transfer.* If it is determined that a Loan subject to an Additional Borrowing or Product Transfer had not complied with the Asset Conditions on the relevant Monthly Test Date and where such breach is either not capable of remedy or has not been remedied by the Seller within 30 days of receiving notice of such breach from the Issuer, then the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase such Loan subject to the relevant Additional Borrowing or Product Transfer on or before the Monthly Pool Date following the receipt by the Seller of such Loan Repurchase Notice or such other date as the Issuer may direct and which is no later than 30 days after receipt by the Seller of the Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer);

(d) *Interest Rate Hedging:* If any Back-to-Back Swap relating to the Interest Rate Swap Agreement (or to any replacement interest rate swap entered into on terms similar to those set out in the Interest Rate Swap Agreement) is terminated, the Seller will be required to repurchase any Fixed Rate Loan subject to an Additional Borrowing or a Product Transfer or any AMR Loan subject to a Product Transfer which results in such AMR Loan becoming a Fixed Rate Loan, in each case on or before the Monthly Pool Date immediately following the receipt by the Seller of a Loan Repurchase Notice or such other date as the Issuer may direct and which is no later than 30 days after receipt by the Seller of the Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of

repurchase (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer);

(e) *High Deposit Loans:* In the event the Seller determines on any Monthly Test Date that there is a High Deposit Loan in the Portfolio, the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase such High Deposit Loan on or before the Monthly Pool Date falling at least 30 days following the receipt by the Seller of such Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase; and

(f) *High LTV Loans for which MIG insurance was not obtained upon origination:* In the event the Seller determines on any Monthly Test Date that a Loan in the Portfolio is a High LTV Loan for which MIG insurance was not obtained upon origination, the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase such High LTV Loan on or before the Monthly Pool Date falling at least 30 days following the receipt by the Seller of such Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the date of repurchase.

*Non-compliance with Securitisation Regulation or the LCR*

The Seller may repurchase Loans and their Related Security which are not compliant with Article 13 (*Level 2B securitisations*) of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing Regulation (EU) 575/2013 with regard to the liquidity coverage requirement for Credit Institutions (the "**LCR Regulation**") or Articles 19, 20, 21 or 22 of the Securitisation Regulation and/or with any official guidance issued in relation thereto (each a "**Non-Compliant Loan**"), provided that the Seller has certified to the Security Trustee that a repurchase of the non-compliant loan is necessary in order to comply with the requirements of paragraph 2(g)(i) of Article 13 (*Level 2B securitisations*) of the LCR Regulation (or, if different, the equivalent provisions in the approved version of the LCR Regulation) or Article 19, 20, 21 or 22 of the Securitisation Regulation.

The Seller may offer the Issuer (and the Issuer shall accept) a substitute loan as consideration for the repurchase of a Loan which has been determined to be a Non-Compliant Loan (a **"Substitute Loan"**).

Any Substitute Loan will be assigned to the Issuer unless notice that any of the Substitution Conditions are not satisfied (a **"Notice of Non-Satisfaction of Substitution Conditions"**) has been given by the Seller or the Servicer (on behalf of the Seller) to the Issuer and such notice has not been revoked by the Seller or the Servicer (on behalf of the Seller) no later than 12 noon on the Business Day prior to the repurchase date of the Non-Compliant Loan (the **"Substitution Date"**).

A Notice of Non-Satisfaction of Substitution Conditions may be given by the Seller or the Servicer (on behalf of the Seller) to the Issuer if they reasonably believe that any of the following conditions (the **"Substitution Conditions"**) are not satisfied:

(i) no Event of Default has occurred and is continuing;

(ii) no Seller Insolvency Event has occurred;

(iii) if required, the Interest Rate Swap Agreement will be appropriately varied or, if appropriate, the Issuer will enter into a new basis rate swap, in order to hedge against the interest rate payable on the Substitute Loan(s) and the floating rate of interest payable on the Notes;

(iv) the Servicer has reasonably determined that the Asset Tests will be complied with as of the last day of the Monthly Period in which the Substitution Date occurs; and

(v) in respect of each Substitute Loan provided as consideration for the repurchase of a Loan, such Substitute Loan is of substantially similar

characteristics and credit quality to the Loan it replaces (as reasonably determined by the Servicer (where the Servicer is the Seller)), taking into account the (i) Unindexed Current LTV, (ii) product type, and (iii) rate of interest in respect of such Substitute Loan.

If 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 no later than 12 noon on the Business Day prior to the relevant Substitution Date, and the Substitute Loan is assigned to the Issuer, the Seller must, in relation to the relevant Loan, give the representations and warranties in respect of Substitute Loans set out in the Mortgage Sale Agreement as at the relevant Substitution Date.

If it is subsequently determined that:

(i) any representation or warranty made by it in respect of any of the Substitute Loans was materially untrue as at the Substitution Date; or

(ii) any Substitution Condition was in fact not satisfied on the Substitution Date for a Substitute Loan despite no Notice of Non-Satisfaction of Substitution Conditions being given by the Seller to the Issuer,

and, if either of the occurrences specified in (i) or (ii) above is not capable of remedy or, if capable of remedy, has not been remedied within 30 days of receipt by the Seller of notice from the Issuer, the Seller will, upon receipt of a loan repurchase notice from the Issuer, repurchase the entire Substitute Loan and its Related Security from the Issuer on the date specified in the relevant Loan Repurchase Notice.

Consideration for such repurchase will be provided by payment in cash equal to the aggregate of the Current Balance (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer) of the relevant Substitute Loan or Substitute Loans (determined as at the date of repurchase (excluding, if applicable, the amount of any Additional Borrowing which has not yet been paid for by the Issuer)), as the case may be.

**Asset Conditions**

In order for any Loan which has been the subject of an Additional Borrowing or Product Transfer to remain in the Portfolio, the conditions below (the "**Asset Conditions**") must be complied with as of the last day of the Monthly Period in which the relevant Transfer Date or Advance Date occurred. The Asset Conditions will be tested on the Monthly Test Date immediately following the Monthly Period in which such sale of the Additional Borrowing or Product Transfer took place.

Until a planned change to the systems of the Seller occurs (currently planned to occur during 2020) an Additional Borrowing in relation to a Loan will result in such Loan being redeemed and a new Loan being created. As such, until the system modification takes effect, Loans which are subject to an Additional Borrowing will breach Loan Warranty (f) and the Seller will be required to repurchase such Loans.

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for an Additional Borrowing or a Product Transfer and if any of the Asset Conditions relating to the Loan subject to that Additional Borrowing or Product Transfer is not satisfied as at the last day of the Monthly Period in which the relevant Advance Date and/or Transfer Date occurred, then such Loan will be repurchased by the Seller in accordance with the provisions of the Mortgage Sale Agreement (see "Repurchase by the Seller" below for more details).

The Asset Conditions are:

(i) the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 3 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio at that date;

(ii) the General Reserve Fund is at the General Reserve Required Amount, or failing such condition, a drawing is made under the Class Z VFN in order to replenish the General Reserve Fund to the General Reserve Required Amount;

(iii) the Cash Manager is not aware that the then current ratings of the Class A Notes then outstanding would be downgraded, withdrawn or qualified as a result of the relevant Additional Borrowing and/or Product Transfer remaining in the Portfolio;

(iv) each Loan and its Related Security which is the subject of an Additional Borrowing and/or Product Transfer complies at the end of the Monthly Period in which such Additional Borrowing and/or Product Transfer occurred with the Loan Warranties;

(v) the Asset Tests will not be breached as a result of the relevant Additional Borrowing and/or Product Transfer remaining in the Portfolio (after taking into account any drawing under the Class Z VFN);

(vi) no Event of Default has occurred which is continuing;

(vii) if the making of a Product Transfer would result in a New Loan Type being included in the Portfolio and advance notice in writing of any such Loans subject to a Product Transfer and/or Additional Borrowing remaining in the Portfolio has been provided to Moody's and Fitch and there being no reduction, qualification or withdrawal by Moody's or Fitch of the then current ratings of the Class A Notes as a consequence thereof (provided that no response or action is required to be taken by Moody's in response to such notification and provided further that should Moody's not respond or take no action in response to such notification the Seller shall be entitled to assume no reduction, qualification or withdrawal of the then current ratings of the Class A Notes shall occur by Moody's as a result of such Product Transfer);

(viii) the Class Z Principal Deficiency Sub-Ledger does not have a debit balance as at the most recent Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;

(ix) the aggregate amount of all Additional Borrowings made since the Cut-Off Date does not exceed 3 per cent. of the Current Balance of the Loans comprised in the Portfolio on the Cut-Off Date;

(x) in respect of Additional Borrowings or Product Transfers, the Advance Date or the Transfer Date (as the case may be) falls before the Step-Up Date;

(xi) no Seller Insolvency Event has occurred; and

(xii) the Additional Borrowing (if it is a Fixed Rate Loan) and/or Product Transfer (if, following the relevant Product Transfer, it is a Fixed Rate Loan) is included in the notional amount of the Interest Rate Swap when the Interest Rate Swap is next reset.

"**Asset Tests**" means tests which satisfy each of the following conditions as at the last day of the Monthly Period immediately preceding the relevant Monthly Test Date:

(a) for Additional Borrowings and Product Transfers, the weighted average post-swap yield of any Fixed Rate Loans in the Portfolio (taking into account the relevant Additional Borrowing or Product Transfer) is not less than Compounded Daily SONIA plus 1.90 per cent.;

(b) for Additional Borrowings and Product Transfers, the reversion date of any Fixed Rate Loans in the Portfolio (taking into account the relevant Additional Borrowing or Product Transfer) is no later than 5 years and one Interest Payment Date after the Step-Up Date;

(c) for Additional Borrowings and Product Transfers, the aggregate Current Balance of the Interest-only Loans in the Portfolio (including the relevant Additional Borrowings) does not exceed 15 per cent. of the aggregate Current Balance of the Portfolio;

(d) for Additional Borrowings and Product Transfers, the aggregate Current Balance of Loans in the Portfolio (including the relevant Additional Borrowings) where the primary Borrower is self-employed does not exceed 35 per cent. of the aggregate Current Balance of the Portfolio;

(e) for Additional Borrowings, the weighted average original LTV ratio (calculated by dividing Total Debt Advanced by the Original Valuation) of the Loans in the Portfolio does not exceed 80 per cent.;

(f) for Additional Borrowings, the outstanding Current Balance of any Loans in the Portfolio (including the relevant Additional Borrowings) with an original LTV ratio (calculated by dividing Total Debt Advanced by Original Valuation) of more than 80 per cent. does not exceed 50 per cent.; and

(g) for Additional Borrowings, the original LTV ratio (calculated by dividing Total Debt Advanced by Original Valuation and including fees applied to the balance of the Loan) of each Loan is no more than 95 per cent.

"**Original Valuation**" means the property valuation at the time of the latest advance.

"**Total Debt Advanced**" means the total amount of debt outstanding immediately following the last advance.

*Governing Law*

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

**Accession to the Cross-collateral Mortgage Rights Deed**

The conditions of each of the Mortgages (each a "**Cross-collateral Mortgage**") provide, among other things, some rights (the "**Cross-collateral Rights**") which allow the relevant mortgagee of any such Cross-collateral Mortgage:

(a) to declare immediately due and repayable each liability secured by that Cross-collateral Mortgage and to exercise the statutory power of sale under that Cross-collateral Mortgage if and when the mortgagee of any other mortgage in the name of the same mortgagor is entitled to declare immediately due and repayable any liability secured by that other mortgage; and

(b) to apply the proceeds of enforcement under the Cross-collateral Mortgages of the relevant mortgagor against all liabilities secured by the mortgages in the name of the same mortgagor.

On or about the Closing Date, the Issuer will enter into an accession to the cross-collateral mortgage rights deed dated 3 October 2018 between, among others, the Seller and Citicorp Trustee Company Limited (as amended, restated and supplemented from time to time, the "**Cross-collateral Mortgage Rights Deed**") to regulate the respective rights between each person who as of the date of this Prospectus has or may have a beneficial interest in any Mortgage that is a Cross-collateral Mortgage that includes Cross-collateral Rights which may apply to one or more of the Mortgages (the "**Cross-collateral Mortgage Rights Accession Deed**").

The Cross-collateral Mortgage Rights Deed seeks to provide that each party thereto who is a beneficial owner of a Cross-collateral Mortgage (which, upon it becoming a party to the Cross-collateral Mortgage Rights Deed, will include the Issuer): (i) shall only have Cross-collateral Rights in respect of Cross-collateral Mortgages that it beneficially owns; (ii) waives all rights to exercise Cross-collateral Rights in respect of other Cross-collateral Mortgages

which are not beneficially owned by it; (iii) waives all rights to take any action or proceedings against any other beneficial owner of Cross-collateral Mortgages to exercise the Cross-collateral Rights of that other beneficial owner; (iv) waives any rights to the proceeds of enforcement of Cross-collateral Mortgages not beneficially owned by it; and (v) agrees that if it enforces a Cross-collateral Mortgage in respect of which Cross-collateral Rights attach, the proceeds of such enforcement after deduction of all related costs and expenses shall be applied by or on behalf of it in respect of the Cross-collateral Mortgages beneficially owned by it firstly to repay all amounts owing by the mortgagee or heritable creditor under the enforced Cross-collateral Mortgage beneficially owned by it in accordance with the applicable Mortgage Conditions and, secondly, to the extent there are additional proceeds of enforcement, apply such proceeds in accordance with the approach of a Reasonable, Prudent Mortgage Lender.

The Seller covenants that it will use its reasonable endeavours to prevent, and will not facilitate or otherwise permit, the enforcement of any Cross-collateral Rights by any other Cross-collateral Party (as defined in the Cross-collateral Mortgage Rights Deed) in respect of any Mortgage except in the circumstances and to the extent that such Cross-collateral Party is not prohibited by the provisions of the Cross-collateral Mortgage Rights Deed from exercising Cross-collateral Rights in respect of that Mortgage.

*Governing Law*

The Cross-collateral Mortgage Rights Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

**Servicing Agreement**

*Introduction*

On or about the Closing Date, the Servicer will be appointed by the Issuer to be its agent to service the Loans and their Related Security. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may, in some circumstances, delegate or sub-contract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

*Powers*

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

(a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and

(b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

*Undertakings by the Servicer*

The Servicer has undertaken to the Issuer and the Security Trustee to, among other things:

(a) manage and/or service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been, or were not to be, sold to the Issuer but had remained with the Seller in accordance with the originating, underwriting, administration, arrears and enforcement policy for their repayment which are

beneficially owned solely by the Seller as it applies to such Loans and their Related Security from time to time (the "**Seller's Policy**");

(b) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;

(c) comply with any proper directions, orders and instructions which the Issuer may from time to time give to it in accordance with the provisions of the Servicing Agreement;

(d) keep in force all approvals, authorisations, permissions and consents required in order properly to service the Loans and their Related Security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approval, authorisation or consent required in connection with the performance of the Services under the Servicing Agreement and in particular prepare and submit on a timely basis any necessary notification or fees under the Data Protection (Charges and Information) Regulations 2018;

(e) prepare and submit on behalf of the Issuer all relevant applications and requests for approvals, authorisations and consents required in connection with the business of the Issuer and all relevant applications to renew and to vary and all notifications of change under the relevant legislation;

(f) allocate office space, facilities, equipment and staff sufficient to enable it to perform its obligations under the Servicing Agreement;

(g) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services;

(h) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;

(i) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents save in accordance with their terms;

(j) as soon as reasonably practicable upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement, notify the Issuer in writing of such event;

(k) on or prior to each Monthly Test Date, to provide the Cash Manager, the Issuer and Seller with a report detailing the information relating to the Portfolio necessary to produce the Monthly Investor Report (the "**Monthly Servicer Report**");

(l) on or prior to each Calculation Date, provide the Cash Manager, the Seller and Issuer with a report detailing the information relating to the Portfolio necessary to produce the Quarterly Investor Report (the "**Quarterly Servicer Report**");

(m) deliver to the Issuer and the Security Trustee as soon as reasonably practicable but in any event within five Business Days of becoming aware thereof a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same; and

(n) to comply at all times with the requirements of Regulation (EU) 2016/679 ("**GDPR**") and any other applicable law in any relevant jurisdiction that applies to the processing of data relating to living persons, in each case as amended or replaced from time to time (collectively, "**Data Protection Law**").

*Setting of Interest Rates on the Loans*

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, the standard variable rate (the "**Issuer Aldermore Managed Rate**") and any other discretionary rates or margins applicable in relation to the Loans comprising the Portfolio from time to time. The Servicer will not (except in limited circumstances) at any time set or maintain:

(a) the Issuer Aldermore Managed Rate applicable to any Variable Rate Loan in the Portfolio at a rate which is higher than (although it may be equal to) the then prevailing relevant Aldermore Managed Rate which applies to Loans beneficially owned by the Seller outside the Portfolio (the "**Seller Aldermore Managed Rate**" and together with the Issuer Aldermore Managed Rate, the "**Aldermore Managed Rates**"); or

(b) any other discretionary rate or margin (together with the Aldermore Managed Rates, the "**Discretionary Rates**") in respect of any other Loan in the Portfolio which is higher than (although it may be equal to) the interest rate or margin of the Seller, which applies to that type of Loan beneficially owned by the Seller outside the Portfolio.

As soon as reasonably practicable following a Perfection Event, the Servicer shall take all steps which are necessary to set the Issuer Aldermore Managed Rate (including publishing any notice which is required in accordance with the Mortgage Conditions to effect such change in the Issuer Aldermore Managed Rate) to a rate not less than a rate equal to Compounded Daily SONIA calculated as at the most recent Interest Payment Date plus 2.15 per cent. and thereafter the Servicer shall set the Issuer Aldermore Managed Rate on a quarterly basis on each Interest Payment Date at a rate not less than Compounded Daily SONIA calculated as at such Interest Payment Date plus 2.15 per cent.

*Reasonable, Prudent Mortgage Lender*

For the avoidance of doubt, any action taken by the Servicer to set the Discretionary Rates which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable, Prudent Mortgage Lender.

*Compensation of the Servicer*

The Servicer receives a fee for servicing the Loans and their Related Security. So long as Aldermore is the Servicer, the Issuer pays to the Servicer a servicing fee (inclusive of VAT, if any) of 0.08 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments. If a replacement servicer is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the replacement servicer for its services a fee to be determined at the time of such appointment.

*Removal or Resignation of the Servicer*

The Issuer (subject to the prior written consent of the Security Trustee) or (following the delivery of a Note Acceleration Notice) the Security Trustee may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a "**Servicer Termination Event**") occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;

- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which default in the reasonable

opinion of the Security Trustee is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the default and of receipt by the Servicer of written notice from the Issuer, the Seller or, after the delivery of a Note Acceleration Notice, the Security Trustee requiring the Servicer's non-compliance to be remedied; provided that where the relevant default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 30 Business Days of receipt of such notice from the Issuer, the Seller and/or (as the case may be), after the delivery of a Note Acceleration Notice, the Security Trustee, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer, the Seller and/or (as the case may be), after the delivery of a Note Acceleration Notice, the Security Trustee may in their absolute discretion specify to remedy such default or to indemnify and/or secure and/or prefund the Issuer and/or the Security Trustee against the consequences of such default; or

- an Insolvency Event occurs in relation to the Servicer.

Upon the termination of the appointment of the Servicer (which is Aldermore in the first instance) as a result of the occurrence of a Servicer Termination Event, and, in the absence of any termination or resignation of the Back-Up Servicer as contemplated below, the Back-Up Servicer will assume the responsibility of servicing the Portfolio, subject to the terms of the Back-Up Servicing Agreement (see below). If at the time the Servicer Termination Event occurs the appointment of the Back-Up Servicer has been terminated under the Back-Up Servicing Agreement or the Back-Up Servicer has resigned, the Back-Up Servicer Facilitator will (pursuant to the Servicing Agreement) promptly use its reasonable endeavours to identify, on behalf of the Issuer (and subject to the approval of the Security Trustee), a suitable replacement servicer and a replacement back-up servicer to replace the Servicer and the Back-Up Servicer respectively (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a suitable replacement servicer).

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer with a copy to the Rating Agencies (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) provided that a replacement servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement (if such terms are not available in the market, upon such terms as are reasonable taking into account the prevailing market). The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Class A Notes unless the Noteholders agree otherwise by Extraordinary Resolution.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the title deeds and loan files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Issuer. The Servicing Agreement will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

"**Insolvency Event**" means, in relation to the Servicer or Back-Up Servicer (each, a "**Relevant Entity**" for the purposes of this definition):

(a) an order is made or an effective resolution passed for the winding up of the Relevant Entity; or

(b) the Relevant Entity ceases or threatens to cease to carry on the whole of its business or stops payment or threatens to stop payment of its debts or is deemed unable to

pay its debts within the meaning of section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amounts of its liabilities (taking into account, for both these purposes, contingent and prospective liabilities) or otherwise becomes insolvent; or

(c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the Relevant Entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the Relevant Entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or the substantial part of the undertaking or assets of the Relevant Entity or the appointment of an administrator takes effect; or a distress, execution or diligence or other process is enforced upon the whole or the substantial part of the undertaking or assets of the Relevant Entity and in any of the foregoing cases it is not discharged within 15 Business Days; or if the Relevant Entity initiates or consents to judicial proceedings relating to itself under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness.

*Liability of the Servicer*

The Servicer will indemnify each of the Issuer and the Security Trustee on demand on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Servicer or any of its sub-contractors or delegates in carrying out its functions as Servicer under the Servicing Agreement or such other Transaction Documents to which the Servicer is a party (in its capacity as such).

*Governing Law*

The Servicing Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law and will be made by way of deed.

**Back-Up Servicing Agreement**

On or prior to the Closing Date, the Issuer will enter into the Back-Up Servicing Agreement with, *inter alia*, the Back-Up Servicer and the Security Trustee. The Back-Up Servicing Agreement provides for the Back-Up Servicer to undertake the servicing of the Loans and their Related Security within 60 calendar days from the date of termination of the appointment of the Servicer under the Servicing Agreement, provided that the Back-Up Servicer shall not be obliged to act as servicer before the date falling 90 days after the Closing Date. If the Back-Up Servicer undertakes the role of servicer, it shall act on the terms of the replacement servicing agreement (the "**Replacement Servicing Agreement**") which is on substantially the same terms as the Servicing Agreement and is appended to the Back-Up Servicing Agreement and will be deemed to be entered into on the date on which the Back-Up Servicer assumes the role of servicer under the Back-Up Servicing Agreement.

Following the invocation of the Back-Up Servicer under the Back-Up Servicing Agreement, the Issuer with the assistance of the Back-Up Servicer Facilitator shall, as soon as reasonably practicable following such invocation, use reasonable endeavours to identify a replacement back-up servicer with suitable experience and credentials and enter into a further back-up servicing agreement with such entity in such form as the Issuer and the Security Trustee shall reasonably require, subject to, in accordance with and on substantially the same terms as the Back-Up Servicing Agreement.

*Removal of the Back-Up Servicer*

The Issuer (subject to the prior written consent of the Security Trustee) or (following the delivery of a Note Acceleration Notice) the Security Trustee may, upon written notice to the

Back-Up Servicer, terminate the Back-Up Servicer's appointment under the Back-Up Servicing Agreement if any of the following events (each a "**Back-Up Servicer Termination Event**") occurs and while such event continues:

- the Back-Up Servicer defaults in the payment on the due date of any payment due and payable by it under the Back-Up Servicing Agreement and such default continues unremedied for a period of 30 Business Days after the earlier of the Back-Up Servicer becoming aware of such default and receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;

- the Back-Up Servicer defaults in the performance or observance of any of its covenants and obligations under the Back-Up Servicing Agreement, which default in the reasonable opinion of the Security Trustee is materially prejudicial to the interests of the Noteholders, and the Back-Up Servicer does not remedy that failure within 30 Business Days after the earlier of the Back-Up Servicer becoming aware of the default and of receipt by the Back-Up Servicer of written notice from the Issuer, the Seller or, after the delivery of a Note Acceleration Notice, the Security Trustee requiring the Back-Up Servicer's non-compliance to be remedied; provided that where the relevant default occurs as a result of a default by any person to whom the Back-Up Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Back-Up Servicer Termination Event if, within such period of 30 Business Days of receipt of such notice from the Issuer, the Seller and/or (as the case may be), after the delivery of a Note Acceleration Notice, the Security Trustee, the Back-Up Servicer takes such steps as the Issuer and/or, as the case may be, after the delivery of a Note Acceleration Notice, the Security Trustee may in their absolute discretion specify to remedy such default or to indemnify and/or secure and/or prefund the Issuer and/or the Security Trustee against the consequences of such default including but not limited to the Back-Up Servicer terminating the relevant sub-contracting or delegation arrangements;

- an Insolvency Event occurs in relation to the Back-Up Servicer; or

- the Issuer resolves, after due consideration and acting reasonably (with the consent of the Note Trustee), that the appointment of the Back-Up Servicer should be terminated.

If the Back-Up Servicer resigns, if its appointment is terminated or if the Back-Up Servicer is appointed as servicer (and therefore ceases to be Back-Up Servicer), the Issuer with the assistance of the Back-Up Servicer Facilitator shall, as soon as reasonably practicable upon receiving written notice of such resignation, termination or appointment, use reasonable endeavours to appoint a replacement back-up servicer with suitable experience and credentials and enter into a further back-up servicing agreement, such agreement being in accordance with and on substantially the same terms as the Back-Up Servicing Agreement (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a suitable replacement servicer).

*Compensation of the Back-Up Servicer*

From the period beginning on the date of the Back-Up Servicing Agreement and ending on the day before the date on which the Back-Up Servicer assumes responsibility under the Replacement Servicing Agreement (the "**Back-Up Servicer Succession Date**"), the Issuer shall pay to the Back-Up Servicer a Back-Up Servicing fee of £20,000 (exclusive of VAT) per annum (subject to adjustment from the second anniversary of the date of the Back-Up Servicing Agreement in accordance with the retail prices index).

*Governing Law*

The Back-Up Servicing Agreement and any non-contractual obligations arising out of or in respect of it will be governed by English law.

**Deed of Charge**

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Security Trustee.

*Security*

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the "**Security**") as trustee for itself and for the benefit of the other Secured Creditors (including the Noteholders):

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

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

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

(d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and the Swap Collateral Account Bank and any other bank account (including any securities account) and any sums or other collateral standing to the credit thereof; and

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

(f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge.

"**Authorised Investments**" means:

(a) Sterling gilt-edged securities; and

(b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and subject to:

(i) such investments (A) having a maturity date of 30 days or less and maturing before the next following Interest Payment Date or within 30 days, whichever is sooner (and in each case for at least the price paid for the relevant investment), (B) being capable of being broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 30 days, whichever is sooner, and (C) being rated at least P-1 by Moody's (and A2 (long term) by Moody's if the investments have a long-term rating) and F1 (short term) and/or A (long term) by Fitch; or

(ii) such investments (A) having a maturity date of 90 days or less and maturing before the next following Interest Payment Date or within 90 days, whichever is sooner (and in each case for at least the price paid for the relevant investment),

(B) being capable of being broken or demanded by the Issuer (at no cost to the Issuer and for at least the price paid for the relevant investment) before the next following Interest Payment Date or within 90 days, whichever is sooner, and (C) being rated at least P-1 by Moody's (and A1 (long term) by Moody's if the investments have a long term rating) and F1+ (short term) and/or AA- (long term) by Fitch.

"**Transaction Documents**" means the Servicing Agreement, the Back-Up Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Swap Collateral Account Agreement, the Cash Management Agreement, the Seller Collection Account Accession Undertaking, the Corporate Services Agreement, the Deed of Charge and any documents entered into pursuant to the Deed of Charge, the Interest Rate Swap Agreement, the Reporting Delegation Agreement, the Issuer Power of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Cross-Collateral Mortgage Rights Accession Deed, the Seller Power of Attorney, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

"**Secured Creditors**" means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Back-Up Servicer Facilitator, the Interest Rate Swap Provider, the Reporting Delegate, any replacement interest rate swap provider, the Account Bank, the Swap Collateral Account Bank, the Corporate Services Provider, the Paying Agents, the Class Z VFN Registrar, the Agent Bank and any other person who is expressed in the Deed of Charge or any deed supplemental to the Deed of Charge to be a secured creditor.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among other events, when a Note Acceleration Notice is served. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

For the purposes of Article 21(4)(d) of the Securitisation Regulation, no provision of the Deed of Charge requires automatic liquidation upon default.

*Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments*

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Transaction Account as described in "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*" and "*Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" below.

*Post-Acceleration Priority of Payments*

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any

amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either:

(a) the Cash Manager certifies to the Security Trustee that a sufficient amount would be realised to allow discharge in full on a pro rata and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the Post-Acceleration Priority of Payments) or, if no Class A Notes are outstanding, to the Class Z VFN Holder (and all persons ranking in priority thereto) which certificate shall be binding on the Secured Creditors; or

(b) the Security Trustee is of the opinion which opinion shall be binding on the Secured Creditors and reached after considering at any time and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice) that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and all persons ranking in priority to the Class A Noteholders as set out in the Post-Acceleration Priority of Payments or, if no Class A Notes are outstanding, to the Class Z VFN Holder (and all persons ranking in priority thereto).

The Security Trustee shall not be bound to make the determinations in paragraph (b) above unless the Security 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.

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

*Governing Law*

The Deed of Charge and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**Trust Deed**

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes on trust for the Noteholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

*Retirement of Note Trustee*

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without giving any reason and without being responsible for any liabilities incurred by reason of such retirement. The Noteholders may by Extraordinary Resolution remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The Issuer will agree in the Trust Deed that, in the event of the only trustee under the Trust Deed giving notice of its retirement or being removed by Extraordinary Resolution, it shall use its reasonable endeavours to procure a new trustee (being a trust corporation) to be appointed as soon as reasonably practicable thereafter. The retirement or removal of the Note Trustee shall not become effective until a successor trustee (being a trust corporation) is appointed. If no appointment of a new trustee has become effective on expiry

of such notice or within 60 days from the date of such notice of retirement or Extraordinary Resolution, the Note Trustee will be entitled to appoint a trust corporation as trustee but no such appointment shall take effect unless previously approved by Extraordinary Resolution.

*Governing Law*

The Trust Deed and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**Agency Agreement**

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Class Z VFN Registrar and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

*Governing Law*

The Agency Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**Cash Management Agreement**

On the Closing Date, the Cash Manager, the Issuer, and the Security Trustee will enter into the Cash Management Agreement.

*Cash Management Services to be provided to the Issuer*

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the Transaction Account and the Swap Collateral Account. In addition, the Cash Manager will or in respect of paragraphs (n) and (o) below, may, at its option, *inter alia*:

(a) provide the Issuer, the Note Trustee, the Seller, the Paying Agent, the Interest Rate Swap Provider, and the Rating Agencies with the Investor Report setting out certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the Aldermore website at www.aldermore.co.uk and the website of European DataWarehouse at https://editor.eurodw.eu/home/index (being a securitisation repository, or, in the absence of a securitisation repository, any website 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) (such websites and the contents thereof do not form part of this Prospectus);

(b) apply, or cause to be applied, Available Revenue Receipts, in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;

(c) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Acceleration Priority of Payments;

(d) make payments of the consideration for an Additional Borrowing to the Seller;

(e) make a drawing under the Class Z VFN as required, including, without limitation, any drawing required to fund the Additional Borrowing Purchase Price;

(f) make any determinations required to be made by the Issuer under the Interest Rate Swap Agreement;

(g) credit all Swap Collateral transferred by the Interest Rate Swap Provider if required pursuant to the Interest Rate Swap Agreement to the Swap Collateral Account;

(h) make any determinations and calculations in respect of any Reconciliation Amount, if necessary;

(i) on behalf of the Issuer, perform any Portfolio Reconciliation Risk Mitigation Techniques as may be required in accordance with the requirements of article 11(1) of EMIR;

(j) on behalf of the Issuer, perform any Dispute Resolution Risk Mitigation Techniques as may be required in accordance with the requirements of article 11(1) of EMIR and the terms of the relevant derivative transaction;

(k) on behalf of the Issuer, monitor whether the Issuer is a non-financial counterparty and whether the Issuer is subject to a clearing obligation pursuant to EMIR in respect of any derivative transaction and make any notifications that are required to be made if the Issuer is no longer a non-financial counterparty or becomes subject to a clearing obligation and/or to the specific requirement regarding the exchange of collateral under EMIR (including in each case notifying the Interest Rate Swap Provider to the extent that the status of the Issuer has changed from the status previously disclosed to the Interest Rate Swap Provider);

(l) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:

(i) the "**Principal Ledger**", which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in order to pay the Additional Borrowing Purchase Price and in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);

(ii) the "**Revenue Ledger**", which will record all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);

(iii) the "**General Reserve Ledger**" which will record (i) as a credit, all amounts credited to the general reserve fund (the General Reserve Fund) from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN and thereafter from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and (ii) as a debit, withdrawals from the General Reserve Ledger on each Interest Payment Date (see *"Credit Structure — General Reserve Fund and General Reserve Fund Ledger"* below);

(iv) the "**Principal Deficiency Ledgers**" which will record on the appropriate sub-ledger (i) as a debit, deficiencies arising from Losses on the Portfolio (ii) as a debit, Principal Receipts used to pay a Remaining Revenue Deficiency and (iii), as a credit, Available Revenue Receipts applied pursuant to items (h) and (j) of the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon be applied as Available Principal Receipts) (see *"Credit Structure — Principal Deficiency Ledger"* below); and

(v) the "**Issuer Profit Ledger**" which shall record as a credit the Issuer Profit Amount retained by the Issuer as profit in accordance with the relevant Priority of Payments;

(m) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts (as at the end of the immediately preceding Collection Period) to be applied on the relevant Interest Payment Date;

(n) invest monies standing to the credit of a Bank Account in time deposits provided that such time deposits mature at least one Business Day before the next Interest Payment Date; and

(o) invest monies standing from time to time to the credit of the Transaction Account in Authorised Investments as determined by the Issuer or by the Cash Manager subject to the following provisions:

(i) any such Authorised Investment shall be made in the name of the Issuer;

(ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and

(iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the Transaction Account; and

(iv) such Authorised Investments mature at least one Business Day before the next Interest Payment Date.

"**Dispute Resolution Risk Mitigation Techniques**" means the dispute resolution risk mitigation techniques for OTC derivative transactions set out in Article 11(1)(b) of EMIR as supplemented by Article 15 of Chapter VIII of the Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 and published on 23 February 2013 in the Official Journal of the European Union.

"**Issuer Profit Amount**" means an amount equal to £300 as at each Interest Payment Date (£1,200 per annum).

"**Portfolio Reconciliation Risk Mitigation Techniques**" means the portfolio reconciliation risk mitigation techniques for OTC derivative transactions set out in Article 11(1)(b) of EMIR as supplemented by Article 13 of Chapter VIII of the Commission Delegated Regulation (EU) No 149/2013 of 19 December 2012 and published on 23 February 2013 in the Official Journal of the European Union.

*Investor Reports*

Under the Cash Management Agreement, with the assistance of the Servicer, the Cash Manager will agree, to prepare and deliver by no later than the 18th Business Day of October 2019 (in relation to the first Investor Report only) and thereafter, by no later than the 18th Business Day of each month, the Investor Report.

The Investor Report will be posted on the website of European DataWarehouse at https://editor.eurodw.eu/home/index and on the Aldermore website at www.aldermore.co.uk and the posting of the Investor Report on such websites will constitute the delivery of such Investor Report. The websites and the contents thereof do not form part of this Prospectus. Please also see the section "Regulatory Requirements" in respect of the content and availability of the Investor Report.

*Remuneration of Cash Manager*

The Cash Manager will be paid a fee (inclusive of VAT, if any) for its cash management services under the Cash Management Agreement quarterly in arrear on each Interest Payment Date. So long as Aldermore is the Cash Manager, the Issuer will pay to the Cash Manager a cash management fee (inclusive of VAT, if any) of 0.01 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date. The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments. If a replacement cash manager is appointed, the Issuer shall pay the replacement cash manager for its services a fee to be determined at the time of such appointment.

*Termination of Appointment and Replacement of Cash Manager*

In certain circumstances the Issuer and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and upon termination, the Back-Up Cash

Manager Facilitator will (pursuant to the Cash Management Agreement) use its reasonable endeavours to identify, on behalf of the Issuer, a suitable replacement cash manager to replace the Cash Manager (but shall have no liability to any person in the event that, having used reasonable endeavours, it is unable to appoint a replacement cash manager)

In certain limited circumstances, a default by the Cash Manager in the provision of (i) the Investor Report or (ii) certain information required by the Principal Paying Agent in respect of making payments on the Class A Notes may be remedied by the Cash Manager within the next 2 Business Days. If such a default is so remedied, the Cash Manager will not, at such time, be replaced by a replacement cash manager for such breach.

Subject to the fulfilment of a number of conditions, the Cash Manager may voluntarily resign by giving not less than 12 months' written notice to the Security Trustee and the Issuer with a copy to the Rating Agencies (or such shorter time as may be agreed between the Cash Manager, the Issuer and the Security Trustee) provided that a replacement cash manager with requisite experience has been appointed by the Issuer (with the assistance of the Back-Up Cash Manager Facilitator) and enters into a cash management agreement with the Issuer substantially on the same terms as the Cash Management Agreement (or if such terms are not available in the market, upon such terms as are reasonable taking into account the prevailing market), such appointment to be effective not later than the date of termination. The resignation of the Cash Manager is conditional on the resignation having no adverse effect on the then current ratings of the Class A Notes unless the Noteholders agree otherwise by Extraordinary Resolution.

*Continuing Obligations of the Cash Manager*

Aldermore will remain responsible for certain Cash Management services notwithstanding the termination, resignation or replacement of the Cash Manager. In particular, Aldermore shall remain liable for Dispute Resolution Risk Mitigation Techniques and Portfolio Reconciliation Risk Mitigation Techniques as set out in paragraphs (i), (j), (k) and (l) of the section headed "Cash Management Services to be provided to the Issuer" above.

*Liability of the Cash Manager*

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under the Transaction Documents to which the Cash Manager is a party (in its capacity as such).

*Governing Law*

The Cash Management Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**Bank Account Agreement**

Pursuant to the terms of the Bank Account Agreement entered into on the Closing Date between the Issuer, the Account Bank, the Cash Manager and the Security Trustee, the Issuer will maintain with the Account Bank a bank account providing an overnight rate of interest from time to time on amounts standing to the credit thereof (the "**Transaction Account**"), which will be operated in accordance with the Cash Management Agreement and the Deed of Charge.

All amounts received from Borrowers in respect of Loans in the Portfolio will be paid into the Transaction Account from the Seller's Collection Account(s) and credited to the Revenue Ledger or the Principal Ledger, as the case may be, and as set out in the Cash Management Agreement. On each Interest Payment Date, monies from the Transaction Account will be applied by the Cash Manager pursuant to the Cash Management Agreement and in accordance with the Priorities of Payments described below under "*Cashflows*".

The Bank Account Agreement provides that:

(a) the charges of the Account Bank for the operation of the Transaction Account held with the Account Bank shall be payable by the Issuer and debited from the Transaction Account in accordance with the Account Bank's standard procedures or at any other time as shall be agreed with the Account Bank. The charges shall be payable at the same rates as are generally applicable to customers of the Account Bank similar to the Issuer *provided that* if there are insufficient funds standing to the credit of the Transaction Account to pay such charges, the Account Bank shall not be relieved of its obligations under the Bank Account Agreement in respect of the Transaction Account held with the Account Bank;

(b) the fees and charges of the Account Bank (other than those charges referred to in (a) above) shall be paid by the Issuer subject to and in accordance with the Priority of Payments; and

(c) with the prior written consent of the Security Trustee, the Issuer may open additional Bank Accounts.

If at any time the unsecured, unsubordinated and unguaranteed debt obligation rating or issuer default rating of the Account Bank is downgraded below the Account Bank Rating, the Issuer will have 60 days to arrange for the transfer of the Bank Accounts to an appropriately rated and authorised financial institution on terms substantially similar to those set out in the Bank Account Agreement or, where taking into account the then prevailing market conditions, the Issuer or the Cash Manager determines it is not practical to agree terms substantially the same as those set out in the Bank Account Agreement, the Issuer or the Cash Manager certifies in writing to the Security Trustee, upon which certificate the Security Trustee shall be entitled to rely absolutely and without any liability to any person for so doing, 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.

The Bank Account Agreement may be terminated in other circumstances by the Cash Manager, the Account Bank, the Issuer or (following the delivery of a Note Acceleration Notice) the Security Trustee, including (in the case of termination by the Cash Manager or Issuer) as a result of the occurrence of an insolvency event in respect of the Account Bank or default by the Account Bank in the performance of its obligations under the Bank Account Agreement which continues unremedied for a period of 20 Business Days after receiving notice or becoming aware of such default.

"**Account Bank Rating**" means a short-term unsecured, unsubordinated and unguaranteed debt rating of at least P-1 by Moody's (or a long-term rating of at least A3 by Moody's) and a short-term issuer default rating of at least F1 by Fitch (or a long term issuer default rating of at least A by Fitch) (or in each case such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes).

The Bank Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**The Corporate Services Agreement**

On or prior to the Closing Date, the Issuer and, among others, the Corporate Services Provider will enter into the Corporate Services Agreement pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

*Governing Law*

The Corporate Services Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**The Seller Collection Account Declaration of Trust**

On or prior to the Closing Date, the Issuer, the Seller and the Security Trustee will enter into an accession (the "**Seller Collection Account Accession Undertaking**") to the declaration of trust dated 10 April 2014 in respect of the Collection Account (the "**Seller Collection Account Declaration of Trust**") pursuant to which the Seller will declare a trust (the "**Collection Account Trust**") in favour of (a) the Issuer and (b) itself over all its rights, title, interest and benefit, present and future in the Collection Accounts, including all amounts standing to the credit of the Collection Accounts, absolutely for the Issuer and the Seller as beneficiaries in the manner and in the proportions specified in the Seller Collection Account Declaration of Trust.

The Issuer's share of the Collection Account Trust at any relevant time (the "**Issuer Trust Share**") shall equal all amounts credited to the Collection Account at such time in respect of the Loans and their Related Security comprised in the Portfolio taking into account any amounts previously paid to the Issuer in respect of the Loans and their Related Security.

The Seller's share of the Collection Account Trust at any relevant time shall equal the amount standing to the credit of the Collection Account less the Issuer Trust Share.

"**Collection Accounts**" means the collection accounts held by the Seller with the Collection Account Bank and the general account of the Seller in each case to which Collection Amounts are paid or transferred prior to amounts relating to the Portfolio being transferred by the Seller to the Issuer.

*Governing Law*

The Seller Collection Account Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

**Interest Rate Swap Agreement**

For a description of the Interest Rate Swap Agreement see "Credit Structure" below.

**Swap Collateral Account Agreement**

Pursuant to the terms of the Swap Collateral Account Agreement entered into on the Closing Date between the Issuer, the Swap Collateral Account Bank and the Security Trustee, the Issuer will maintain with the Swap Collateral Account Bank a bank account (the "**Swap Collateral Account**") for the purposes of holding collateral (the "**Swap Collateral**") posted by the Interest Rate Swap Provider pursuant to the terms of the Interest Rate Swap from time to time.

The Swap Collateral Account Agreement provides that:

(a) the fees and charges of the Swap Collateral Account Bank (other than those charges referred to in (a) above) shall be paid by the Issuer subject to and in accordance with the Priority of Payments; and

(b) with the prior written consent of the Security Trustee, the Issuer may open additional Swap Collateral Accounts.

If at any time the unsecured, unsubordinated and unguaranteed debt obligation rating or issuer default rating of the Swap Collateral Account Bank is downgraded below the Swap Collateral Account Bank Rating, the Issuer will have 60 days to arrange for the transfer of the Swap Collateral Accounts to an appropriately rated and authorised financial institution on terms substantially similar to those set out in the Swap Collateral Account Agreement or, where taking into account the then prevailing market conditions, the Issuer or the Cash Manager determines it is not practical to agree terms substantially the same as those set out

in the Bank Account Agreement, the Issuer or the Cash Manager certifies in writing to the Security Trustee, upon which certificate the Security Trustee shall be entitled to rely absolutely and without any liability to any person for so doing, 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.

The Swap Collateral Account Agreement may be terminated in other circumstances by the Cash Manager, the Swap Collateral Account Bank, the Issuer or (following the delivery of a Note Acceleration Notice) the Security Trustee, including (in the case of termination by the Cash Manager or Issuer) as a result of the occurrence of an insolvency event in respect of the Swap Collateral Account Bank or default by the Swap Collateral Account Bank in the performance of its obligations under the Swap Collateral Account Agreement which continues unremedied for a period of 20 Business Days after receiving notice or becoming aware of such default.

"**Swap Collateral Account Bank Rating**" means a short-term unsecured, unsubordinated and unguaranteed debt rating of at least P-1 by Moody's (or a long-term rating of at least A3 by Moody's) and a short-term issuer default rating of at least F1 by Fitch (or a long term issuer default rating (or deposit rating, if assigned) of at least A by Fitch) (or in each case such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes).

The Swap Collateral Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

## CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, any of the Seller, the Interest Rate Swap Provider, the Arrangers, the Joint Lead Managers, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Back-Up Servicer Facilitator, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, any other paying Agent, the Agent Bank, the Class Z VFN Registrar, the Note Trustee, the Security Trustee, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Interest Rate Swap Provider, the Arrangers, the Joint Lead Managers, the Servicer, the Back-Up Servicer, the Cash Manager, the Back-Up Cash Manager Facilitator, the Back-Up Servicer Facilitator, the Account Bank, the Collection Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, any other Paying Agents, the Agent Bank, the Class Z VFN Registrar, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

The structure of the credit support arrangements may be summarised as follows:

### 1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (h) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any Deferred Consideration payable under item (p) of the Pre-Acceleration Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see "Interest Rate Risk for the Notes" below) and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met under items (a) to (h) (inclusive) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

### 2. General Reserve Fund and General Reserve Ledger

On the Closing Date, the Issuer will establish a fund called the General Reserve Fund to provide credit enhancement for the Class A Notes which will be credited on the Closing Date with an amount equal to 1.50% of the Principal Amount Outstanding of Class A Notes on the Closing Date. The General Reserve Fund will be funded from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN on the Closing Date and following the Closing Date, to the extent required in connection with Additional Borrowings or Product Transfers from time to time. Following the Closing Date and prior to redemption in full of the Class A Notes, the General Reserve Fund will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments, on each Interest Payment Date, up to the General Reserve Required Amount.

The "**General Reserve Required Amount**" means (a) on the Closing Date, an amount equal to £5,152,500 (being an amount equal to 1.50 per cent. of the Principal Amount Outstanding of the Class A Notes as at the Closing Date), (b) on each Calculation Date, an amount equal to 1.50 per cent. of the Principal Amount Outstanding of the Class A Notes on such date prior

to deducting any repayments to be made on the related Interest Payment Date and (c) zero on any date on or after the Class A Notes are fully repaid.

The General Reserve Fund will be deposited in the Transaction Account (with a corresponding credit being made to the General Reserve Ledger). The Cash Manager (acting in its sole discretion) may, on behalf of the Issuer, invest amounts standing to the credit of the Transaction Account in Authorised Investments. For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

The Cash Manager will maintain the General Reserve Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

On each Interest Payment Date, provided that, as at the related Calculation Date:

(a) no Event of Default has occurred which is continuing;

(b) the amount standing to the debit of the Class Z Principal Deficiency Sub-Ledger is zero;

(c) the aggregate Current Balance of all Loans that are three or more months in arrears on such date is less than 3 per cent. of aggregate Current Balance of all Loans on such date; and

(d) the aggregate Losses of principal in respect of the Portfolio are equal to less than 1 per cent. of the total Current Balance of the Portfolio on the Closing Date,

(conditions (a) to (d) above being the "**General Reserve Release Conditions**") any amounts credited to the General Reserve Ledger in excess of the General Reserve Required Amount (the "**General Reserve Release Amount**") will be applied as Available Revenue Receipts.

Prior to service of a Note Acceleration Notice, amounts standing to the credit of the General Reserve Fund will be applied as Available Revenue Receipts on any Interest Payment Date to the extent required to make up any Revenue Deficiency on such Interest Payment Date.

"**Revenue Deficiency**" means, for each Calculation Date, the amount, if any, by which items (a) to (h) less (i) in the definition of Available Revenue Receipts is insufficient to pay items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments.

If funds standing to the credit of the General Reserve Fund are applied to fund a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding debit in the General Reserve Ledger.

On any Interest Payment Date on which the Class A Notes are fully repaid, the Issuer will not be required to maintain the General Reserve Fund, at which point the General Reserve Required Amount will be equal to zero and all amounts standing to the credit of the General Reserve Ledger will be released as General Reserve Release Amounts and used as set out above, regardless of whether the General Reserve Release Conditions are satisfied.

### 3. Use of Principal Receipts to pay Remaining Revenue Deficiency

On each Calculation Date, the Cash Manager will calculate whether the aggregate of items (a) to (h) and (j) less (i) of the Available Revenue Receipts is insufficient to pay items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (the "**Remaining Revenue Deficiency**"), then the Issuer (or the Cash Manager on its behalf) shall pay or provide for that Remaining Revenue Deficiency by the application of amounts standing to the credit of the Principal Ledger, if any, and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Ledger, as described in "Principal Deficiency Ledgers" below as well as making a debit in the Principal Ledger. Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date. For more information about the application of Principal

Receipts to pay a Remaining Revenue Deficiency, see the section "*Cashflows – Applications of Principal Receipts to Remaining Revenue Deficiency*".

4. **Principal Deficiency Ledgers**

A Principal Deficiency Ledger, comprising two sub ledgers, known as the Class A Principal Deficiency Ledger (relating to the Class A Notes) (the "**Class A Principal Deficiency Sub-Ledger**") and the Class Z VFN Principal Deficiency Ledger (the "**Class Z VFN Principal Deficiency Sub-Ledger**", each a "**Principal Deficiency Sub-Ledger**" and, together, the "**Principal Deficiency Sub-Ledgers**"), will be established on the Closing Date in order to record any Losses on the Portfolio as allocated against each of the Classes of Notes referenced above and/or application of Principal Receipts to pay any Remaining Revenue Deficiency on an Interest Payment Date to fund senior expenses and interest payments on the Class A Notes. 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 Z VFN Principal Deficiency Sub-Ledger shall be recorded in respect of the Class Z VFN. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Principal Receipts to meet any Losses on the Portfolio will be recorded as a debit:

(a) first, to the Class Z VFN Principal Deficiency Sub-Ledger up to a maximum of the Class Z VFN Principal Deficiency Limit; and

(b) second, to the Class A Principal Deficiency Sub-Ledger.

"**Losses**" means all realised losses in respect of a Loan (which shall include any set-off by Borrowers against amounts due by Borrowers under the relevant Loans).

Realised losses will be calculated after applying any recoveries following enforcement of a Loan (but on or prior to the completion of enforcement proceedings in respect of such Loan) to outstanding fees and interest amounts due and payable on the relevant Loan.

"**Class Z VFN Principal Deficiency Limit**" means the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance (including any amount funded to cover a shortfall in amounts available to the Issuer to fund the purchase of any Additional Borrowing) (calculated as at such corresponding funding date) of the Loans.

Amounts allocated to each 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-Acceleration Revenue Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

5. **Available Receipts**

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments, as applicable. It is not intended that any surplus will be accumulated in the Issuer although this does not include the Issuer Profit Amount which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer or amounts standing to the credit of the General Reserve Ledger.

If, on any Interest Payment Date whilst there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class Z VFN then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Such deferral will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class

Z VFN. From and including the Step-Up Date, any Available Revenue Receipts remaining on any Interest Payment Date after any required credit has been made to the General Reserve Ledger and the Class Z VFN Principal Deficiency Sub-Ledger will be diverted to Available Principal Receipts in order to repay principal amounts on the Class A Notes.

Failure to pay interest on the Class A Notes (or the Class Z VFN after the Class A Notes have been redeemed in full) within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

## 6. Transaction Account

Pursuant to the Bank Account Agreement, the Account Bank will pay interest on amounts (if any) standing to the credit of the Transaction Account on and from the Closing Date at an unguaranteed overnight rate. The Cash Manager may (in its absolute discretion), on behalf of the Issuer, invest amounts standing to the credit of the Transaction Account in Authorised Investments.

If, at any time the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below the Account Bank Rating, the Issuer will be required (within 60 days) to transfer (at its own cost) the Transaction Account to an appropriately rated bank or financial institution on terms substantially similar to those set out in the Bank Account Agreement (or, where the Issuer or 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 Bank Account Agreement with such replacement financial institution, on terms which are reasonable commercial terms provided that either the Issuer or the Cash Manager shall have certified in writing to the Security Trustee that, to the extent the terms are not substantially similar, such terms are reasonable commercial terms taking into account the then prevailing current market conditions), in order to maintain the ratings of the Notes at their then current ratings.

## 7. Interest Rate Risk for the Notes

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. Other Loans in the Portfolio pay a variable rate of interest. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Compounded Daily SONIA.

To provide a hedge against the possible variance between:

(a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and

(b) a rate of interest calculated by reference to Compounded Daily SONIA payable on the Notes,

the Issuer will enter into the Interest Rate Swap with the Interest Rate Swap Provider on or around the Closing Date.

The Interest Rate Swap will be governed by the Interest Rate Swap Agreement.

## 8. Interest Rate Swap

Payments received by the Issuer under certain of the Loans in the Portfolio will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Compounded Daily SONIA. Pursuant to the Interest Rate Swap Agreement the Issuer will enter into the Interest Rate Swap to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and Compounded Daily SONIA (the "**Interest Rate Swap**"). The rate payable by the Issuer under the Interest Rate Swap is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Fixed Rate Loans in the Portfolio.

Under the Interest Rate Swap, for each Calculation Period (as defined in the Interest Rate Swap Agreement) falling prior to the termination date of the Interest Rate Swap, the following amounts will be calculated:

(a) the amount equal to the product of (i) the Fixed Rate Notional Amount for the relevant Calculation Period; (ii) Compounded Daily SONIA determined in accordance with the Interest Rate Swap Agreement; and (iii) the relevant day count fraction (the "**Interest Rate Swap Provider Amount**"); and

(b) the amount equal to the product of (i) a percentage to be specified in the Interest Rate Swap Agreement and (ii) the Fixed Rate Notional Amount for the relevant Calculation Period and (iii) the relevant day count fraction (the "**Interest Rate Issuer Amount**").

The notional amount (the "**Fixed Rate Notional Amount**") of the Interest Rate Swap is an amount in Sterling equal to, in respect of a Calculation Period, the Adjusted Fixed Rate Loan Balance (as defined in the Interest Rate Swap Agreement) for such Calculation Period, provided that for the first Calculation Period the Fixed Rate Notional Amount will be £357,470,697.

After these two amounts are calculated in relation to a Calculation Period, the following payments will be made on the relevant Fixed Rate Payer Payment Date (as defined in the Interest Rate Swap Agreement):

(a) if the Interest Rate Swap Provider Amount for that Fixed Rate Payer Payment Date is greater than the Interest Rate Issuer Amount for that Fixed Rate Payer Payment Date, then the Interest Rate Swap Provider will pay the positive difference to the Issuer;

(b) if the Interest Rate Issuer Amount for that Fixed Rate Payer Payment Date is greater than the Interest Rate Swap Provider Amount for that Fixed Rate Payer Payment Date, then the Issuer will pay the positive difference to the Interest Rate Swap Provider; and

(c) if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by the Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Fixed Rate Payer Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

Subject to the circumstances described below, unless an Early Termination Event (as defined below), occurs, the Interest Rate Swap will terminate on the earlier of: (i) the date on which the Class A Notes are redeemed in full other than in circumstances which give rise to an Additional Termination Event (as set out in Part 1(q) of the Schedule to the Interest Rate Swap Agreement); (ii) the Interest Payment Date falling in October 2029; (iii) the Interest Payment Date on or immediately following the date on which the aggregate of the Current Balance of the Loans is reduced to zero; and (iv) the first Interest Payment Date on or after the Step-Up Date on which the Adjusted Fixed Rate Loan Balance (as defined in the Interest Rate Swap Agreement) is zero, in each case subject to adjustment in accordance with the Modified Following Business Day Convention.

"**Back-to-Back Swap**" means any master agreement together with any schedule, credit support annex and one or more confirmations thereunder entered into between the Interest Rate Swap Provider and Aldermore under which the Interest Rate Swap Provider hedges its exposure under the Interest Rate Swap.

9. **Interest Rate Swap Agreement**

The terms of the Interest Rate Swap Agreement includes certain ratings triggers and consequences if such triggers are breached. See the Ratings Triggers Table in respect of these triggers.

The Interest Rate Swap Agreement may be terminated in certain circumstances, including the following, each as more specifically defined in the Interest Rate Swap Agreement (an "**Early Termination Event**"):

(a) if there is a failure by a party to pay amounts due under the Interest Rate 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 Interest Rate Swap Agreement by the Interest Rate 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 or a force majeure event occurs;

(e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Interest Rate Swap due to change in law;

(f) if the Interest Rate Swap Provider does not have the Required Rating, and the Interest Rate Swap Provider fails to comply with the requirements of the collateral and replacement provisions contained in the Interest Rate Swap Agreement and described in the Ratings Triggers Table;

(g) the earlier to occur of (i) an acceleration in respect of the Notes and (ii) service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes;

(h) if there is a redemption of the Notes pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*);

(i) if the Transaction Documents or the Terms and Conditions of the Notes are amended, modified or supplemented with the effect of affecting (A) the amount, timing or priority of any payments or deliveries due from the Issuer to the Interest Rate Swap Provider or from the Interest Rate Swap Provider to the Issuer or (B) the Interest Rate Swap Provider's rights in relation to any security granted by the Issuer in favour of the Trustee on behalf of the Secured Parties (other than with the prior written consent of the Interest Rate Swap Provider);

(j) if there is a rating downgrade event pursuant to Part 6 of the Interest Rate Swap Agreement) with respect to the Interest Rate Swap Provider;

(k) if the Issuer becomes subject to the clearing obligation or is no longer a non-financial counterparty under EMIR in respect of the Interest Rate Swap; and

(l) if there is a SONIA Modification Event (as defined in the Interest Rate Swap Agreement).

Upon termination following an Early Termination Event of the Interest Rate Swap, depending on the circumstances prevailing at the time of termination including prevailing market interest rates, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment, other than on early termination due to a default by the Issuer or a termination event where the Issuer is the sole affected party as such term is defined in the Interest Rate Swap Agreement, will be based on the market value of the terminated swaps as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if (i) a quotation (or in certain circumstances under the Interest Rate Swap Agreement a sufficient number of quotations) cannot be obtained or (ii) in certain circumstances if basing the valuation on quotations would not produce a commercially reasonable result) and will include

any unpaid amounts that became due and payable prior to the date of termination, taking account the value of any collateral transferred by the Interest Rate Swap Provider to the Issuer.

Depending on the terms of the Interest Rate Swap and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Interest Rate Swap Provider may, subject to certain conditions specified in the Interest Rate Swap Agreement including the satisfaction of certain requirements of the Rating Agencies and, unless the transfer is for the purpose of compliance with certain requirements of the Rating Agencies, prior written consent of the Issuer, transfer its obligations under the Interest Rate Swap Agreement to another entity (which has the ratings specified in the Interest Rate Swap Agreement).

The Issuer is not obliged under the Interest Rate Swap Agreement to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Interest Rate Swaps. However, if the Interest Rate Swap Provider is required to receive a payment subject to withholding under the Interest Rate Swap due to a change in law, the Interest Rate Swap Provider may terminate the Interest Rate Swap.

The Interest Rate Swap Provider will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Interest Rate Swap. However, if the Interest Rate Swap Provider is required to gross up a payment under the Interest Rate Swap due to a change in the law, the Interest Rate Swap Provider may terminate the Interest Rate Swap.

The Issuer will delegate certain derivative transaction reporting obligations to the Interest Rate Swap Provider (the "**Reporting Delegate**") pursuant to a reporting delegation agreement (the "**Reporting Delegation Agreement**").

The Interest Rate Swap Agreement is governed by English law.

## CASHFLOWS

### Definition of Revenue Receipts

"**Revenue Receipts**" means (a) payments of interest and other fees due from time to time under the Loans (including Early Repayment Charge Receipts and any Arrears of Interest) 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) mortgage indemnity guarantee recoveries in respect of interest in respect of the Loans and (d) recoveries of any amounts (including any interest and principal amounts) from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed if such recoveries are identifiable by the Seller as pertaining to a Loan in the Portfolio.

### Definition of Available Revenue Receipts

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

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

(b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral 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 Interest Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) in respect of the Interest Rate Swap Agreement, any Excess Swap Collateral or Swap Collateral, except to the extent that the value of such Swap Collateral or part thereof has been applied, pursuant to the provisions of the Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Interest Rate Swap Provider to the Issuer on early termination of the Interest Rate Swap under the Interest Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap in which case such amounts will be included in Available Revenue Receipts, (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Interest Rate Swap Provider and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date);

(d) any General Reserve Release Amounts;

(e) other net income of the Issuer received during the immediately preceding Collection Period, (excluding any Principal Receipts);

(f) amounts applied as Available Revenue Receipts in accordance with item (c) of the Pre-Acceleration Principal Priority of Payments;

(g) amounts credited to the Transaction Account (including any interest thereon (if any)) on the immediately preceding Interest Payment Date in accordance with item (n) of the Pre-Acceleration Revenue Priority of Payments;

(h) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.8(c) (*Determinations and Reconciliation*);

less:

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

(i) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;

(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 properly incurred by the Account Bank under the direct debit scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals), but in each case only to the extent that such amounts (i) cannot be recouped by the Account Bank from amounts standing to the credit of the Seller's Collection Accounts from time to time and (ii) have been determined by the Cash Manager to be referable to a Loan in the Portfolio;

(iii) payments by the Borrower of any fees (including Early Repayment Charges) and other charges which are due to the Seller; and

(iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

(items within (i) of the definition of Available Revenue Receipts being collectively referred to herein as "**Third Party Amounts**"). Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere;

plus:

(j) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (i) above is insufficient to pay or provide for items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments, any amounts then standing to the credit of the General Reserve Ledger to the extent required to cover such Revenue Deficiency; and

(k) if a Remaining Revenue Deficiency occurs such that the aggregate of items (a) to (h) and (j) less (i) above is insufficient to pay or provide for items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments, Available Principal Receipts in an aggregate amount sufficient to cover such Remaining Revenue Deficiency.

**Application of Monies Released from the General Reserve Fund**

Prior to service of a Note Acceleration Notice, amounts standing to the credit of the General Reserve Fund will be applied as Available Revenue Receipts on any Interest Payment Date to the extent required to make up any Revenue Deficiency on such Interest Payment Date.

If funds standing to the credit of the General Reserve Fund are applied to fund a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding debit in the General Reserve Ledger.

On any Interest Payment Date on which the Class A Notes are fully repaid, the Issuer will not be required to maintain the General Reserve Fund, at which point the General Reserve Required Amount will be equal to zero and all amounts standing to the credit of the General Reserve Ledger will be released as General Reserve Release Amounts and used as set out above, regardless of whether the General Reserve Release Conditions are satisfied.

**Application of Principal Receipts to pay Remaining Revenue Deficiency**

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger as at the end of the immediately preceding Collection Period may be

applied on each Interest Payment Date to make payments to items (a) to (g) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Remaining Revenue Deficiency on such Interest Payment Date.

If any amounts are applied from the Principal Ledger to pay or provide for a Remaining Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Ledger.

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

**Application of Monies following redemption of the Notes in full**

On any Optional Redemption Date on which the Notes are fully repaid, the Issuer (or the Cash Manager on its behalf) may, or if directed by the Seller, shall, apply all amounts standing to the credit of any Bank Account of the Issuer (other than amounts standing to the credit of the Issuer Profit Ledger) to repay any liabilities of the Issuer and to discharge all other amounts required to be paid by the Issuer in accordance with the order of priority set out in the Post-Acceleration Priority of Payments.

**Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer**

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

(a) first, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:

(i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax ("**VAT**") thereon as provided therein; and

(ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;

(b) second, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;

(iii) any amounts then due and payable to the Back-Up Servicer and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer

under the provisions of the Back-Up Servicing Agreement, together with (if payable) VAT thereon as provided therein;

(iv) any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Swap Collateral Account Agreement, together with (if payable) VAT thereon as provided therein;

(v) any amounts then due and payable to the Reporting Delegate and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Reporting Delegate in the immediately succeeding Interest Period under the provisions of the Reporting Delegation Agreement, together with (if payable) VAT thereon as provided therein;

(vi) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and

(vii) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Class Z VFN Registrar in the immediately succeeding Interest Period under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(c) third, in or towards satisfaction of 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) (including but not limited to (if applicable) any fees, costs, liabilities and expenses of any securitisation repository) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (f) below);

(d) fourth, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:

(i) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;

(ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein;

(iii) any amounts then due and payable to the Back-Up Cash Manager Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager Facilitator under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and

(iv) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement together with (if payable) VAT thereon as provided therein;

(e) fifth, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction of any amounts due to the Interest Rate Swap Provider (excluding any Interest Rate Swap Excluded Termination Amount) in respect of the Interest Rate Swap Agreement including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Interest Rate Swap Provider of any Replacement Swap Premium or amounts standing to the credit of any Swap Collateral Account but excluding, if applicable, any related Interest Rate Swap Excluded Termination Amount;

(f) sixth, to pay the Issuer Profit Amount to be retained by the Issuer as profit in respect of the business of the Issuer;

(g) seventh, to provide for amounts due on the relevant Interest Payment Date, to pay interest due and payable on the Class A Notes according to the respective Principal Amount Outstanding thereof;

(h) eighth, to credit (so long as any Class A Notes will remain outstanding following such Interest Payment Date) the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (any such amounts to be applied in repayment of principal as Available Principal Receipts);

(i) ninth, provided such Interest Payment Date is not the final Interest Payment Date of the transaction, to credit the General Reserve Ledger up to the General Reserve Required Amount;

(j) tenth, (so long as the Notes will remain outstanding following such Interest Payment Date), to credit the Class Z VFN Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon (any such amounts to be applied in repayment of principal as Available Principal Receipts);

(k) eleventh, from and including the Step-Up Date, all remaining Available Revenue Receipts to be applied as Available Principal Receipts until the Class A Notes have been redeemed in full;

(l) twelfth, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class Z VFN according to the respective Principal Amount Outstanding thereof;

(m) thirteenth, to pay any Interest Rate Swap Excluded Termination Amount to the Interest Rate Swap Provider in accordance with the terms of the Interest Rate Swap Agreement;

(n) fourteenth, (so long as any Class A Notes will remain outstanding following such Interest Payment Date), if such Interest Payment Date falls directly after a Determination Period, then the excess (if any) to the Transaction Account to be applied as Available Revenue Receipts on the next following Interest Payment Date;

(o) fifteenth, (so long as no Class A Notes remain outstanding following such Interest Payment Date), to pay principal due and payable on the Class Z VFN in an amount equal to the Class Z Repayment Amount; and

(p) sixteenth, any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

As used in this Prospectus:

"**Accrued Interest**" means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the monthly payment date in respect of that Borrower's Loan immediately preceding the relevant date to (but excluding) the relevant date;

"**Appointee**" means any attorney, manager, agent, delegate, nominee, Receiver, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions;

"**Arrears of Interest**" means as at any date in respect of any Loan, the aggregate of all interest (other than Accrued Interest or Capitalised Interest) on that Loan which is currently due and payable and unpaid on that date;

"**Capitalised Interest**" means, for any Loan at any date, Arrears of Interest in respect of that Loan and which as at that date has been added to the Current Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date);

"**Class Z Repayment Amount**" means, as at an Interest Payment Date, the greater of (A) (i) the Principal Amount Outstanding of the Class Z VFN on such Interest Payment Date (taking into account any amounts to be applied to pay principal on the Class Z VFN on such Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments) less (ii) the Current Balance of the Loans as at the end of the preceding Collection Period and (B) zero;

"**Early Repayment Charge**" means any fee or charge which the Seller requires a Borrower to pay in accordance with the terms of the relevant Loan in the event that such Borrower repays all or any part of the relevant Loan before a specified date;

"**Early Repayment Charge Receipts**" means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Charges;

"**Excess Swap Collateral**" means, in respect of the Interest Rate Swap Agreement, an amount (which will be transferred directly to the Interest Rate Swap Provider in accordance with the Interest Rate Swap Agreement) equal to the amount by which the value of the collateral (or the applicable part of any collateral) provided by the Interest Rate Swap Provider to the Issuer pursuant to the Interest Rate Swap Agreement exceeds the Interest Rate Swap Provider's liability under the Interest Rate Swap Agreement as determined on or as soon as reasonably practicable after the date of termination of the Interest Rate Swap Agreement (such liability shall be determined in accordance with the terms of the Interest Rate Swap Agreement except that for the purpose of this definition only the value of the collateral will not be applied as an Unpaid Amount (as defined in the Interest Rate Swap Agreement) owed by the Issuer to the Interest Rate Swap Provider) or which it is otherwise entitled to have returned to it under the terms of the Interest Rate Swap Agreement;

"**Interest Period**" means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date for that Note;

"**Interest Rate Swap Excluded Termination Amount**" means the amount of any termination payment due and payable to the Interest Rate Swap Provider as a result of an Interest Rate Swap Provider Default or Interest Rate Swap Provider Downgrade Event (to the extent such payment cannot be satisfied by (i) payment by the Issuer of any Replacement Swap Premium and/or (ii) amounts standing to the credit of the Swap Collateral Account);

"**Interest Rate Swap Provider Default**" means the occurrence of an Event of Default (as defined in the Interest Rate Swap Agreement) where the Interest Rate Swap Provider is the Defaulting Party (as defined in the Interest Rate Swap Agreement);

"**Interest Rate Swap Provider Downgrade Event**" means the occurrence of an Additional Termination Event (as defined in the Interest Rate Swap Agreement) following the failure by the Interest Rate Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Interest Rate Swap Agreement;

"**Replacement Swap Premium**" means, in respect of the Interest Rate Swap, an amount received by the Issuer from a replacement interest rate swap provider upon entry by the Issuer into an agreement with such replacement interest rate swap provider to replace the Interest Rate Swap;

"**Seller's Collection Account**" means the general collection account held by the Seller at the Collection Account Bank into which Borrowers pay amounts in relation to the Loans from time to time;

"**Swap Collateral**" means an amount equal to the value of collateral (other than Excess Swap Collateral) provided by the Interest Rate Swap Provider to the Issuer under the Interest Rate Swap Agreement which includes any interest and distributions in respect thereof, all moneys received in respect thereof, all dividends and distributions paid or payable thereon, all property paid, distributed, accruing or offered at any time on, to or in respect of or in substitution therefor and the proceeds of sale, repayment and redemption thereof; and

"**Swap Tax Credits**" means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Interest Rate Swap Provider to the Issuer or a reduced payment from the Issuer to the Interest Rate Swap Provider.

**Definition of Principal Receipts**

"**Principal Receipts**" means (a) principal repayments under the Loans, (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a mortgaged property in connection with a Loan in the Portfolio (other than mortgage indemnity guarantee recoveries in respect of interest) and (d) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (other than any amounts representing Accrued Interest).

**Definition of Available Principal Receipts**

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

(a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date that are (i) received by the Issuer during the immediately preceding Collection Period (less an amount equal to the aggregate of all Additional Borrowing Purchase Prices paid by the Issuer in such Collection Period (including any Additional Borrowing Purchase Prices paid out on a Monthly Pool Date that is also an Interest Payment Date) but in aggregate not exceeding such Principal Receipts) and (ii) received by the Issuer from the Seller during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller pursuant to the Mortgage Sale Agreement;

(b) (in respect of the first Interest Payment Date only) the amount paid into the Transaction Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;

(c) the amounts (if any) credited on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments to the Class A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger, by which the debit

balance of each of the Class A Principal Deficiency Sub-Ledger and/or the Class Z VFN Principal Deficiency Sub-Ledger is reduced;

(d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.8(c) (*Determinations and Reconciliation*);

less

(e) any amounts utilised to pay a Remaining Revenue Deficiency pursuant to item (k) of the definition of Available Revenue Receipts;

plus

(f) from and including the Step-Up Date, any Available Revenue Receipts applied as Available Principal Receipts in accordance with item (k) of the Pre-Acceleration Revenue Priority of Payments.

**Application of Available Principal Receipts Prior to the Service of a Note Acceleration Notice on the Issuer**

Prior to the service of a Note Acceleration Notice on the Issuer, 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-Acceleration Principal Priority of Payments**") (in each case only if and to the extent that payments or provisions of higher priority have been paid in full):

(a) first, in or towards repayment of the principal amounts outstanding on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;

(b) second, in or towards repayment of the principal amounts outstanding on the Class Z VFN until the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance of the Loans has been reduced to zero; and

(c) third, the excess (if any) to be applied as Available Revenue Receipts.

**Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer**

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or a Receiver will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) other than:

(a) amounts representing any Excess Swap Collateral which shall be returned directly to the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(b) any Swap Collateral or part thereof (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Interest Rate Swap Provider to the Issuer on early termination of the Interest Rate Swap under the Interest Rate Swap Agreement) which shall be returned directly to the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(c) any Swap Tax Credits which shall be returned directly to the Interest Rate Swap Provider;

(d) any Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Interest Rate Swap Provider) which shall be paid directly to the Interest Rate Swap Provider; and

(e) any amounts standing to the credit of the Issuer Profit Ledger or any Issuer Profit Amount 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 (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration 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 or provided for as being or to be payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and

(ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable or provided for as being or to be payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

(b) second, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:

(i) any remuneration then due and payable or provided for as being or to be payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;

(iii) any amounts then due and payable to the Back-Up Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer under the provisions of the Back-Up Servicing Agreement, together with (if payable) VAT thereon as provided therein;

(iv) any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to any Swap Collateral Account Bank in the immediately succeeding Interest Period under the provisions of the Swap Collateral Account Agreement, together with (if payable) VAT thereon as provided therein;

(v) any amounts then due and payable to the Reporting Delegate and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Reporting Delegate in the immediately succeeding Interest Period under the provisions of the Reporting Delegation Agreement, together with (if payable) VAT thereon as provided therein;

(vi) any amounts then due and payable to the Corporate Services Provider and any fees, 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; and

(vii) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due and payable to the Class Z VFN Registrar under the provisions of the Agency Agreement together with (if payable) VAT thereon as provided therein;

(c) third, to pay, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:

(i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Cash Manager and any fees, 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;

(iii) any amounts then due and payable to the Back-Up Cash Manager Facilitator and any fees, costs, charges, liabilities and expenses then due and payable to the Back-Up Cash Manager Facilitator under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and

(iv) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of, the Servicing Agreement together with (if payable) VAT thereon as provided therein;

(d) fourth, to pay amounts due and payable pro rata and *pari passu* according to the respective amounts thereof of any amounts due to the Interest Rate Swap Provider (excluding Interest Rate Swap Excluded Termination Amounts) in respect of the Interest Rate Swap Agreement including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Interest Rate Swap Provider of amounts standing to the credit of any Swap Collateral Account but excluding, where applicable, any related Interest Rate Swap Excluded Termination Amount;

(e) fifth, to pay according to the respective outstanding amounts interest and any principal due and payable on the Class A Notes until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;

(f) sixth, to pay according to the respective outstanding amounts interest and principal due and payable on the Class Z VFN until the Principal Amount Outstanding on the Class Z VFN has been reduced to zero;

(g) seventh, to pay any Interest Rate Swap Excluded Termination Amount to the Interest Rate Swap Provider in accordance with the terms of the Interest Rate Swap Agreement;

(h) eighth, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer in the Bank Accounts as profit in respect of the business of the Issuer; and

(i) ninth, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

**Application of Amounts in Respect of Swap Collateral, Excess Swap Collateral, Swap Tax Credits and Replacement Swap Premium**

Amounts received by the Issuer in respect of Excess Swap Collateral, Swap Collateral or part thereof (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Interest Rate Swap Provider to the Issuer on early termination of the Interest Rate Swap under the Interest Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap), Swap Tax Credits and Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Interest Rate Swap Provider) shall, to the extent a corresponding amount is due and payable under the terms of the Interest Rate Swap Agreement, be paid directly to the Interest Rate Swap Provider without regard to the Priority of Payments and in accordance with the terms of the Deed of Charge.

**Disclosure of modifications to the Priority of Payments**

Any events which trigger changes to any Priority of Payments and any changes to 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.

## DESCRIPTION OF THE NOTES IN GLOBAL FORM AND THE VARIABLE FUNDING NOTE

### General

The Class A Notes, as at the Closing Date, will initially be represented by a Temporary Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Terms and Conditions of the Notes.

The Temporary Global Note will be deposited on or about the Closing Date on behalf of the subscribers for the Class A Notes with a Common Safekeeper for both Euroclear and Clearstream, Luxembourg (together, the "**Clearing Systems**"). Upon deposit of the Temporary Global Note, the Clearing Systems will credit each subscriber of Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which the subscriber will have subscribed and paid. Interests in the Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests recorded in the records of the Clearing Systems in a Permanent Global Note.

For so long as the Class A Notes are represented by a Global Note and the Clearing Systems so permit, the Class A Notes will be tradeable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereof.

### Payments on the Global Note

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) for such purpose, subject, in the case of any Temporary Global Note, to certification of non-U.S. beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers which reflect such customers' interest in the Notes) and such records shall be prima facie evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The Issuer shall procure that each payment shall be entered pro rata in the records of the relevant Clearing Systems but any failure to make such entries shall not affect the discharge referred to above.

Payments will be made, in respect of the Global Notes, by credit or transfer to an account in sterling maintained by the payee with a bank in London.

Payments in respect of principal, premium (if any) and interest on the Global Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

### Information Regarding Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Security Trustee or the Note Trustee requests any action of Noteholders or if a Noteholder desires to give instructions or to take any action that a Noteholder 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 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 the 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 or to the order of the Common Safekeeper and, upon final payment, the Common Safekeeper will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption 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. Any redemptions of the Global Note in part will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

**Cancellation**

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto.

**Transfers and Transfer Restrictions**

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its participants. See "Description of the Notes in global form and the Variable Funding Note — General", above.

**Issuance of Definitive Notes**

If, while any of the Class A Notes are represented by a Permanent Global Note, (a) either of the Clearing Systems is 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 does in fact do so and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were such Notes in definitive form, then the Issuer will issue Definitive Notes in exchange for such Permanent Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. The Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and the Security Trustee require to take account of the issue of Definitive Notes.

Any Class A Notes issued in definitive form will be issued in definitive bearer form in the denominations set out in the Conditions and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above.

**Reports**

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, each Global Note or the Book-Entry Interests. In addition, so long as the Class A Notes are admitted to Euronext Dublin's Official List and trading on its regulated market, any notice may also be published in accordance with the relevant rules and regulations of Euronext Dublin (which includes delivering a copy of such notice to Euronext Dublin). See also Condition 15 (*Notice to Noteholders*) of the Notes.

**Variable Funding Note**

The Class Z VFN will be issued in dematerialised registered form and no certificate evidencing entitlement to the Class Z VFN will be issued. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the Class Z VFN Registrar, in which the Class Z VFN will be registered in the name of the Class Z VFN Holder. Transfers of the Class Z VFN may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 2.2 (*Title*).

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the "**Conditions**" of the Notes and any reference to a "**Condition**" shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

### 1. GENERAL

The £343,500,000 class A asset backed floating rate notes due July 2061 (the "**Class A Notes**") and the up to £500,000,000 variable funded note due July 2061 issued at an initial Principal Amount Outstanding (as of the Closing Date) of £37,636,300 (the "**Class Z VFN**" and, together with the Class A Notes, the "**Notes**"), in each case of Oak No.3 PLC (the "**Issuer**") are constituted by and have the benefit of a trust deed, including any schedules thereto (the "**Trust Deed**") dated 12 September 2019 (the "**Closing Date**") and made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the **"Conditions**") to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes or the Class Z VFN, as the case may be, or to the respective holders thereof, in each case except where the context otherwise requires.

The security for the Notes is constituted by and pursuant to a deed of charge and assignment (the "**Deed of Charge**") dated on the Closing Date and made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited as trustee for the Secured Creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on the Closing Date and made between the Issuer, the Note Trustee, Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agent appointed under the Agency Agreement, the "**Paying Agents**"), Aldermore Bank PLC as Class Z VFN registrar (in such capacity, the "**Class Z VFN Registrar**") and Citibank N.A., London Branch as agent bank (in such capacity, the "**Agent Bank**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the master definitions and construction schedule (the "**Master Definitions and Construction Schedule**") entered into by, *inter alios*, the Issuer, the Note Trustee and the Security Trustee on the Closing Date and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection during normal business hours and on reasonable notice at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents applicable to them.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

The Class Z VFN will be issued on the Closing Date with a nominal principal amount of up to £500,000,000 and a Principal Amount Outstanding of which £37,636,300 will be subscribed for on the Closing Date.

### 2. FORM, DENOMINATION AND TITLE

#### 2.1 *Form and Denomination*

The Class A Notes are initially represented by a temporary global note (a "**Temporary Global Note**") in bearer form in the aggregate principal amount on issue of £343,500,000. The Temporary Global Note has been deposited on behalf of the subscribers of the Class A Notes

with a common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**" and together with Clearstream, Luxembourg, the "**Clearing Systems**") on the Closing Date. Upon deposit of the Temporary Global Note, the Clearing Systems credited each subscriber of Class A Notes with the principal amount of Class A Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests in a permanent global note (a "**Permanent Global Note**") representing the Class A Notes (the expressions "**Global Notes**" and "**Global Note**" meaning, the Temporary Global Note and the Permanent Global Note, or (ii) the Temporary Global Note or Permanent Global Note, as the context may require). The Permanent Global Note has also been deposited with the Common Safekeeper for the Clearing Systems.

Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

The Class Z VFN will be in dematerialised registered form.

For so long as the Class A Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Class A Notes shall be tradeable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000.

A Permanent Global Note will be exchanged for Class A Notes in definitive form (such exchanged Global Note, the "**Definitive Notes**") (free of charge to the persons entitled to them) only if either of the following applies:

(a) both Euroclear and Clearstream, Luxembourg:

(i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or

(ii) announce an intention permanently to cease business and do so cease to do business

and in either case, no alternative clearing system satisfactory to the Note Trustee is available; or

(b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Class A Notes which would not be required were the Class A Notes in definitive form.

If Definitive Notes are issued in respect of Class A Notes originally represented by a Global Note, the beneficial interests represented by the Global Note shall be exchanged by the Issuer for the Class A Notes in definitive form. The aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding of the Class A Notes at the date on which notice of exchange is given of the Global

Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the Global Note.

Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons and, if necessary, talons attached.

Definitive Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No Definitive Notes will be issued with a denomination above £199,000.

The Class Z VFN has a minimum denomination of £100,000 and may be issued and redeemed in integrals of £100. No certificate evidencing entitlement to the Class Z VFN will be issued. The Class Z VFN will be in dematerialised registered form.

The Class Z VFN will be issued on the Closing Date with a nominal principal amount of up to £500,000,000 and a Principal Amount Outstanding of which £37,636,300 will be subscribed for on the Closing Date. So long as the Class A Notes are outstanding, the Principal Amount Outstanding of the Class Z VFN shall not fall below 5 per cent. of the aggregate Current Balance of the Loans as at the Closing Date. If a further funding is made in respect of any of the Class Z VFN, the Class Z VFN Registrar shall record such increase in the Principal Amount Outstanding of the Class Z VFN in the register for the Class Z VFN (the "**Class Z VFN Register**").

References to "**Notes**" in these Conditions shall include the Global Notes, the Class Z VFN and the Definitive Notes.

For the purposes of these Conditions, "**outstanding**" means, in relation to the Notes, all the Notes issued from time to time other than:

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

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

(c) those Notes which have been cancelled in accordance with Condition 7.8 (*Cancellation*) of the Notes;

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

(e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes;

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

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

provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the Noteholders of any Class or Classes, an Extraordinary Resolution in writing, an Extraordinary Resolution by way of Electronic Consent, or an Ordinary Resolution in writing or an Ordinary Resolution by way of Electronic Consent as envisaged by paragraph 1 of Schedule 4 to the Trust Deed and any direction or request by the holders of Notes of any Class or Classes;

(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 10.1 and Schedule 4 to the Trust Deed, Conditions 10 (*Events of Default*) and 11 (*Enforcement*) of the Notes;

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

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

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, any Subsidiary or Holding Company of the Issuer or the Seller, 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 Subsidiary or 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;

For the purposes of these Conditions, "**Subsidiary**" means a subsidiary and "**Holding Company**" means a holding company, each as defined in section 1159 of the Companies Act 2006.

2.2 ***Title***

Title to the Global Note or Definitive Notes shall pass by delivery.

Title to a Class Z VFN shall only pass by and upon registration of the transfer in the Class Z VFN Register provided that no transferee shall be registered as a new Class Z VFN Holder unless (i) the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee has been obtained (and the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders) and (ii) such transferee has certified to, *inter alios*, the Class Z VFN Registrar that it is (A) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (B) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (C) a Qualifying Noteholder.

"**Qualifying Noteholder**" means:

(a) a person which is beneficially entitled to interest in respect of the Class Z VFN and is:

(i) a company resident in the United Kingdom for United Kingdom tax purposes;

(ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of Section 19 of the Corporation Tax Act 2009 (the "**CTA**")) of that company; or

(iii) a partnership each member of which is:

(A) a company resident in the United Kingdom; or

(B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and

which will bring into account in computing its chargeable profits (for the purposes of Section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or

(b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 ("**ITA 2007**") and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007.

"**Noteholders**" means (i) the Class A Noteholders and (ii) the person(s) in whose name a Class Z VFN is registered in the Class Z VFN Register.

"**Class A Noteholders**" means holders of the Class A Notes.

"**Class Z VFN Holder**" means holders of the Class Z VFN.

## 3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

### 3.1 *Status and relationship between the Notes*

(a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest.

(b) The Class Z VFN constitutes direct, secured and (subject as provided in Condition 16 (*Subordination by Deferral*) and the limited recourse provisions in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z VFN ranks junior to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z VFN Holder will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).

(c) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and those of the Class Z VFN Holder. As long as the Notes are outstanding but subject to Condition 12.4 (*Meetings of Noteholders, Modification, Waiver and Substitution*), the Security Trustee shall not have regard to the interests of the other Secured Creditors.

(d) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class Z VFN Holder to request or direct the Note Trustee or the Security Trustee to take any action according to the effect thereof on the interests of the Class A Noteholders.

(e) Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class Z VFN Holder.

### 3.2 *Security*

(a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for itself, the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.

(b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. **COVENANTS**

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

(a) **Negative pledge**: create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;

(b) **Restrictions on activities**: (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;

(c) **Disposal of assets**: transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) **Equitable Interest**: permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(e) **Dividends or distributions**: pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;

(f) **Indebtedness**: incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;

(g) **Merger**: consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(h) **No modification or waiver**: without prejudice to Condition 12.5 or otherwise than in accordance with the Conditions, permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

(i) **Bank accounts**: have an interest in any bank account other than the Bank Accounts (including the Swap Collateral Account), unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;

(j) **US activities**: engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles;

(k) **Corporation tax**: prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;

(l) **Class Z VFN**: so long as the Class A Notes are outstanding, allow the Principal Amount Outstanding of the Class Z VFN to be less than 5 per cent. of the aggregate Current Balance of the Loans as at the Closing Date; or

(m) **VAT**: apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same.

## 5. INTEREST

### 5.1 *Interest Accrual*

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Class A Note, that part only of such Class A Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

### 5.2 *Interest Payment Dates*

The first Interest Payment Date will be the Interest Payment Date falling in January 2020.

Interest will be payable quarterly in arrear on the 28th day of January, April, July and October in each year or, if such day is not a Business Day, on the immediately succeeding Business Day unless it would thereby fall into the next calendar month, in which event it will be payable on the immediately preceding Business Day (each such date being an "**Interest Payment Date**"), for all classes of Notes.

In these Conditions, "**Interest Period**" shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date.

### 5.3 *Rate of Interest*

(a) The rate of interest payable from time to time in respect of each class of the Notes (each a "**Rate of Interest**" and together "**Rates of Interest**") will be determined on the basis of the following provisions:

(i) On each Interest Determination Date (as defined below), the Agent Bank will determine the Compounded Daily SONIA (as defined below) at approximately 11.00 a.m. (London time) on that Interest Determination Date.

(ii) The Rate of Interest for the Interest Period in respect of each class of the Notes shall be Compounded Daily SONIA plus the Relevant Margin (as defined below).

(iii) Subject to paragraph (ii) above, in the event that the Rate of Interest cannot be determined in accordance with the provisions of these Conditions by the Agent Bank (or such other party responsible for the calculation of the Rate of Interest), the Rate of Interest shall, subject to Condition 12.13 (Additional Right of Modification), 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 Rate of Interest which would have been applicable to such Notes for the

first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Relevant Margin applicable to the first Interest Period).

(iv) If the relevant Notes become due and payable in accordance with Condition 10 (*Events of Default*), the final Interest Determination Date shall, notwithstanding the Interest Determination Date defined below, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(v) The minimum Rate of Interest shall be zero. There will be no maximum Rate of Interest.

(b) In these Conditions (except where otherwise defined), the expression:

(i) "**Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which banks are generally open for business in London;

(ii) "**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 (or such other party responsible for the calculation of the Rate of Interest) on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SONIA_{i-5LBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**$d_o$**" is the number of Business Days in the relevant Interest Period;

"**i**" is a series of whole numbers from one to do, 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;

(iii) "**Interest Commencement Date**" means the Closing Date;

(iv) "**Interest Determination Date**" means the fifth Business Day before the Interest Payment Date for which the rate will apply;

(v) "**Observation Period**" means the period from and including the date falling five 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 five Business Days prior to the Interest Payment Date for such Interest Period (or, if applicable, the date falling five Business Days prior to any other date on which a payment of interest is to be made in respect of the Notes);

(vi) "**Relevant Margin**" means in respect of each Class of the Notes the following per cent. per annum:

(A) in respect of the Class A Notes, prior to the Step-Up Date 0.80 per cent. per annum and on and after the Step-Up Date 1.60 per cent. per annum (the "**Class A Margin**"); and

(B) in respect of the Class Z VFN, 0.00 per cent. per annum (the "**Class Z VFN Margin**");

(vii) "**Relevant Screen Page**" means the Reuters Screen SONIA Page (or any replacement thereto);

(viii) "**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 Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day).

If, in respect of any Business Day in the relevant Observation Period, the Agent Bank (or such other party responsible for the calculation of the Rate of Interest) determines that the SONIA Reference Rate is not available on the Relevant Screen Page 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.

Notwithstanding the paragraph above, if 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, subject to receiving written instructions from the Issuer and to the extent that it is reasonably practicable to do so in the opinion of the Agent Bank, follow such guidance in order to determine the SONIA reference rate for the purpose of the relevant Series of 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, the Trust Deed or the Agency Agreement 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, the Trust Deed or the Agency Agreement;and

(ix) "**$SONIA_{i\text{-}5LBD}$**" means, in respect of any Business Day falling in the relevant Interest Period, the SONIA Reference Rate for the Business Day falling five Business Days prior to the relevant Business Day "i".

5.4 ***Determination of Rates of Interest and Interest Amounts***

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the Sterling amount (the "**Interest Amounts**") in respect of the Notes, payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the

Interest Period concerned divided by 365 and rounding the resulting figure downwards to the nearest penny.

5.5 ***Publication of Rates of Interest and Interest Amounts***

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Class Z VFN Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 ***Notifications, etc. to be Final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Class Z VFN Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank or the Class Z VFN Registrar in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.7 ***Agent Bank***

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. Subject to the detailed provisions of the Agency Agreement, the Agent Bank may not resign its duties or be removed without a successor having been appointed.

5.8 ***Determinations and Reconciliation***

(a) In the event that the Cash Manager does not receive any Servicer Report which is due during a Collection Period (the "**Determination Period**"), then the Cash Manager may use the Servicer Reports in respect of the three most recent Collection Periods for which all relevant Servicer Reports are available (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.8 (*Determinations and Reconciliation*). If and when the Cash Manager ultimately receives all the Servicer Reports relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.8(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 5.8(b) and/or 5.8(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 5.8(b) and/or 5.8(c), shall (in any case) be deemed to be done, in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

(b) In respect of any Determination Period the Cash Manager shall:

(i) determine the Interest Determination Ratio by reference to the three most recent Collection Periods in respect of which all relevant Servicer Reports are available (or, where there are not at least three such previous Servicer Reports, any previous Servicer Reports) received in the preceding Collection Periods;

(ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Revenue Receipts**"); and

(iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the "**Calculated Principal Receipts**").

(c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in accordance with Condition 5.8(b) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount as follows:

(i) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger);

(ii) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (i) the absolute value of the Reconciliation Amount and (ii) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

*provided that* the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Note Trustee of such Reconciliation Amount.

(d) In this Condition, the expression:

"**Interest Determination Ratio**" means (i) the aggregate Revenue Receipts calculated in the three preceding Servicer Reports divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports;

"**Reconciliation Amount**" means in respect of any Collection Period, (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (ii) the Calculated Principal Receipts in respect of such Collection Period, plus (iii) any Reconciliation Amount not applied in previous Collection Periods; and

"**Servicer Report**" means the Monthly Servicer Report and the Quarterly Servicer Report.

## 6. PAYMENTS

### 6.1 *Payment of Interest and Principal*

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent (or the Class Z VFN Registrar in respect of the Class Z VFN) or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15

(*Notice to Noteholders*) for such purpose, subject, in the case of the Temporary Global Note, to certification of non-U.S. beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers and reflect such customers' interest in the Notes) and such records shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The Issuer shall procure that each payment shall be entered *pro rata* in the records of the relevant Clearing System but any failure to make such entries shall not affect the discharge referred to above.

Payments will be made in respect of the Notes by credit or transfer to an account in Sterling maintained by the payee with a bank in London.

6.2 ***Laws and Regulations***

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto in the place of payment and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 ***Payment of Interest following a Failure to pay Principal***

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and Condition 5.3 (*Rate of Interest*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) above and, in respect of any Definitive Note, in accordance with this Condition 6.

6.4 ***Change of Paying Agents***

Subject to the detailed provisions of the Agency Agreement, the Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Class Z VFN Registrar and to appoint additional or other registration and paying agents provided that:

(a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent;

(b) there will at all times be at least one Paying Agent (who may be the Principal Paying Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange and competent authority which, for so long as the Notes are admitted to trading on the Regulated Market of Euronext Dublin and the relevant listing rules require, shall be a place in the Republic of Ireland (such as Dublin) or such other place as Euronext Dublin may approve; and

(c) there will at all times be a person appointed to perform the obligations of the Class Z VFN Registrar.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Class Z VFN Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 ***No Payment on non-Business Day***

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression "**Presentation Date**" means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 ***Partial Payment***

If the Class Z VFN Registrar (in respect of the Class Z VFN) makes a partial payment in respect of the Class Z VFN, the Class Z VFN Registrar will, in respect of the Class Z VFN, annotate the Class Z VFN Register, indicating the amount and date of such payment.

6.7 ***Payment of Interest***

If interest is not paid in respect of the Class Z VFN on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Class Z VFN until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (*Notice to Noteholders*).

7. **REDEMPTION**

7.1 ***Redemption at Maturity***

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in July 2061.

7.2 ***Mandatory Redemption***

(a) Each Note shall, subject to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) and 7.4 (i), be redeemed on each Interest Payment Date prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose which shall be applied (a) first to repay the Class A Notes until they are repaid in full and then (b) to repay the Class Z VFN until it is repaid in full subject in each case to the Pre-Acceleration Principal Priority of Payments and, as applicable, the Pre-Acceleration Revenue Priority of Payments.

(b) With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any principal repayment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Note and (iii) in relation to the Class A Notes only, the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of that Note, is the Principal Amount Outstanding of that Note on the Closing Date and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

(c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and, in the case of the Class A Notes only, Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Security Trustee, the Paying Agents, the Agent Bank, the Interest Rate Swap Provider and (for so long as the Class A Notes are listed on the Official List of Euronext Dublin and admitted to trading on Euronext Dublin) Euronext Dublin, and will immediately cause notice of each such determination to be given in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to

be made on the Class A Notes on any Interest Payment Date a notice to this effect will be given to the relevant Noteholders.

7.3 ***Optional Redemption of the Class A Notes in Full***

(a) On giving not more than 60 nor less than 30 days' notice to: (i) the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), (ii) the Note Trustee and (iii) the Interest Rate Swap Provider, the Issuer may redeem all (but not some only) of the Class A Notes provided that:

(i) on or prior to the Interest Payment Date on which such notice expires (the "**Optional Redemption Date**"), no Note Acceleration Notice has been served;

(ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Class A Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Class A Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Priority of Payments); and

(iii) the Optional Redemption Date is any Interest Payment Date either (i) falling in July 2024 or upon any Interest Payment Date thereafter, or (ii) on which the aggregate Current Balance of all Loans in the Portfolio is equal to or less than 10 per cent. of the aggregate Current Balance of the Loans in the Portfolio as of the Cut-Off Date.

(b) Any Class A Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Class A Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Class A Note up to, but excluding, the Optional Redemption Date.

7.4 ***Optional Redemption of the Class A Notes for Taxation or Other Reasons***

If:

(a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Class A Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Class A Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or

(b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Interest Rate Swap Provider would be required to deduct or withhold from any payment under the Interest Rate Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then the Issuer shall, if the same would avoid the effect of such relevant event described in subparagraph (a) or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Class A Notes and the Trust Deed, provided that (A) the Issuer or the Cash

Manager has certified in writing to the Note Trustee and the Security Trustee that such proposed action (i) (while any Class A Note remains outstanding) has been notified to the Rating Agencies, (ii) would not adversely impact on the Issuer's ability to make payment when due in respect of the Notes, (iii) would not affect the legality, validity and enforceability of any of the Transaction Documents or any Security and (iv) would not have an adverse effect on the rating of the Class A Notes; and (B) a legal opinion of independent legal advisers of recognised standing, in form and substance satisfactory to the Note Trustee is delivered to the Issuer and to the Note Trustee confirming that such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in subparagraph (a) or (b) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Interest Rate Swap Provider and Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Class A Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that (i) one or more of the circumstances referred to in subparagraph (a) or (b) above prevail(s), (ii) setting out details of such circumstances and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents or the Interest Rate Swap Provider have or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled, without further investigation, to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on all the Noteholders and the Secured Parties.

The Issuer may only redeem the Class A Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Class A Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments to be paid in priority to or *pari passu* with the Class A Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 ***Principal Amount Outstanding***

**The Principal Amount Outstanding**:

(a) in respect of the Class A Notes on any date shall be their original principal amount of £343,500,000 less the aggregate amount of all principal payments in respect of such Class A Notes which have been made since the Closing Date; and

(b) in respect of the Class Z VFN shall be, as at a particular day (the "**Reference Date**"), the total principal amount of all drawings under the Class Z VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class Z VFN which have been made since the Closing Date and not later than the Reference Date (such amounts to be notified in writing by the Class Z VFN Registrar to the Principal Paying Agent and any other Paying Agents).

7.6 ***Notice of Redemption***

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other*

*Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

7.7 ***No Purchase by the Issuer***

The Issuer will not be permitted to purchase any of the Notes.

7.8 ***Cancellation***

All Notes (other than the Class Z VFN) redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

On each Interest Payment Date on which the Class Z VFN is redeemed pursuant to Condition 7.2 (*Mandatory Redemption*), the Class Z VFN Registrar shall cancel the Class Z VFN in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the Class Z VFN by an amount equal to such mandatory redemption.

Each Class Z VFN will be cancelled when redeemed in full after the Class Z VFN Commitment Termination Date and may not be resold or re-issued once cancelled.

8. **TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law or by agreement of the Issuer (or any Paying Agent or the Class Z VFN Registrar) under the provisions of section 1471(b) of the Code or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. In that event, subject to Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Issuer or, as the case may be, the relevant Paying Agent or the Class Z VFN Registrar shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer, the Class Z VFN Registrar nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. **PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

10. **EVENTS OF DEFAULT**

10.1 ***Class A Notes***

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate principal amount of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall, (subject to being

indemnified and/or secured and/or prefunded to its satisfaction) give a notice (a "**Note Acceleration Notice**") to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with Accrued Interest as provided in the Trust Deed, in any of the following events (each, an "**Event of Default**") with a copy of such Note Acceleration Notice being sent simultaneously to the Interest Rate Swap Provider:

(a) if default is made in the payment of any principal or interest due in respect of the Class A Notes and the default continues for a period of: (i) seven days in the case of principal, or (ii) 14 days in the case of interest; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders; or

(d) if the Issuer ceases or threatens to cease to carry on the whole or (in the opinion of the Note Trustee) a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or

(e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or

(f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(g) the entry into the Transaction Documents and/or the performance of the obligations thereunder becomes illegal under the applicable laws of England and Wales and the

relevant matter cannot be resolved to the satisfaction of the Note Trustee within 30 Business Days of the relevant change of law or interpretation thereof.

10.2 ***Class Z VFN***

This Condition 10.2 shall not apply as long as any Class A Note remains outstanding. Subject thereto, for so long as any Class Z VFN remains outstanding, the Note Trustee shall if so directed by the sole Class Z VFN Holder (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give a Note Acceleration Notice to the Issuer in any of the following events (each, an "**Event of Default**"):

(a) if default is made in the payment of any principal or interest due in respect of the Class Z VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(g) (Class A Notes) occurs with references, where applicable, to the Class A Noteholders being read as to the Class Z VFN Holder.

10.3 ***General***

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Condition 10.1 (*Class A Notes*) or Condition 10.2 (*Class Z VFN*) above, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with Accrued Interest as provided in the Trust Deed.

11. **ENFORCEMENT**

11.1 ***General***

The Note Trustee (including by instructions to the Security Trustee), may at any time, in its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in respect of the Note Trustee) the Notes and/or the Trust Deed (including these Conditions), or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, in its discretion and without notice, take such steps as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

(a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders (including the provisions set out in Clause 10 and Schedule 4 of the Trust Deed), it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or so directed in writing by the holders of at least 25 per cent. in aggregate of the principal amount of the Class A Notes then outstanding or, if there are no Class A Notes then outstanding, the sole holder of the Class Z VFN; and

(b) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

11.2 ***Preservation of Assets***

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either:

(a) the Cash Manager certifies to the Security Trustee that a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders), or once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons

ranking in priority thereto) which certificate shall be binding on the Secured Creditors; or

(b) the Security Trustee is of the opinion (which opinion shall be binding on the Secured Creditors and reached after considering at any time and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice) that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders and all persons ranking in priority to the Class A Noteholders as set out in the Post-Acceleration Priority of Payments or, once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto).

The Security Trustee shall not be bound to make the determination contained herein unless the Security 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. The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

11.3 ***Limitations on Enforcement***

No Noteholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

11.4 ***Limited Recourse***

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under and pursuant to the Deed of Charge (the "**Charged Assets**"). If:

(i) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;

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

(iii) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any), interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any), interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

## 12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents. Each such meeting shall be held at such time and place as the Note Trustee may appoint or approve provided that the place shall be a location in the UK (or, if applicable, the European Union).

12.2 An Extraordinary Resolution (other than to sanction a Basic Terms Modification which affects the Class Z VFN Holder) passed at any meeting of the Class A Noteholders shall be binding on the Class Z VFN Holder irrespective of the effect upon it, subject to Condition 12.3 (*Quorum*).

12.3 ***Quorum***

(a) Subject as provided below, the quorum at any meeting of Class A Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate principal amount of the Class A Notes, or, at any adjourned meeting, one or more persons being or representing a Class A Noteholder, whatever the aggregate principal amount of the Class A Notes then outstanding held or represented by it or them.

(b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of the Class A Noteholders for passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification of the amount of principal payable or the rate of interest in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes (except for any Base Rate Modification or Swap Rate Modification), (iv) alter the currency in which payments under the Notes are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal or substitution for the sale, conversion or cancellation of the Notes or (vii) alter any of the provisions contained in this exception (each a "**Basic Terms Modification**") shall be one or more persons holding or representing in the aggregate not less than three-quarters of the aggregate principal amount of the Class A Notes then outstanding or, at any adjourned meeting, one or more persons present and holding or representing in the aggregate not less than one-quarter of the aggregate principal amount of the Class A Notes then outstanding and any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at a meeting of the Class A Noteholders.

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing, or through the Clearing Systems, from the Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

12.4 The Note Trustee may agree with the Issuer or any other parties and/or direct the Security Trustee to agree with the Issuer or any other parties, but without the consent of the Noteholders or the other Secured Creditors (but only with the written consent of the Secured Creditors which are a party to the relevant Transaction Document, such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document):

(a) other than in respect of a Basic Terms Modification, to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders or (where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder), the Class A Noteholders;

(b) to any modification to these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error; or

*provided that* in respect of any modifications to any of the Transaction Documents which would (in the opinion of the Interest Rate Swap Provider, which shall be

confirmed in writing to the Note Trustee and the Security Trustee prior to such modification) have the effect (i) that immediately after such modification, the Interest Rate Swap Provider would be reasonably required to pay more or receive less under the Interest Rate Swap Agreement if the Interest Rate Swap Provider were to replace itself under the Interest Rate Swap than it would otherwise have been required to prior to such modification; or (ii) of altering the amount, timing or priority of any payments or deliveries due from the Issuer to the Interest Rate Swap Provider or from the Interest Rate Swap Provider to the Issuer, the written consent of the Interest Rate Swap Provider shall have been provided to the Note Trustee prior to such modification.

12.5 In addition, the Note Trustee may, or (as appropriate) may instruct the Security Trustee with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents, but without the consent of the Noteholders and if in its opinion it will not be materially prejudicial to the interests of the Noteholders of any Class (or where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder, the Class A Noteholders), to:

(a) authorise or waive, on any terms and subject to any conditions which it considers appropriate, any proposed breach or breach of any Transaction Documents; or

(b) determine that an actual or potential Event of Default or actual or potential breach of the Conditions shall not, or shall not subject to any specified conditions, be treated as such,

provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution or by a direction under Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.

12.6 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15 (*Notice to Noteholders*).

12.7 Any modification to the Transaction Documents shall be notified by the Issuer in writing to the Rating Agencies and the Interest Rate Swap Provider.

12.8 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders (or where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder, the Class A Noteholders).

12.9 In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may at its absolute discretion, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Class A Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then

current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.

12.10 Where, in connection with the exercise or performance by the Note Trustee of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to herein), the Note Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.11 "**Extraordinary Resolution**" means:

(a) a resolution passed at a meeting of the Class A Noteholders duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than three-quarters of the votes cast;

(b) a resolution in writing signed by or on behalf of the Class A Noteholders of not less than three-quarters in aggregate of the principal amount of the Class A Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Class A Noteholders;

(c) consent given by way of Electronic Consent by or on behalf of the holders of not less than three quarters of the principal amount of the Notes for the time being outstanding; or

(d) a resolution in writing signed by the sole Class Z VFN Holder.

Details of any Extraordinary Resolution passed in accordance with the provisions of the Trust Deed shall be notified to the Rating Agencies by the Issuer.

12.12 ***Issuer Substitution Condition***

The Note Trustee may concur with the Issuer, subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that replacement hedging arrangements are in place in relation to the Notes, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.12, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such

change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders (or where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder, the Class A Noteholders).

12.13 ***Additional Right of Modification***

Notwithstanding the other provisions of this Condition 12 (*Meetings of Noteholders, Modification, Waiver And Substitution*), the Note Trustee or, as the case may be, the Security Trustee, shall be obliged, without any consent or sanction of the Noteholders or any other Secured Creditor, other than written consent of the Secured Creditors which are a party to the relevant Transaction Documents (such consent to be conclusively demonstrated by such Secured Creditor entering into any deed or document purporting to modify such Transaction Document), to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions, the Trust Deed or any other Transaction Document to which it is a party or in relation to which it holds security or to enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary:

(a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that:

(i) the Issuer (or the Servicer on its behalf) certifies in writing to the Note Trustee and the Security 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

(ii) in the case of any modification to a Transaction Document proposed by any of the Seller, the Servicer, the Interest Rate Swap Provider, the Cash Manager the Agent Bank, the Principal Paying Agent and/or the Issuer Account Bank (for the purpose of this Condition 12.13 only, each a "**Relevant Party**") in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):

(A) the Relevant Party certifies in writing to the Issuer, the Note Trustee and the Security Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above; and

(B) either:

(1) the Issuer, the Relevant Party or the Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies, a Rating Agency Confirmation; or

(2) the Issuer, the Relevant Party or the Servicer (on behalf of the Issuer) certifies in writing to the Note Trustee and the Security 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 the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and

(C) the Relevant Party pays all costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee and the Security Trustee in connection with such modification;

(b) for the purpose of complying with:

(i) Article 6 of the Securitisation Regulation, after the Closing Date, including as a result of the adoption of additional regulatory technical standards in relation to the Securitisation Regulation or any other risk retention legislation or regulations or official guidance in relation thereto applicable to the Issuer or Aldermore; or

(ii) any other provision of (A) the Securitisation Regulation, including Articles 19, 20, 21 or 22 of the Securitisation Regulation, (B) Regulation (EU) 2017/2401 (which amends Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms) provided that the Issuer has been advised by a third party authorised under Article 28 of the Securitisation Regulation (if applicable) or a reputable international law firm that such amendments are required to comply with such requirements,

provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(c) in order to enable the Issuer and/or the Interest Rate Swap Provider to comply with any obligation which applies to it under EMIR, provided that the Issuer (or the Servicer on its behalf) or the Interest Rate Swap Provider, as appropriate, certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for the purpose of enabling it to satisfy such obligation and has been drafted solely to such effect;

(d) for the purpose of enabling the Class A Notes to be (or to remain) listed on Euronext Dublin, provided that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(e) for the purpose 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 (or the Servicer on its behalf) or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

(f) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of (a) regulatory technical standards in relation to (i) the CRA3 Requirements or (ii) any other obligation which applies under the CRA3 Requirements and/or (b) any new regulations or official guidance in relation thereto, provided in each case that the Issuer (or the Servicer on its behalf) certifies to the Note Trustee and the Security 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, the Servicer (on behalf of the Issuer), and/or the Relevant Party, as the case may be, pursuant to (a) to (f) above being a "**Modification Certificate**"); or

(g) for the purpose of changing the base rate that then applies in respect of the Notes (the "**Relevant Base Rate**") to an alternative base rate (any such rate, which may include an alternative screen rate, an "**Alternative Base Rate**") and making such other amendments as are necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) to facilitate such change (a "**Base Rate Modification**"), provided that the Issuer (or the Servicer on its behalf), certifies to the Note Trustee and the Security Trustee in writing (such certificate, a "**Base Rate Modification Certificate**") that:

(i) such Base Rate Modification is being undertaken due to:

(A) an alternative manner of calculating the Relevant Base Rate being introduced and becoming a standard means of calculating interest for similar transactions;

(B) a material disruption to the Relevant Base Rate, an adverse change in the methodology of calculating the Relevant Base Rate or the Relevant Base Rate ceasing to exist or be published;

(C) the insolvency or cessation of business of the administrator of the Relevant Base Rate (in circumstances where no successor administrator has been appointed);

(D) a public statement by the administrator of the Relevant Base Rate that it will cease publishing the Relevant Base Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Relevant Base Rate);

(E) a public statement by the supervisor of the administrator of the Relevant Base Rate that the Relevant Base Rate has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;

(F) a public announcement by a relevant regulatory authority of the permanent or indefinite discontinuation of the Relevant Base Rate;

(G) a public statement by the supervisor of the administrator of the Relevant Base Rate that means the Relevant Base Rate may no longer be used or that its use is subject to restrictions or adverse consequences;

(H) a change in the generally accepted market practice in the Sterling-denominated asset backed floating rate notes market to refer to a base 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 the Relevant Base Rate;

(I) it having become unlawful and/or impossible and/or impracticable for any Paying Agent, the Issuer or the Cash Manager to calculate any payments due to be made to any Noteholder using the Relevant Base Rate; or

(J) the reasonable expectation of the Issuer (or the Servicer 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 Base Rate Modification; and

(ii) such Alternative Base Rate is:

(A) a base rate published, endorsed, approved or recognised by the Federal Reserve or the Bank or England, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);

(B) an alternative rate relating to SONIA or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing);

(C) a base 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 Base Rate Modification (for these purposes,

unless agreed otherwise by the Note Trustee, five such issues shall be considered a material number); or

(D) such other base rate as the Servicer (on behalf of the Issuer) reasonably determines,

and, in each case, the change to the Alternative Base Rate will not, in its opinion, be materially prejudicial to the interest of the Noteholders (or where the Note Trustee determines that there is a conflict between the interests of the Class A Noteholders and the interests of the Class Z VFN Holder, the Class A Noteholders). For the avoidance of doubt, the Issuer (or the Servicer on its behalf) may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in this Condition 12.13(g) are satisfied; and

(iii) the Seller has agreed to pay, or to put the Issuer in funds to pay, all fees, costs and expenses (including legal fees and any initial or on-going costs associated with the Base Rate Modification) incurred by the Issuer and the Note Trustee or any other party to the Transaction Documents in connection with the Base Rate Modification; and

(h) for the purpose of changing the base rate that then applies in respect of the Interest Rate Swap Agreement to an alternative base rate as is necessary or advisable in the commercially reasonable judgment of the Issuer (or the Servicer on its behalf) and the Interest Rate Swap Provider solely as a consequence of a Base Rate Modification and solely for the purpose of aligning the base rate of the Interest Rate Swap Agreement to the base rate of the Notes following such Base Rate Modification (a "**Swap Rate Modification**"), provided that the Servicer, on behalf of the Issuer, certifies to the Note Trustee and the Security 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 paragraphs (a), (g) and (h) above:

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

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

(iii) the consent of each Secured Creditor which is party to the relevant Transaction Document has been obtained;

(iv) other than in the case of a modification pursuant to Condition 12.13(a)(ii), either:

(A) the Issuer or the Servicer (on behalf of the Issuer) obtains from each of the Rating Agencies a Rating Agency Confirmation; or

(B) the Issuer or the Servicer (on behalf of the Issuer) certifies in the Modification Certificate, Base 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 the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent);

(v) (I) the Issuer has provided at least 40 calendar days' prior written notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes, and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification;

(vi) in respect of any modifications to any of the Transaction Documents which would (in the opinion of the Interest Rate Swap Provider, which shall be confirmed in writing to the Note Trustee and the Security Trustee prior to such modification) have the effect (i) that immediately after such modification, the Interest Rate Swap Provider would be reasonably required to pay more or receive less under the Interest Rate Swap Agreement if the Interest Rate Swap Provider were to replace itself under the Interest Rate Swap than it would otherwise have been required to prior to such modification, or (ii) of altering the amount, timing or priority of any payments or deliveries due from the Issuer to the Interest Rate Swap Provider or from the Interest Rate Swap Provider to the Issuer, the written consent of the Interest Rate Swap Provider shall have been provided to the Note Trustee prior to such modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Class A Notes then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

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

Other than where specifically provided in this Condition 12.13 or any Transaction Document:

(a) when implementing any modification pursuant to this Condition 12.13, neither the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person but shall act and rely solely and without further investigation on any certificate or evidence provided to it by or on behalf of the Issuer or the relevant Transaction Party, as the case may be, pursuant to this Condition 12.13 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) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee and/or the Security Trustee would have the effect of (i) exposing the Note Trustee and/or the Security Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protection, of the Note Trustee and/or the Security 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:

(a) so long as any of the Class A Notes remains outstanding, each Rating Agency;

(b) the Secured Creditors; and

(c) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

## 13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or secured and/or prefunded to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## 14. REPLACEMENT OF NOTES

Subject to the more detailed provisions of the Agency Agreement, if any Class A Note is mutilated, defaced, or is (or is alleged to have been) lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class A Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Class A Note must be surrendered before a new one will be issued.

## 15. NOTICE TO NOTEHOLDERS

### 15.1 *Publication of Notice*

(a) Subject to paragraph (b) below, all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of Euronext Dublin (which includes delivering a copy of such notice to Euronext Dublin) and any such notice will be deemed to have been given on the date sent to Euronext Dublin. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Note Trustee may approve. The holders of any coupons will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

(b) Whilst the Class A Notes are represented by a Global Note, notices to Noteholders (other than the Class Z VFN Holder) will be valid if published as described above or if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class Z VFN Holder). Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

(c) In respect of the Class Z VFN, notices to the Class Z VFN Holder will be sent to it by the Issuer to the fax number or email address notified to the Issuer from time to time in writing.

### 15.2 *Note Trustee's Discretion to Select Alternative Method*

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable

having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

## 16. SUBORDINATION BY DEFERRAL

### 16.1 *Interest*

If, on any Interest Payment Date whilst any of the Class A Notes remain outstanding and prior to the service of a Note Acceleration Notice, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 16, include any interest previously deferred under this Condition 16.1 and Accrued Interest thereon) payable in respect of the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest (such interest, the "**Deferred Interest**") in respect of the Class Z VFN (unless there are no Class A Notes then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class Z VFN).

### 16.2 *General*

Any amounts of Deferred Interest in respect of the Class Z VFN shall accrue interest ("**Additional Interest**") at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 16.1 (*Interest*) applies) or on such earlier date as the Class Z VFN becomes due and repayable in full in accordance with these Conditions.

### 16.3 *Notification*

As soon as practicable after becoming aware but no later than 5 Business Days prior to any Interest Payment Date that any part of a payment of interest on the Class Z VFN will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Class Z VFN Holder in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 16 will not constitute an Event of Default. The provisions of this Condition 16 shall cease to apply on the Final Maturity Date or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all deferred interest and Accrued Interest thereon shall become due and payable.

## 17. INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF THE CLASS Z VFN AND ADJUSTING THE MAXIMUM CLASS Z VFN AMOUNT

### 17.1 *Class Z VFN*

(a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the Class Z VFN Commitment Termination Date notifying the Issuer (i) (A) that an Additional Borrowing has been made in respect of which there are insufficient funds standing to the credit of the Principal Ledger to fund the purchase of such Additional Borrowing; (B) the Additional Borrowing Purchase Price; and (C) the amount of any such shortfall, being the portion of the Additional Borrowing Purchase Price which cannot be funded by amounts standing to the credit of the Principal Ledger, and/or (ii) that amounts standing to the credit of the General Reserve Fund are less than the General Reserve Required Amount; and/or (iii) of any premiums payable under any Interest Rate Swap Agreement, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class Z VFN (the "**Class Z VFN Holder**") requesting that such Class Z VFN Holder further

fund the Class Z VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:

(i) (A) in respect of (i) above, the Additional Borrowing Purchase Price less amounts standing to the credit of the Principal Ledger available to pay such Additional Borrowing Purchase Price;

(B) in respect of (ii) above, the General Reserve Required Amount less all amounts standing to the credit of the General Reserve Fund; or

(C) in respect of (iii) above, the amount of any premium payable under the Interest Rate Swap Agreement; and

(ii) the Maximum Class Z VFN Amount less the current Principal Amount Outstanding of the Class Z VFN (taking into account any predicted or forecast reductions to the Principal Amount Outstanding of the Class Z VFN on the following Interest Payment Date given amounts then standing to the credit of the Transaction Account which will be available for distribution on such Interest Payment Date).

(b) The Class Z VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the Class Z VFN Commitment Termination Date requesting that the relevant Class Z VFN Holder further fund the Class Z VFN, shall notify the Issuer that the relevant Class Z VFN Holder is prepared to make such further funding (the Further Class Z VFN Funding), provided the relevant Class Z VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 17.1(d) below.

(c) The proceeds of the Further Class Z VFN Funding shall be applied by the Issuer to fund (i) the Additional Borrowing Purchase Price, (ii) the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount and (iii) any premiums payable under the Interest Rate Swap Agreement.

(d) The Class Z VFN Holder shall advance the amount of such Further Class Z VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:

(i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further Class Z VFN Funding (or such lesser time as may be agreed by the Class Z VFN Holder), the relevant Class Z VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefor, receipt of which shall oblige the relevant Class Z VFN Holder to accept the amount of the Further Class Z VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;

(ii) as a result of the making of such Further Class Z VFN Funding, the aggregate amount plus all Further Class Z VFN Funding made in respect of the relevant Class Z VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class Z VFN which has already been repaid) would not exceed the Maximum Class Z VFN Amount;

(iii) either:

(A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Class Z VFN Funding; or

(B) the relevant Class Z VFN Holder agrees in writing (notwithstanding any matter mentioned at 17.1(d)(iii)(A) above) to make such Further Class Z VFN Funding available; and

(iv) the proposed date of such Further Class Z VFN Funding falls on a Business Day prior to the Class Z VFN Commitment Termination Date.

In this Condition, the expression:

"**Notice of Increase**" means a notice, substantially in the form set out in the Trust Deed.

"**Maximum Class Z VFN Amount**" for the Class Z VFN shall be £500,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class Z VFN Holder, and notified such amount to the Note Trustee.

18. **NON-RESPONSIVE RATING AGENCY**

(a) In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security 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 "**Rating Agency Confirmation**").

(b) If a Rating Agency Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Rating Agency Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee, as applicable) and:

(i) (A) one Rating Agency (such Rating Agency, a "**Non-Responsive Rating Agency**") indicates that it does not consider such Rating Agency Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy provide such Rating Agency Confirmation or response or (B) within 30 days of delivery of such request, no Rating Agency Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Rating Agency Confirmation or response could not be given; and

(ii) one Rating Agency gives such Rating Agency Confirmation or response based on the same facts,

then such condition to receive a Rating Agency Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Rating Agency Confirmation or response from the Non-Responsive Rating Agency if the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred, the Issuer having sent a written request to each Rating Agency.

19. **JURISDICTION AND GOVERNING LAW**

(a) The Courts of England (the "**Courts**") 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.

(b) The Transaction Documents, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

## 20. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## USE OF PROCEEDS

The net proceeds from the issue of the Notes are expected to amount to £381,136,300.

The Issuer will use the proceeds of the Class A Notes to pay towards (as far as possible) the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date.

The Issuer will use the proceeds of the issue of the Class Z VFN to fund (i) to the extent that the proceeds of the Class A Notes are insufficient to pay the Initial Consideration on the Closing Date, the remaining portion of the Initial Consideration, (ii) any Additional Borrowing Purchase Price (to the extent not funded by amounts standing to the credit of the Principal Ledger), (iii) the establishment of the General Reserve Fund on the Closing Date, (iv) any increase in the General Reserve Fund up to the General Reserve Required Amount in order to satisfy the Asset Conditions for Additional Borrowings and/or Product Transfers, (v) initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date, and (vi) any premiums payable under any Interest Rate Swap Agreement.

## RATINGS

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

| Class of Notes | Moody's | Fitch |
|---|---|---|
| Class A Notes | Aaa(sf) | AAA (sf) |
| Class Z VFN | Not rated | Not rated |

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under the CRA Regulation. As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

## THE ISSUER

### Introduction

The Issuer was incorporated in England and Wales on 17 July 2019 (registered number 12108711) as a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is 11th Floor, 200 Aldersgate Street, London EC1A 4HD. The telephone number of the Issuer's registered office is +44 (0)20 7466 1600. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,999 shares of which are partly-paid up in cash of 25 pence each and 1 of which is a fully paid share of £1 held by Holdings as a nominee, all of which are beneficially owned by Holdings (see "*Holdings*" below). The rights of Holdings as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles and English law.

The Issuer has been established as a special purpose vehicle or entity for the purposes of issuing asset backed securities. The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer. The principal objects of the Issuer are set out in its Articles of Association and are, *inter alia*, to carry on business as a general commercial company. The Issuer was established solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

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

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

The Issuer, since its incorporation, has not commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issues 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. The Issuer has not prepared financial statements up to the date of this Prospectus. The Issuer, as necessary, has made a notification and/or paid the relevant fee under the Data Protection (Charges and Information) Regulations 2018. The accounting reference date of the Issuer is 30 June and the first statutory accounts of the Issuer will be drawn up to 30 June 2020.

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

### Directors

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

| Name | Business Address | Business Occupation |
|---|---|---|
| MaplesFS UK Corporate Director No. 1 Limited | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Corporate Director |
| MaplesFS UK Corporate Director No. 2 Limited | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Corporate Director |
| Jennifer Lynn Jones | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Director |

The directors of MaplesFS UK Corporate Director No. 1 Limited and MaplesFS UK Corporate Director No. 2 Limited and their principal activities are as follows:

| Name | Business Address | Principal Activities |
|---|---|---|
| Alasdair Robertson | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Attorney |
| Scott Somerville | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Chief Executive Officer |

The company secretary of the Issuer is Maples Fiduciary Services (UK) Limited whose principal office is at 11th Floor, 200 Aldersgate Street, London EC1A 4HD. The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus.

## HOLDINGS

### Introduction

Holdings was incorporated in England and Wales on 17 July 2019 (registered number 12107488) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is 11th Floor, 200 Aldersgate Street, London EC1A 4HD. The issued share capital of Holdings comprises 1 ordinary share of £1. Maples Fiduciary Services (UK) Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

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

The principal objects of Holdings are set out in its Articles of Association and are, *inter alia*, to carry on business as a general commercial company.

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

### Directors

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

| Name | Business Address | Business Occupation |
|---|---|---|
| MaplesFS UK Corporate Director No. 1 Limited | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Director of special purpose companies |
| MaplesFS UK Corporate Director No. 2 Limited | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Director of special purpose companies |
| Jennifer Lynn Jones | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Director |

The directors of MaplesFS UK Corporate Director No. 1 Limited and MaplesFS UK Corporate Director No. 2 Limited and their principal activities are as follows:

| Name | Business Address | Principal Activities |
|---|---|---|
| Alasdair Robertson | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Attorney |
| Scott Somerville | 11th Floor, 200 Aldersgate Street, London EC1A 4HD | Chief Executive Officer |

The company secretary of Holdings is Maples Fiduciary Services (UK) Limited, whose principal office is at 11th Floor, 200 Aldersgate Street, London EC1A 4HD.

The accounting reference date of Holdings is 30 June and the first statutory accounts of Holdings will be drawn up to 30 June 2020.

Holdings has no employees.

## ALDERMORE BANK PLC

Aldermore Bank PLC ("**Aldermore**") is the Seller pursuant to the Mortgage Sale Agreement, and will be appointed as Servicer pursuant to the Servicing Agreement, as Cash Manager pursuant to the Cash Management Agreement and as Class Z VFN Registrar pursuant to the Conditions.

### Introduction

Aldermore's principal office is at 1st Floor, Block B, Western House, Lynch Wood, Peterborough PE2 6FZ (telephone number: 0173 340 4500); registered number is 00947662. Aldermore is a specialist bank offering straightforward products to its customers to help seek and seize opportunities in their personal and professional lives. Established in May 2009 through the acquisition of Ruffler Bank Plc, Aldermore has grown significantly and now has almost 1,000 employees.

In March 2018, Aldermore became part of the FirstRand Group, one of South Africa's largest financial services institutions. In May 2019, the MotoNovo Finance vehicle finance business was transferred from FirstRand Bank Limited, London Branch, to MotoNovo Finance Limited, a new company incorporated within the Aldermore group for the writing of new MotoNovo Finance business. The Aldermore and MotoNovo Finance combined businesses offer strategic benefits and synergies for the customers of each organisation.

Except as otherwise stated, financial information contained herein is either (i) extracted from the audited half year accounts of Aldermore, or (ii) calculated using financial information extracted from such half year accounts. The contents of such audited half year accounts of Aldermore and the interim accounts do not form part of this Prospectus.

At the date of this Prospectus Aldermore Bank PLC is not rated by any rating agency.

### Constitution

Aldermore is authorised by the PRA and the FCA and is registered under the Financial Services Compensation Scheme. The affairs of Aldermore are conducted and managed by a board of directors, who serve in accordance with the constitution of Aldermore. The board is responsible to the shareholder for the proper conduct of the affairs of Aldermore and appoints and supervises the senior executives of Aldermore who are responsible to the board for the day-to-day management of Aldermore.

### Business and Strategy of Aldermore

Aldermore operates in large and attractive lending segments spanning Asset Finance, Invoice Finance, SME Commercial Mortgages, Buy-to-Let, Residential Mortgages (and, more recently, the incorporation of MotoNovo Finance Limited as detailed above has allowed the Aldermore group to offer auto financing) with the opportunity to deliver continued growth and strong risk adjusted returns.

Aldermore's lending is primarily funded by Retail and SME customer deposits complemented by wholesale funding including the Oak securitisation programmes. The directly distributed deposit business is driven by a superior client proposition which drives strong customer loyalty. Aldermore largely operates through intermediaries and internet and telephone based direct to consumer propositions. As at 31st December 2018, loans to customers stood at £9.4bn, customer deposits totalled £8.0bn and the CET1 capital ratio was 12.6%. Aldermore generated an underlying profit before tax for 6 months to 31 December 2018 of £74.7m and a return on equity of 16%.

In terms of its residential owner occupied lending, Aldermore advances funds to borrowers on the security of first mortgages on freehold and leasehold property located in England and Wales (and Scotland, although mortgages secured on properties located in Scotland are not included in the Portfolio) and in the case of commercial financing, on the security of the assets being funded or against verified trade receivables.

Aldermore has more than five years of experience in the origination, underwriting and servicing of mortgage loans similar to those included in the portfolio.

The other purposes and powers of Aldermore are specified in its constitution as outlined above.

## THE NOTE TRUSTEE AND SECURITY TRUSTEE

Citicorp Trustee Company Limited ("**Citicorp**") was incorporated on 24 December 1928 under the laws of England and Wales and has its registered office at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, with a company number 235914.

Citicorp is an indirect wholly-owned subsidiary of Citigroup Inc., a diversified global financial services holding company incorporated in Delaware.

Citicorp is regulated by the FCA.

## THE CORPORATE SERVICES PROVIDER, THE BACK-UP CASH MANAGER FACILITATOR AND BACK-UP SERVICER FACILITATOR

Maples Fiduciary Services (UK) Limited (registered number 09422850), having its principal address at 11th Floor, 200 Aldersgate Street, London EC1A 4HD, has been appointed to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement.

Maples Fiduciary Services (UK) Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Corporate Services Provider is entitled to terminate its appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee, can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

Maples Fiduciary Services (UK) Limited has also been appointed as Back-Up Cash Manager Facilitator pursuant to the Cash Management Agreement and Back-Up Servicer Facilitator pursuant to the Servicing Agreement (see the sections entitled "*Summary of the Key Transaction Documents – Cash Management Agreement*" and "*Summary of the Key Transaction Documents – Servicing Agreement*" for further information).

## THE INTEREST RATE SWAP PROVIDER

BNP Paribas is a French multinational bank and financial services company with its registered office located at 16 boulevard des Italiens 75009 Paris, France, and its corporate website in English is http://www.bnpparibas.com/en.

BNP Paribas, together with its consolidated subsidiaries (the "**BNP Paribas Group**") is a global financial services provider, conducting retail, corporate and investment banking, private banking, asset management, insurance and specialized and other financial activities throughout the world.

The BNP Paribas Group, one of Europe's leading providers of banking and financial services, has four domestic retail banking markets in Europe, namely in Belgium, France, Italy and Luxembourg.

It operates in 71 countries and has more than 201,000 employees, including more than 153,000 in Europe. BNP Paribas holds key positions in its two main businesses:

- Retail Banking and Services, which includes:
  - Domestic Markets, comprising:
    - French Retail Banking (FRB),
    - BNL banca commerciale (BNL bc), Italian retail banking,
    - Belgian Retail Banking (BRB),
    - Other Domestic Markets activities including Luxembourg Retail Banking (LRB);
  - International Financial Services, comprising:
    - Europe-Mediterranean,
    - BancWest,
    - Personal Finance,
    - Insurance,
    - Wealth and Asset Management;
- Corporate and Institutional Banking (CIB):
  - Corporate Banking,
  - Global Markets,
  - Securities Services.

BNP Paribas SA is the parent company of the BNP Paribas Group.

At 30 June 2019, the BNP Paribas Group had consolidated assets of €2,373 billion (compared to €2,044 billion at 1 January 2019[3]), consolidated loans and receivables due from customers of €794 billion (compared to €766 billion at 1 January 2019[3]), consolidated items due to customers of €833 billion (compared to €797 billion at 1 January 2019[3]) and shareholders' equity (Group share) of €104.1 billion (compared to €101.3 billion at 1 January 2019[3])).

At 30 June 2019, pre-tax income was €6.1 billion (compared to €5.7 billions at the end of June 2018). Net income, attributable to equity holders, for the first half 2019 was €4.4 billion (compared to €3.9 billion for the first half of 2018).

At the date of this Prospectus, the BNP Paribas Group currently has Long Term Senior Preferred debt ratings of "A+" with stable outlook from S&P, "Aa3" with stable outlook from

[3] Revised presentation, based on the new IFRS 16 accounting standard

Moody’s Investors Service, Inc. and "AA-" with stable outlook from Fitch Ratings, Ltd and "AA (low)" with stable outlook from DBRS.

***The information contained in this section relates to and has been obtained from BNP Paribas. The information concerning BNP Paribas and the BNP Paribas Group contained herein is furnished solely to provide limited introductory information regarding BNP Paribas and the BNP Paribas Group and does not purport to be comprehensive.***

***The delivery of the information contained in this section shall not create any implication that there has been no change in the affairs of BNP Paribas or the BNP Paribas Group since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.***

For up-to-date financial information, including quarterly results since the last fiscal year end, please refer to http://invest.bnpparibas.com/en.

## THE BACK-UP SERVICER

Link Mortgage Services Limited is a private limited company incorporated in England and Wales on 3 August 1967 and registered under company number 00912411. The registered office of Link Mortgage Services Limited is at 6th Floor, 65 Gresham Street, London EC2V 7NQ.

Link Mortgage Services Limited is one of the mortgage administration industry's longest established organisations and is rated RPS2- by Fitch Ratings Limited and ranked "Above Average" by S&P, in each case for primary servicing and RSS 2- and "Above Average", in each case for special servicing of residential mortgage loans.

Link Mortgage Services Limited currently services in excess of 50,000 borrowers, 58,000 accounts totalling £5.3bn of mortgage assets. It has the experience of being the only appointed standby mortgage servicer in the UK to have been called upon to undertake mortgage administration in place of a primary mortgage servicer.

Link Mortgage Services Limited has ISO 9001-2008 certification, is an Associate Member of UK Finance and Building Society Association and is authorised and regulated by the FCA under registration number 306235. It holds all relevant permissions under FSMA and is listed on the register of entities that have paid a data protection fee to the Information Commissioner’s Office under the Data Protection (Charges and Information) Regulations 2018.

## THE ACCOUNT BANK

Citibank, N.A. is national association formed through its Articles of Association, obtained its charter, 1461, July 17 1865, and governed by the laws of the United States and having its principal business office at 388 Greenwich Street, New York, NY 10013, USA and having in Great Britain a principal branch office situated at Canada Square, Canary Wharf, London E14 5LB with a foreign company number FC001835 and branch number BR001018.

The London Branch of Citibank, N.A. is authorised and regulated by the Office of the Comptroller of the Currency (USA) and authorised by the PRA. It is subject to regulation by the FCA and limited regulation by the PRA.

## THE LOANS

### The Portfolio

### Introduction

The following is a description of some of the characteristics of the Loans originated by the Seller and comprised in the Portfolio as at the Cut-Off Date (the "**Cut-Off Date Portfolio**") including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller will select the Loans for transfer into the initial Portfolio using a system containing defined data on each of the qualifying loans in the Seller's overall portfolio of loans available for selection. This system allows the setting of exclusion criteria among others corresponding to relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans (see *"Mortgage Sale Agreement – Representations and Warranties"*). This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria and these loans comprise the Cut-Off Date Portfolio. After a pool of Loans is selected in this way, the constituent Loans are monitored to ensure their compliance with the Loan Warranties on the Closing Date. Please see also "*Characteristics of the Portfolio*" below.

Unless otherwise indicated, the description that follows relates to types of loans that have been or could be sold to the Issuer as part of the Portfolio as at the Closing Date.

Any Loans sold to the Issuer will be selected from the Cut-Off Date Portfolio. In addition, the Seller may offer a Borrower under a Loan comprised in the Portfolio, or a Borrower may request, a Product Transfer. Where a Product Transfer occurs, the relevant Loan may then have mortgage terms different from the original Loan (prior to the Product Transfer) and those Loans forming the Portfolio (including characteristics that are not currently being offered to Borrowers or that have not yet been developed) and may have been originated according to different Lending Criteria. All Product Transfers will be required to comply with the Asset Conditions set out in the Mortgage Sale Agreement on their Transfer Date. The material warranties in the Mortgage Sale Agreement to be given as at the Closing Date and the Asset Conditions (which include satisfaction of the warranties) which must be met on each Transfer Date are described in this Prospectus. See "*Summary of Key Transaction Documents – Mortgage Sale Agreement*", above.

### Characteristics of the Loans

(1) ***Repayment terms***

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product, for example, free valuations and payment of legal fees. Overpayments are allowed on all products, within certain limits.

Loans are typically repayable on one of the following bases:

- **Repayment Loan**: the Borrower makes monthly payments of both interest and principal so that, when the Loan reaches the end of its term, the full amount of the principal of the Loan will have been repaid; or

- **Interest-only Loan**: the Borrower makes monthly payments of interest but not of principal; when the Loan reaches the end of its term the entire principal amount of the Loan is still outstanding and is payable in one lump sum.

In the case of either Repayment Loans or Interest-only Loans, the required accrued rate of interest on the Loans will vary from month to month as a result of changes in interest rates. At least 10 business days' notice is given to borrowers of the change to the direct debit or other payment collection method.

For Interest-only Loans, because the principal is repaid in a lump sum at the maturity of the loan, the borrower is recommended to have some repayment mechanism (such as an investment plan) which is intended to provide sufficient funds to repay the principal at the end of the term.

The Portfolio consists of Loans which are intended for Borrowers who wish to use the Loans as a means to purchase or refinance a residential property to be used solely as the Borrower's own residence.

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any Early Repayment Charges (as described in "*The Loans– Early repayment charges*" below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all Accrued Interest, Arrears of Interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account, and
- standing order from a bank or building society account.

The Loans are full recourse to the relevant Borrowers and, where applicable, guarantors.

The Loans do not include: (i) any transferable securities for purposes of 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 the Loans have been entered into substantially on the terms of similar standard documentation for residential mortgages loans.

The aggregate Principal Balance of all Loans in the Portfolio made to a single Borrower does not exceed 2 per cent. of the aggregate Principal Balance of all Loans in the Cut-Off Date Portfolio as of the Cut-Off Date.

The weighted average Indexed Current LTV of the Loans in the Cut-Off Date Portfolio was not greater than 80 per cent as at the Cut-Off Date.

(2) ***Interest payments and interest rate setting***

The Seller has responded to the competitive mortgage market by developing a range of products that are used to attract new borrowers and retain existing customers. Interest on the Loans is charged on one of the following bases and the Seller is able to combine these to suit the requirements of the Borrower:

- **Variable Rate Loans** are those loans which are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (such rate being the relevant "**Variable Rate**"). Variable Rate Loans originated by the Seller are marketed by the Seller as bearing interest in accordance with the **Aldermore Managed Rate** ("**AMR**") which is the Seller's discretionary standard variable rate and which may be varied by the Seller in accordance with the reasons set out in the relevant Mortgage Conditions. The AMR was set at 5.23 per cent. on 1 September 2018. Loans may be subject to an interest margin above or below the AMR.
- **Fixed Rate Loans** are loans which are subject to a fixed rate of interest for a specified period of time, usually for 2, 3 or 5 years.

The relevant interest rate (including some fixed rates) may apply for the life of the Loan. Otherwise, each of the above rates is offered for a predetermined period, usually between 2 and 5 years, at the commencement of the Loan (the "**Product Period**"). At the end of the Product Period the rate of interest charged will either (a) move to some other interest rate type for a predetermined period or (b) revert to, or remain at, a Variable Rate linked to AMR, or to some other interest rate type. The Seller may introduce other Variable Rates in the

future. In certain instances, early repayment charges are payable by the Borrower if the Loan is redeemed within the Product Period. See "*The Loans – Early repayment charges*" below.

The loans originated by the Seller provide for interest to be calculated on a daily basis. The interest due for each month is added to the Borrower's account on the first calendar day of such month based on the outstanding balance of the relevant loan as at the end of the preceding month (including any fees or charges which have become interest-bearing). Borrowers have the rest of the calendar month in which the interest is added to their account to make payment otherwise such interest will itself become interest-bearing as of the beginning of the subsequent calendar month. Any payment by the Borrower will immediately reduce the Borrower's balance on which interest will be calculated.

Except in limited circumstances as set out in "*The Servicing Agreement – Undertakings by the Servicer*", the Servicer is responsible for setting the Variable Rates on the Loans in the Portfolio that are sold to the Issuer. Under the 2010 version of the Mortgage Conditions (the "**2010 Mortgage Conditions**") Aldermore has a right to reduce the interest rate at any time provided that the interest rate is not fixed. Aldermore also has the right to increase the interest rate at any time if one or more of the following reasons apply:

(a) there has been, or Aldermore reasonably expects there to be in the near future, a general trend to increase interest rates on mortgages generally or mortgages similar to the mortgage borrowers';

(b) Aldermore needs to fund an increase in the interest rates it pays to its own funders (including the rates it offers on deposit accounts);

(c) Aldermore wishes to adjust its interest rates to maintain a prudent level of profitability;

(d) there has been, or Aldermore reasonably expects there to be in the near future, a general increase in the risk of shortfalls on the accounts of mortgage borrowers (whether generally or for Aldermore mortgage borrowers only) or;

(e) to reflect changes in market conditions, banking practice, relevant laws, regulations, codes of practice or decisions of courts or the FOS.

These reasons may relate to circumstances existing at the time or which the Servicer reasonably expects to apply in the near future.

If Aldermore wishes to increase the interest rate applicable to a Variable Rate Loan, it will give borrowers a minimum of 10 business days' notice.

In addition to changes to the discretionary rates of interest there may be circumstances where Aldermore charges more interest to the Borrower as a result of action by the Borrower. For example, the rate of interest charged may be increased where property is let (however, this would constitute a change in the terms and conditions applicable to such Loan).

The 2010 Mortgage Conditions represent the most recent terms and conditions of the Seller relating to the Loans comprised in the Cut-Off Date Portfolio and dictate the specified reasons to change the interest rate.

(3) ***Early Repayment Charges***

The Borrower may be required to pay an early repayment charge (an "**Early Repayment Charge**") if the mortgage is repaid early during the period in which such changes are applicable, as set out in the terms of the relevant Loan. The amount payable is based on a percentage of the amount repaid. A mortgage discharge fee is also payable.

If the Borrower repays its mortgage during an Early Repayment Charge period to move house, the Borrower may not have to pay the charge if the Borrower takes out a new loan for the new home with the Seller, subject to certain qualifying criteria.

Early Repayment Charges may also apply throughout the term of a Loan if overpayments are made. Overpayments of up to £5,000 can be made in any 12 month period, without incurring any charge. However, overpayments in excess of £5,000 will incur Early Repayment Charges based on a percentage of the amount by which the overpayment exceeds £5,000. From January 2017, the overpayment allowable was amended from £5,000 to 10% of the mortgage balance in any 12 month period.

(4) ***Overpayments***

Overpayments are allowed on all products, although an Early Repayment Charge may be payable (as described in 'Early Repayment Charges' above). Borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time.

If Borrowers pay more than the scheduled monthly payment, the balance on their mortgage loan will be reduced. The Seller will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

(5) ***Additional Borrowings***

Borrowers are able to apply for Additional Borrowings 6 months after mortgage completion, subject to certain qualifying criteria applicable to Additional Borrowings. The original mortgage deed is expressed to cover all amounts due under the relevant loan which would cover any Additional Borrowings. (See "*Summary of the Key Transaction Documents – Additional Borrowings and Product Transfers*").

Some Loans in the initial Portfolio may have Additional Borrowings made on them prior to their being sold to the Issuer on the Closing Date.

If a Loan is subject to an Additional Borrowing after being sold to the Issuer, the Seller will be required to repurchase the Loan and its Related Security from the Issuer if following the Additional Borrowing the Loan breaches the Asset Conditions or the Loan Warranties or to the extent that the Issuer does not have sufficient funds from the Principal Ledger or from a drawing under the Class Z VFN to fund the purchase of such Additional Borrowing.

(6) ***Product Transfers***

From time to time, Borrowers may request or the Servicer may send an offer of a variation in the financial terms and conditions applicable to the Borrower's loan. In limited circumstances, if a Loan is subject to a Product Transfer as a result of a variation and following such variation the Loan breaches the Asset Conditions or the Loan Warranties, then the Seller will be required to repurchase the Loan or Loans and their Related Security from the Issuer. (See "*Summary of the Key Transaction Documents – Additional Borrowings and Product Transfers*").

**Origination channels**

The Seller currently derives around 85% of its mortgage-lending business via intermediaries throughout the United Kingdom (except for certain loan related features, such as Additional Borrowings, which are originated directly by the Seller). The remainder is originated via a team of fully qualified mortgage advisers.

Once an application for a mortgage loan is received from a prospective new customer (through whichever origination channel) it is processed in-house by the Seller. The details of the application are entered into the **Seller's** relevant computer system, and arrangements are made to obtain such references and/or other proof of income, valuation, survey or other evidence of value (if any and as appropriate) that may be required by the Seller under its lending policy. A mortgage offer may then be issued to the prospective new customer and instructions are despatched to the relevant solicitor or licensed conveyancer to investigate title and issue a certificate on the same to the Seller. Once a satisfactory certificate of title has been received (if appropriate) and no other matters in relation to the application are outstanding, mortgage funds can be released to the solicitor or licensed conveyancer.

The Seller is subject to the PRA and FCA rules and the FOS.

**Underwriting**

The Seller does not use a scorecard when making credit decisions, although reference is made to the Delphi for New Business ("**DNB**") and Consumer Indebtedness Index ("**CII**") scores (both of which are obtained from external sources) when assessing cases.

The system rules identify whether the proposed loans meet the lending criteria (e.g. LTV, affordability, CCJs/adverse credit data, property type/location) and this is flagged to the underwriter for them to consider/assess as part of their lending decision.

Ability to repay the mortgaged debt is gauged through an assessment of the applicant's (verifiable) income, household composition and existing commitments; a view on intent to pay is judged via data on historic conduct from credit bureaux and others.

The affordability assessment takes into account known income and expenditure (loans, credit cards, etc.) and assesses this against an "affordability factor".

The "affordability factor" is the percentage of the applicant's income that can be used to service all of the applicant's debt, including the Seller's mortgage. The affordability assessment uses this factor to calculate the value of total debt the applicant can afford to support and acts as a threshold within which to base the Seller's lending decision.

The value of the existing commitments (or a generic provision if there are no "live" credit commitments) is subtracted: the remainder is what is available to support the mortgage.

The affordability factors used within the affordability assessment use data from the Office of National Statistics ("**ONS**").

Affordability factors vary depending on the household composition and the overall application gross annual income. This effectively applies higher and lower affordability factor thresholds within the affordability assessment, depending upon the household's composition and income situation.

The lending system is supported by a structure, with authority limits varying according to seniority. The delegated authorities allow named mandate holders to approve loans within certain criteria, amounts and LTV limits. Every case is reviewed by an approved mandate holder prior to the offer being issued. Loans that do not meet standard policy criteria can only be approved within strict Board limits by named experienced mandate holders with the required level of authorisation. All mandate holders are able to override previous initial 'accept' decisions at any point in the underwriting process if information comes to light that changes the initial decision.

Mortgage underwriting decisions, are subject to internal monitoring by the Seller in order to ensure the Seller's procedures and policies regarding underwriting are being followed by staff.

**Lending Criteria**

On the Closing Date, the Seller will represent that each Loan being sold to the Issuer was originated according to the lending criteria of the Seller at the time the Loan was offered (the "**Lending Criteria**"), in all material respects, subject only to exceptions made on a case-by-case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender. Policy and risk appetite varies in line with a number of internal and external factors in particular expectations of the housing market and wider economy and the Seller retains the right to revise its lending criteria from time to time, so the criteria applicable to any Loans which are the subject of an Additional Borrowing or Product Transfer may not be the same as those currently used.

This document reflects the lending criteria applied for originations between 2010 and the present. The Seller's current policy reflects the uncertainty of the economy.

**Type of property**

Properties may be either freehold or leasehold. In the case of leasehold properties, there must be at least 40 years left on the lease at the end of the mortgage term and a minimum of 60 years from the date of the mortgage. The property must be used solely as a single residential dwelling. Properties must be of good quality, in sound structural condition and in a reasonable state of repair. House boats, mobile homes, and any property on which buildings insurance cannot be arranged are not acceptable. All persons who are to be legal owners of the property on completion must be named as Borrowers under the Mortgage.

All properties have been valued by a valuer approved by the Seller. The value of the Properties in connection with each Loan has been determined at origination in accordance with the standards and practices of the RICS Valuation Standards (including those relating to competency and required documentation) by an individual valuer who is an employee or a contractor of a valuer firm engaged by the Seller and accredited to the Seller's valuers panel, who is a fellow, member or associate member of the Royal Institution of Chartered Surveyors (RICS) and whose compensation is not affected by the approval or non-approval of the Loan. Each Valuation Report includes three comparable properties providing evidence for the valuation of each Property.

The valuers panel is maintained (including the appointment of valuer firms to the panel) by the credit risk department of the Seller with no involvement of sales or product staff. Likewise, sales and product staff are not involved in the selection of the valuer firm from the valuers panel engaged to carry out the valuation of the Properties in connection with each Loan.

**Term of loan**

The minimum term of a loan is generally 10 years for new residential mortgages. The maximum term for residential loans is generally 40 years.

**Details of applicant**

All Borrowers must be aged 21 or over and the mortgage term must normally end before the Borrower reaches retirement.

The maximum number of applicants on any one residential mortgage application is 2.

Under the Seller's current Lending Criteria, to be accepted for a mortgage, generally all applicants must be UK or European Union nationals or non-UK/European Union nationals who have been resident in the UK for the last 24 months and have a permanent right to reside in the UK. For earlier originations borrowers had to have a legal right to reside in the UK but the length of that right varied. Expats or applicants with diplomatic immunity are not accepted.

**Loan-to-value (or LTV) ratio**

The maximum original LTV ratio of loans in the portfolio is 95 per cent. (including any fees added to the loan).

When the Seller makes a loan on a property which requires repairs, the property is either valued on a "when done" basis and the loan retained until works have been completed, or if the property is acceptable security in its existing condition, it may be valued on that basis and the loan released prior to works commencing.

**Status of applicant(s)**

Lending assessment is currently made using the lending system outlined in the underwriting section.

*Employed applicant(s):*

Where an applicant is in PAYE employment and the income of that applicant is required to support the loan, the Seller generally requires the applicant to be in a permanent position and

not under notice of termination. However, fixed term/temporary workers are accepted where the applicant meets certain minimum requirements. The Seller requires with certain limited exceptions either the employer's reference or pay slips as evidence of income.

*Self Employed Applicant(s):*

The applicant must normally have been trading for at least 2 years. The Seller requires with certain limited exceptions evidence of income (for example, accounts, accountant's projections, tax assessments or other suitable evidence).

**Credit history**

The current policy is as follows:

*Credit search:*

A credit search is carried out in respect of all new applicants (and in relation to Additional Borrowings to existing Borrowers) with a bureau of the Seller's choice at a level of the Seller's choice.

Applications may be declined where an adverse credit history is revealed (for example, court judgements recorded during the preceding 6 years or bankruptcy orders (whether or not discharged) in the preceding 6 years).

*Existing lender's reference:*

Any reference must satisfy the Seller that the account has been properly conducted and that no history of material arrears exists.

*First time buyers/applicants in rented accommodation:*

Where applicants currently reside in rented accommodation, the Seller may seek sight of a bank statement or rent record book.

**Bank reference/Proof of income**

As part of the underwriting process, the Seller will require all employed applicants to produce pay slips and P60 or similar documentation to prove income. In addition, a formal reference may be requested from the applicant's employer. If the applicant is self-employed, the Seller will require HMRC SA302 and supporting Tax Year Overview documentation. This may be supported by a reference from a qualified accountant or certified accounts. Previous mortgage account conduct is verified via a credit reference agency. When additional verification is required, the Seller may seek and review satisfactory bank statements and references from existing or previous lenders.

**Underwriting Process**

The Seller does not use a scorecard to make lending decisions, it applies an initial screening of all enquiries via a range of system rules based upon the lending policy which address aspects surrounding credit profile, affordability and property valuation. The rules enable the underwriters to focus their attention on those aspects of the case which require closer attention.

Underwriters review all cases which have either been referred or approved by the system rules, adopting a "whole case" review approach to include a review of credit searches, electronic identification ("**EID**") and verification documentation, income and also undertaking a pre-offer call directly with the customer to confirm key details.

The assessment of a prospective borrower's creditworthiness is conducted in accordance with the Seller's 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.

The Loans do not include: (A) at the time of origination any mortgage loans that were marketed and underwritten on the premise that the mortgage loan applicant or, where applicable, intermediaries were made aware that the information provided by the mortgage loan applicant might not be verified by the Seller for purposes of Article 20(10) of the Securitisation Regulation or (B) at the time of selection for inclusion in the portfolio any exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 for purposes of Article 20(11) of the Securitisation Regulation. The Loans have been transferred to the Issuer after selection for inclusion in the Portfolio without undue delay for purposes of Article 20(11) of the Securitisation Regulation.

**Changes to the underwriting policies and the Lending Criteria**

The Seller's underwriting policies and Lending Criteria were and are subject to change within the Seller's sole discretion. Loans were and are originated by way of exception to the lending criteria where the Seller determined that the exception would have been acceptable to a Reasonable Prudent Mortgage Lender. Additional Borrowings and Product Transfers that are originated under Lending Criteria that are different from the criteria set out here may be sold to the Issuer.

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.

**Insurance policies**

**Insurance on the property**

Each mortgaged property is required to be insured with buildings insurance by the Borrower. The property may be insured by the Seller at the expense of the Borrower or, the insurance may be purchased by the Borrower or (in the case of leasehold property) by a landlord or by a property management company. If the Seller becomes aware that no adequate insurance is in place, it has the power to arrange insurance on the property and charge the premiums for this to the Borrower's mortgage account.

Subject as set out above, the Seller only insures a property if it becomes aware that no insurance is in force or once it has repossessed the property from a defaulting Borrower. See "*Properties in possession cover*" below.

(1) **Borrower-arranged buildings insurance**

The Seller requires that a Borrower maintains home insurance for the duration of the mortgage and requires the acting solicitor or licensed conveyancer checks that such insurance is in place at the time when the mortgage commences. The Seller issues warnings on each annual statement to Borrowers that home insurance must be in place. The Seller maintains a policy which indemnifies them for any losses incurred due to the failure of a Borrower to maintain home insurance.

(2) **Properties in possession cover**

When a mortgaged property is taken into possession by the Seller, the Seller takes the necessary actions to ensure that the property is placed on to its block properties in possession insurance policy (the "**Properties in Possession Cover**") so that appropriate insurance cover is provided on the property. The Seller may claim under this policy for any damage occurring to the property while in the Seller's possession.

(3) **Title and Search insurance**

Title and search insurance is used in some instances on remortgage cases, and in these instances the acting solicitor or licensed conveyancer will not undertake searches covered by

the title and search insurance policy. Full searches are undertaken on all new purchase cases.

Insurance may also be used by the acting solicitor or licensed conveyancer in respect of certain limited title defects (e.g. restrictive covenants, absence of rights of way) on new purchases or remortgage cases.

(4) **Mortgage indemnity guarantee policy**

A mortgage indemnity guarantee, or "MIG", policy is an agreement between a lender and an insurance company to underwrite the amount of each relevant mortgage loan which exceeds a specified LTV ratio, subject to certain conditions.

Each High LTV Loan originated since 1 January 2017 has the benefit of MIG insurance cover underwritten by Canopius Managing Agents Limited, subject to payment of a premium.

This insurance is intended to provide only limited cover in the event of losses being incurred in excess of the relevant LTV ratio following repossession and sale of a mortgaged property from a borrower, and is further limited in that such insurance is subject to certain exclusions. The MIG policy will not cover all losses suffered in relation to the mortgage loans which continue to have MIG coverage and each such mortgage loan is only covered for a seven year period following inception of the insurance of the mortgage loan or additional borrowing.

The insured under the MIG policy is the Seller. The related borrower has no interest in this policy. The Seller will assign its rights under the MIG policy to the Issuer to the extent that it relates to any Loan from time to time comprised in the Portfolio. Practically speaking, this will have little effect on the way in which claims are made and paid under the policies as they will continue to be administered by the Seller acting in its capacity as Servicer.

**Seller's arrears policy**

The Servicer shall at all times administer the Loans and the Related Security in accordance with the Seller's Policies (including the Seller's arrears policy), which set out in clear and consistent terms definitions, remedies and actions relating to delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies.

The Seller classifies a Loan as being in pre-arrears where one scheduled monthly payment is unpaid for less than one month. Borrowers in pre-arrears will receive an arrears letter from the Seller which is created and sent to the Borrower on the third working day after the scheduled monthly payment date.

A loan is classified as being in arrears when the scheduled monthly payment has been unpaid for one month or more. The team work to a single core collections strategy with the strategy defined between (30 -90) days or (>1 to >3) months with accounts over >3 being at the point that litigation action can be considered. The Seller will attempt to contact the Borrower initially by letter and by telephone if such payments remain unpaid. The Seller will upon establishing the Borrower's circumstances offer options specifically tailored to return the account to order, where possible. The Seller may send a field agent to the Borrower's address if no contact is made with the Borrower or if the Seller has been unable to ascertain a satisfactory reason and proposal for the unpaid scheduled monthly payment.

The Seller considers litigation action to be the last resort and prefer to focus on supporting customers in order to allow them to retain their property. The forbearance options that are considered include loan modifications, non or part payment arrangements or consensual sale. Where a satisfactory arrangement cannot be reached or maintained, litigation and possession proceedings may be instigated by the Seller to enable the Seller to enforce its security.

Subsequent to possession, if there is a mortgage shortfall on sale of the Property the Seller will consider pursuing recovery of the shortfall. The period in which the Seller is able to pursue its claim for the shortfall is a maximum of 12 years in England and Wales. Recovery activity will depend on the circumstances of the borrower and whether the Seller has evidence

to suggest that the customer has sufficient ability to make payments from current income or to repay from other assets.

In all situations the Seller complies with regulatory requirements and guidance and follows industry best practice.

**Governing law**

Each of the Loans is governed by English law.

## CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this Prospectus has largely been compiled by reference to certain Loans in a portfolio as at the Provisional Pool Date (the Provisional Pool Date Portfolio). The Provisional Pool Date Portfolio consists of 2,708 Loans originated by the Seller between 8 June 2010 and 28 June 2019 and secured over properties located in England and Wales. The Current Balance of the Provisional Pool Date Portfolio is £386,198,070.90. Having removed any Loans which were no longer eligible or had been redeemed in full as at the Cut-Off Date, the Seller randomly selected the Cut-Off Date Portfolio from the Provisional Pool Date Portfolio. Columns may not add up to 100 per cent. due to rounding. A Loan will be removed from the Portfolio if in the period from (and including) the Cut-Off Date up to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not comply with the Loan Warranties on the Closing Date. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Provisional Pool Date for the Loans in the Portfolio.

In this section:

"**Mortgage Accounts**" means the totality of the relevant loans granted by the Seller secured on the same Property and their Related Security.

Further information in respect of individual loan level data may be obtained on the website of European DataWarehouse at https://editor.eurodw.eu/home/index. The website and the contents thereof do not form part of this Prospectus.

The Issuer makes no representation as to the accuracy of the information sourced from any third party websites (including, without limitation, cash flow models, commentary and other materials). Such third party websites and the contents thereof do not form part of this Prospectus.

### *Original Balances*

The following table shows the range of Mortgage Account Original Balances (including capitalised interest, capitalised fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Provisional Pool Date.

| Range of Original Balances | Aggregate Current Balance (£) | Per cent. of Total | Number of Mortgage Accounts | Per cent. of Total |
|---|---|---|---|---|
| £0k < Original Balance <= £50k | 4,193,117.52 | 1.09% | 123 | 4.54% |
| £50k < Original Balance <= £100k | 54,576,216.60 | 14.13% | 757 | 27.95% |
| £100k < Original Balance <= £150k | 91,390,327.97 | 23.66% | 760 | 28.06% |
| £150k < Original Balance <= £200k | 80,565,416.01 | 20.86% | 485 | 17.91% |
| £200k < Original Balance <= £250k | 67,816,409.56 | 17.56% | 311 | 11.48% |
| £250k < Original Balance <= £300k | 36,999,921.79 | 9.58% | 138 | 5.10% |
| £300k < Original Balance <= £350k | 18,879,612.48 | 4.89% | 59 | 2.18% |
| £350k < Original Balance <= £400k | 15,077,434.61 | 3.90% | 41 | 1.51% |
| £400k < Original Balance <= £450k | 7,152,668.84 | 1.85% | 18 | 0.66% |
| £450k < Original Balance <= £500k | 2,835,739.22 | 0.73% | 6 | 0.22% |
| £500k < Original Balance <= £550k | 987,654.82 | 0.26% | 2 | 0.07% |
| £550k < Original Balance <= £600k | 1,167,961.48 | 0.30% | 2 | 0.07% |
| £600k < Original Balance <= £650k | 1,219,525.00 | 0.32% | 2 | 0.07% |
| £650k < Original Balance <= £700k | - | 0.00% | 0 | 0.00% |
| £700k < Original Balance <= £750k | 750,000.00 | 0.19% | 1 | 0.04% |
| £750k < Original Balance <= £800k | 768,382.00 | 0.20% | 1 | 0.04% |
| £800k < Original Balance <= £850k | 821,029.00 | 0.21% | 1 | 0.04% |
| £850k < Original Balance <= £900k | - | 0.00% | 0 | 0.00% |
| £900k < Original Balance <= £950k | - | 0.00% | 0 | 0.00% |
| £950k < Original Balance <= £1000k | 996,654.00 | 0.26% | 1 | 0.04% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

The minimum, maximum, and weighted average Original Balance of the Loans as of the Provisional Pool Date is £25,000, £996,654 and £197,669 respectively.

### *Current Balances*

The following table shows the range of Mortgage Current Balances (including capitalised interest, capitalised fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Provisional Pool Date.

| Range of Current Balances | Aggregate Current Balance (£) | Per cent. of Total | Number of Mortgage Accounts | Per cent. of Total |
|---|---|---|---|---|
| £0k < Current Balance <= £50k | 7,656,939.40 | 1.98% | 214 | 7.90% |
| £50k < Current Balance <= £100k | 57,724,378.16 | 14.95% | 746 | 27.55% |
| £100k < Current Balance <= £150k | 94,015,935.63 | 24.34% | 751 | 27.73% |
| £150k < Current Balance <= £200k | 77,443,675.66 | 20.05% | 447 | 16.51% |
| £200k < Current Balance <= £250k | 64,807,994.42 | 16.78% | 291 | 10.75% |
| £250k < Current Balance <= £300k | 35,530,777.96 | 9.20% | 131 | 4.84% |
| £300k < Current Balance <= £350k | 18,772,433.79 | 4.86% | 58 | 2.14% |
| £350k < Current Balance <= £400k | 14,114,174.25 | 3.65% | 38 | 1.40% |
| £400k < Current Balance <= £450k | 7,028,036.07 | 1.82% | 17 | 0.63% |
| £450k < Current Balance <= £500k | 3,380,174.08 | 0.88% | 7 | 0.26% |
| £500k < Current Balance <= £550k | - | 0.00% | 0 | 0.00% |
| £550k < Current Balance <= £600k | 1,167,961.48 | 0.30% | 2 | 0.07% |
| £600k < Current Balance <= £650k | 1,219,525.00 | 0.32% | 2 | 0.07% |
| £650k < Current Balance <= £700k | - | 0.00% | 0 | 0.00% |
| £700k < Current Balance <= £750k | 750,000.00 | 0.19% | 1 | 0.04% |
| £750k < Current Balance <= £800k | 768,382.00 | 0.20% | 1 | 0.04% |
| £800k < Current Balance <= £850k | 821,029.00 | 0.21% | 1 | 0.04% |
| £850k < Current Balance <= £900k | - | 0.00% | 0 | 0.00% |
| £900k < Current Balance <= £950k | - | 0.00% | 0 | 0.00% |
| £950k < Current Balance <= £1000k | 996,654.00 | 0.26% | 1 | 0.04% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

The minimum, maximum and average Current Balance of the Loans as of the Provisional Pool Date is £2,104, £996,654 and £142,614, respectively.

### *Loan to Value Ratios at Origination*

The following table shows the range of loan to value ratios or LTV Ratios, which express the outstanding balance of the aggregate of Loans (including capitalised interest, capitalised fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Provisional Pool Date based on the original amount of the initial advance on the date of origination of the Loan divided by the value of the Property securing the Loans in the Mortgage Account as at that date. The Seller has not revalued any of the mortgaged properties since the date of the origination of the related Loan other than where Additional Borrowings have occurred or been applied for, and in certain Product Transfer and re-arrangement application cases (in each case, whether such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. (However, the revised valuation has not been used in formulating this data.)

| Range of LTV Ratios at Origination | Aggregate Current Balance (£) | Per cent. of Total | Number of Mortgage Accounts | Per cent. Of Total |
|---|---|---|---|---|
| 0% < OLTV <= 5% | - | 0.00% | 0 | 0.00% |
| 5% < OLTV <= 10% | 285,157.17 | 0.07% | 7 | 0.26% |
| 10% < OLTV <= 15% | 1,633,222.79 | 0.42% | 27 | 1.00% |
| 15% < OLTV <= 20% | 2,915,666.14 | 0.75% | 50 | 1.85% |
| 20% < OLTV <= 25% | 4,385,373.21 | 1.14% | 46 | 1.70% |
| 25% < OLTV <= 30% | 4,682,748.11 | 1.21% | 48 | 1.77% |
| 30% < OLTV <= 35% | 6,955,880.73 | 1.80% | 70 | 2.58% |
| 35% < OLTV <= 40% | 7,372,278.67 | 1.91% | 65 | 2.40% |
| 40% < OLTV <= 45% | 12,331,749.50 | 3.19% | 96 | 3.55% |
| 45% < OLTV <= 50% | 15,504,239.15 | 4.01% | 114 | 4.21% |
| 50% < OLTV <= 55% | 16,261,836.86 | 4.21% | 109 | 4.03% |
| 55% < OLTV <= 60% | 21,606,168.74 | 5.59% | 138 | 5.10% |
| 60% < OLTV <= 65% | 24,469,625.17 | 6.34% | 147 | 5.43% |
| 65% < OLTV <= 70% | 31,409,046.18 | 8.13% | 193 | 7.13% |
| 70% < OLTV <= 75% | 54,222,229.27 | 14.04% | 330 | 12.19% |
| 75% < OLTV <= 80% | 43,906,372.46 | 11.37% | 293 | 10.82% |
| 80% < OLTV <= 85% | 19,337,350.34 | 5.01% | 119 | 4.39% |
| 85% < OLTV <= 90% | 39,322,902.07 | 10.18% | 277 | 10.23% |
| 90% < OLTV <= 95% | 79,596,224.34 | 20.61% | 579 | 21.38% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

The minimum, maximum and weighted average Loan to Value Ratio at origination as at the Provisional Pool Date of the Loans in the Provisional Pool Date Portfolio is 6.00 per cent., 95.00 per cent. and 72.16 per cent., respectively.

### *Current Indexed Loan to Value Ratios*

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan (including capitalised interest, capitalised fees, insurance fees, product or booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Provisional Pool Date by the indexed latest valuation of the Property securing that Loan at the same date.

| Range of Indexed Current LTV Ratios* | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| 0% < iCLTV <= 5% | 58,611.88 | 0.02% | 7 | 0.26% |
| 5% < iCLTV <= 10% | 814,347.06 | 0.21% | 24 | 0.89% |
| 10% < iCLTV <= 15% | 2,517,256.36 | 0.65% | 50 | 1.85% |
| 15% < iCLTV <= 20% | 4,088,562.33 | 1.06% | 72 | 2.66% |
| 20% < iCLTV <= 25% | 6,799,382.60 | 1.76% | 72 | 2.66% |
| 25% < iCLTV <= 30% | 5,971,936.69 | 1.55% | 65 | 2.40% |
| 30% < iCLTV <= 35% | 9,541,495.78 | 2.47% | 89 | 3.29% |
| 35% < iCLTV <= 40% | 11,205,537.60 | 2.90% | 102 | 3.77% |
| 40% < iCLTV <= 45% | 18,387,282.80 | 4.76% | 129 | 4.76% |
| 45% < iCLTV <= 50% | 17,703,125.02 | 4.58% | 127 | 4.69% |
| 50% < iCLTV <= 55% | 19,150,780.42 | 4.96% | 134 | 4.95% |
| 55% < iCLTV <= 60% | 24,674,214.31 | 6.39% | 148 | 5.47% |
| 60% < iCLTV <= 65% | 22,690,984.43 | 5.88% | 138 | 5.10% |
| 65% < iCLTV <= 70% | 31,471,185.02 | 8.15% | 174 | 6.43% |
| 70% < iCLTV <= 75% | 48,956,603.96 | 12.68% | 282 | 10.41% |
| 75% < iCLTV <= 80% | 32,327,716.41 | 8.37% | 167 | 6.17% |
| 80% < iCLTV <= 85% | 15,785,522.42 | 4.09% | 100 | 3.69% |
| 85% < iCLTV <= 90% | 39,805,366.52 | 10.31% | 288 | 10.64% |
| 90% < iCLTV <= 95% | 74,248,159.29 | 19.23% | 540 | 19.94% |
| Total | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

* *Most recent property valuation was indexed using the Nationwide House Price Index (seasonally adjusted) based on quarterly data from the loan origination date to the Provisional Pool Date.*

The minimum, maximum and weighted average current indexed Current Loan to Value Ratio as at the Provisional Pool Date of all the Loans (including any capitalised interest, capitalised fees, insurance fees, valuation fees and product or booking fees) is 0.70 per cent., 95.00 per cent. and 69.02 per cent., respectively.

### *Current Loan to Value Ratios*

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan as at the Provisional Pool Date by the unindexed latest valuation of the Property securing that Loan at the same date.

| Range of Current LTV Ratios | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| 0% < CLTV <= 5% | 28,974.97 | 0.01% | 5 | 0.18% |
| 5% < CLTV <= 10% | 513,869.94 | 0.13% | 18 | 0.66% |
| 10% < CLTV <= 15% | 2,221,538.04 | 0.58% | 41 | 1.51% |
| 15% < CLTV <= 20% | 3,273,551.76 | 0.85% | 59 | 2.18% |
| 20% < CLTV <= 25% | 5,369,161.12 | 1.39% | 61 | 2.25% |
| 25% < CLTV <= 30% | 4,990,734.78 | 1.29% | 57 | 2.10% |
| 30% < CLTV <= 35% | 8,091,778.50 | 2.10% | 80 | 2.95% |
| 35% < CLTV <= 40% | 8,725,586.31 | 2.26% | 81 | 2.99% |
| 40% < CLTV <= 45% | 13,632,132.89 | 3.53% | 102 | 3.77% |
| 45% < CLTV <= 50% | 15,762,178.11 | 4.08% | 111 | 4.10% |
| 50% < CLTV <= 55% | 19,128,832.62 | 4.95% | 135 | 4.99% |
| 55% < CLTV <= 60% | 24,815,496.07 | 6.43% | 156 | 5.76% |
| 60% < CLTV <= 65% | 28,323,362.48 | 7.33% | 176 | 6.50% |
| 65% < CLTV <= 70% | 35,126,270.01 | 9.10% | 211 | 7.79% |
| 70% < CLTV <= 75% | 53,000,410.63 | 13.72% | 310 | 11.45% |
| 75% < CLTV <= 80% | 32,779,575.39 | 8.49% | 173 | 6.39% |
| 80% < CLTV <= 85% | 16,471,605.87 | 4.27% | 102 | 3.77% |
| 85% < CLTV <= 90% | 37,989,142.83 | 9.84% | 274 | 10.12% |
| 90% < CLTV <= 95% | 75,953,868.58 | 19.67% | 556 | 20.53% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

The minimum, maximum and weighted average Current Loan to Value Ratio as at the Provisional Pool Date of the Loans in the Provisional Pool Date Portfolio is 0.91 per cent., 95.00 per cent. and 70.30 per cent., respectively.

### *Arrears Analysis of Non Repossessed Mortgage Accounts*

| Month(s) in Arrears* | Aggregate Current Balance (£) | Per cent. of Total | Number of Mortgage Accounts | Per cent. of Total |
|---|---|---|---|---|
| Current Arrears = 0 months | 386,198,070.90 | 100.00% | 2,708 | 100.00% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds 1 the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed. A borrower that has missed payments that in the aggregate equal or exceeding 2 monthly payments (but for which the aggregate of missed payments is less than 3 monthly payments) would be classified as being between 2 – 3 months in arrears, and so on.

### *Geographical Distribution*

The following table shows the distribution of Properties securing the Loans throughout England and Wales as at the Provisional Pool Date. No properties are situated outside England and Wales. Nomenclature of Territorial Units for Statistics (NUTS) 1 classification.

| Region | Aggregate Current Balance (£) | Per cent. of Total | Number of Mortgage Accounts | Per cent. of Total |
|---|---|---|---|---|
| South East | 69,169,070.50 | 17.91% | 354 | 13.07% |
| West Midlands | 35,526,025.79 | 9.20% | 283 | 10.45% |
| South West | 30,734,917.91 | 7.96% | 206 | 7.61% |
| Yorkshire and the Humber | 36,486,633.61 | 9.45% | 318 | 11.74% |
| East of England | 51,665,996.15 | 13.38% | 294 | 10.86% |
| Wales | 17,734,547.04 | 4.59% | 165 | 6.09% |
| North West | 56,191,788.79 | 14.55% | 479 | 17.69% |
| East Midlands | 38,755,482.29 | 10.04% | 296 | 10.93% |
| Greater London | 35,886,750.60 | 9.29% | 167 | 6.17% |
| North East | 14,046,858.22 | 3.64% | 146 | 5.39% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

### *Seasoning of Loans*

The following table shows the number of months since the date of origination of the initial Loan. The seasoning of the Loans in this table have been taken as at the Provisional Pool Date and are calculated with respect to the initial advance.

| Seasoning (months) | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| 0 < Seasoning <= 10 | 269,792,830.60 | 69.86% | 1773 | 65.47% |
| 10 < Seasoning <= 20 | 78,348,849.61 | 20.29% | 507 | 18.72% |
| 20 < Seasoning <= 30 | - | 0.00% | 0 | 0.00% |
| 30 < Seasoning <= 40 | - | 0.00% | 0 | 0.00% |
| 40 < Seasoning <= 50 | - | 0.00% | 0 | 0.00% |
| 50 < Seasoning <= 60 | - | 0.00% | 0 | 0.00% |
| 60 < Seasoning <= 70 | 8,460,465.63 | 2.19% | 84 | 3.10% |
| 70 < Seasoning <= 80 | 10,727,088.91 | 2.78% | 111 | 4.10% |
| 80 < Seasoning <= 90 | 9,184,652.11 | 2.38% | 116 | 4.28% |
| 90 < Seasoning <= 100 | 5,842,039.44 | 1.51% | 76 | 2.81% |
| 100 < Seasoning <= 110 | 3,842,144.60 | 0.99% | 41 | 1.51% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

The minimum, maximum, and weighted average seasoning of Loans in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 0.07, 108.79 and 13.83 months, respectively.

### *Years to Maturity of Loans*

The following table shows the number of remaining years of the term of the Loans in a Mortgage Account as at the Provisional Pool Date and are calculated with respect to the initial advance.

| Years to Maturity | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| 0 < Remaining Term <= 5 | 5,611,159.89 | 1.45% | 64 | 2.36% |
| 5 < Remaining Term <= 10 | 15,951,378.13 | 4.13% | 193 | 7.13% |
| 10 < Remaining Term <= 15 | 44,369,371.00 | 11.49% | 357 | 13.18% |
| 15 < Remaining Term <= 20 | 66,142,117.87 | 17.13% | 484 | 17.87% |
| 20 < Remaining Term <= 25 | 83,477,635.62 | 21.62% | 509 | 18.80% |
| 25 < Remaining Term <= 30 | 73,691,980.37 | 19.08% | 453 | 16.73% |
| 30 < Remaining Term <= 35 | 90,049,439.02 | 23.32% | 604 | 22.30% |
| 35 < Remaining Term <= 40 | 6,447,124.00 | 1.67% | 41 | 1.51% |
| 40 < Remaining Term <= 45 | 457,865.00 | 0.12% | 3 | 0.11% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

The minimum, maximum and weighted average remaining term of the Loans in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 1.18, 40.03 and 23.82 years, respectively.

### *Purpose of Loan*

The following table shows whether the purpose of the initial Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

| Use of Proceeds | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| Purchase | 213,854,886.88 | 55.37% | 1,468 | 54.21% |
| Remortgage | 172,343,184.02 | 44.63% | 1,240 | 45.79% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

### *Repayment Terms*

The following table shows the repayment terms for the Loans in a Mortgage Account as at the Provisional Pool Date.

| Repayment Terms | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| Repayment | 346,246,112.89 | 89.66% | 2,501 | 92.36% |
| Interest Only | 39,951,958.01 | 10.34% | 207 | 7.64% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

### *Product Types*

The following table shows the distribution of special rate loans as at the Provisional Pool Date.

| Product Type | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| Floating rate loan (for life) | 15,823,772.19 | 4.10% | 182 | 6.72% |
| Fixed rate loan with compulsory future switch to floating | 370,374,298.71 | 95.90% | 2,526 | 93.28% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

### *Current Interest Rates*

The following table shows the distribution of Current Interest Rates as at the Provisional Pool Date.

| Current Interest Rates | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total |
|---|---|---|---|---|
| 2% < Interest Rate <= 3% | 199,304,265.23 | 51.61% | 1,277 | 47.16% |
| 3% < Interest Rate <= 4% | 48,092,797.40 | 12.45% | 341 | 12.59% |
| 4% < Interest Rate <= 5% | 63,806,470.87 | 16.52% | 440 | 16.25% |
| 5% < Interest Rate <= 6% | 74,994,537.40 | 19.42% | 650 | 24.00% |
| **Total** | 386,198,070.90 | 100.00% | 2,708 | 100.00% |

The minimum, maximum and weighted average current interest rate in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 2.38 per cent., 5.98 per cent. and 3.56 per cent., respectively.

### *Fixed Rate Loans*

As at the Provisional Pool Date, 95.90 per cent. of the Aggregate Current Balance as at the Provisional Pool Date in the Provisional Pool Date Portfolio are Fixed Rate Loans. The following tables shows the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Loans cease to bear a fixed rate of interest and instead bear a floating rate of interest.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to the Aldermore Managed Rate or some other rate as specified in the offer conditions.

| Fixed Interest Rates | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total | W.A. Reversion Date |
|---|---|---|---|---|---|
| 2% < Interest Rate <= 3% | 199,304,265.23 | 53.81% | 1,277 | 50.55% | 25/06/2021 |
| 3% < Interest Rate <= 4% | 47,700,742.66 | 12.88% | 339 | 13.42% | 27/06/2022 |
| 4% < Interest Rate <= 5% | 59,964,409.98 | 16.19% | 403 | 15.95% | 17/06/2021 |
| 5% < Interest Rate <= 6% | 63,404,880.84 | 17.12% | 507 | 20.07% | 16/04/2021 |
| **Total** | 370,374,298.71 | 100.00% | 2,526 | 100.00% | |

The minimum, maximum and weighted average fixed interest rate in the Provisional Pool Date Portfolio as at the Provisional Pool Date is 2.38 per cent., 5.68 per cent. and 3.49 per cent., respectively.

| Fixed Rate Loans Reversion Date | Aggregate Current Balance (£) | per cent. of Total | Number of Mortgage Accounts | per cent. of Total | W.A. Interest Rate |
|---|---|---|---|---|---|
| Reversion Year = 2019 | 4,120,721.86 | 1.11% | 42 | 1.66% | 3.14% |
| Reversion Year = 2020 | 151,775,390.01 | 40.98% | 1,014 | 40.14% | 3.47% |
| Reversion Year = 2021 | 138,605,735.09 | 37.42% | 952 | 37.69% | 3.55% |
| Reversion Year = 2022 | 5,920,030.86 | 1.60% | 47 | 1.86% | 3.19% |
| Reversion Year = 2023 | 23,184,612.71 | 6.26% | 155 | 6.14% | 3.54% |
| Reversion Year = 2024 | 46,767,808.18 | 12.63% | 316 | 12.51% | 3.39% |
| **Total** | 370,374,298.71 | 100.00% | 2,526 | 100.00% | |

## Verification of data

The Seller has caused a sample of the Loans (including the data disclosed in respect of those Loans) to be externally verified by an appropriate and independent third party. The Provisional Pool Date Portfolio has been subject to an agreed upon procedures review on a sample of loans selected from the Provisional Pool Date Portfolio conducted by a third-party and completed on or about 2 August 2019 with respect to the Provisional Pool Date Portfolio in existence as of 30 April 2019. No adverse findings arose from such review. The independent third party has also performed agreed upon procedures in order to verify that the stratification tables disclosed in respect of the underlying exposures are accurate. Such third party undertaking the review only has obligations to the Issuer, the Seller, the Arrangers and the Joint Lead Managers in respect of the performance of the agreed upon procedures subject to certain limitations and exclusions. The independent third party concluded that there were no adverse findings following its review of the Portfolio, the stratification tables and whether certain key eligibility criteria had been complied with by the loans in the sample.

## Historical Performance Data

Static and dynamic historical performance data in relation to loans originated by Aldermore will be made available on the website of European DataWarehouse at https://editor.eurodw.eu/home/index. Such information will cover the period from at least 5 years.

## 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 repayment rate (industry CPR) data was calculated by dividing the total amount of repayments from MFIs (Monetary and Financial Institutions (banks and building societies)) in a quarter by the total balance of mortgages outstanding in the previous quarter for MFIs in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

| Quarter | Industry CPR Rate for the Quarter (per cent.) | 12-month rolling average (per cent.) |
|---|---|---|
| June 2006 | 24.59% | 24.69% |
| September 2006 | 26.31% | 24.88% |
| December 2006 | 25.99% | 24.94% |
| March 2007 | 24.70% | 25.40% |
| June 2007 | 25.77% | 25.69% |
| September 2007 | 26.66% | 25.78% |
| December 2007 | 24.61% | 25.44% |
| March 2008 | 20.69% | 24.43% |
| June 2008 | 21.71% | 23.42% |
| September 2008 | 20.42% | 21.86% |
| December 2008 | 15.29% | 19.53% |
| March 2009 | 13.56% | 17.74% |
| June 2009 | 13.31% | 15.64% |
| September 2009 | 13.43% | 13.90% |
| December 2009 | 12.72% | 13.26% |
| March 2010 | 11.52% | 12.75% |
| June 2010 | 11.05% | 12.18% |
| September 2010 | 11.51% | 11.70% |
| December 2010 | 11.41% | 11.37% |
| March 2011 | 10.41% | 11.09% |
| June 2011 | 11.02% | 11.09% |
| September 2011 | 12.42% | 11.31% |
| December 2011 | 11.87% | 11.43% |
| March 2012 | 11.01% | 11.58% |
| June 2012 | 11.38% | 11.67% |
| September 2012 | 11.58% | 11.46% |
| December 2012 | 11.84% | 11.45% |
| March 2013 | 11.37% | 11.54% |
| June 2013 | 13.03% | 11.96% |
| September 2013 | 14.72% | 12.74% |
| December 2013 | 15.05% | 13.54% |
| March 2014 | 13.59% | 14.10% |
| June 2014 | 14.29% | 14.41% |
| September 2014 | 15.26% | 14.55% |
| December 2014 | 14.31% | 14.36% |
| March 2015 | 13.04% | 14.23% |
| June 2015 | 14.08% | 14.17% |
| September 2015 | 15.35% | 14.19% |
| December 2015 | 15.63% | 14.52% |
| March 2016 | 15.25% | 15.08% |
| June 2016 | 15.28% | 15.38% |
| September 2016 | 16.01% | 15.54% |
| December 2016 | 15.46% | 15.50% |
| March 2017 | 14.92% | 15.42% |
| June 2017 | 14.97% | 15.34% |
| September 2017 | 16.23% | 15.40% |

| Quarter | Industry CPR Rate for the Quarter (per cent.) | 12-month rolling average (per cent.) |
|---|---|---|
| December 2017 | 16.50% | 15.66% |
| March 2018 | 15.15% | 15.71% |
| June 2018 | 15.44% | 15.83% |
| September 2018 | 16.89% | 16.00% |
| December 2018 | 16.67% | 16.04% |

*Source: Bank of England via Haver Analytics, UK Finance*

You should note that the CPR table above presents the historical CPR experience of MFIs in the United Kingdom.

***Repossession rate***

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

| Year | Repossessions (per cent.) | Year | Repossessions (per cent.) | Year | Repossessions (per cent.) |
|---|---|---|---|---|---|
| 1985 | 0.25 | 1996 | 0.40 | 2007 | 0.22 |
| 1986 | 0.30 | 1997 | 0.31 | 2008 | 0.34 |
| 1987 | 0.32 | 1998 | 0.31 | 2009 | 0.43 |
| 1988 | 0.22 | 1999 | 0.27 | 2010 | 0.34 |
| 1989 | 0.17 | 2000 | 0.20 | 2011 | 0.33 |
| 1990 | 0.47 | 2001 | 0.16 | 2012 | 0.30 |
| 1991 | 0.77 | 2002 | 0.11 | 2013 | 0.26 |
| 1992 | 0.69 | 2003 | 0.07 | 2014 | 0.19 |
| 1993 | 0.58 | 2004 | 0.07 | 2015 | 0.09 |
| 1994 | 0.47 | 2005 | 0.12 | 2016 | 0.07 |
| 1995 | 0.47 | 2006 | 0.18 | 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 figures referring to 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.

| Year | House Price to Earnings Ratio | Year | House Price to Earnings Ratio |
|---|---|---|---|
| 1994 | 4.57 | 2006 | 8.09 |
| 1995 | 4.39 | 2007 | 8.47 |
| 1996 | 4.35 | 2008 | 7.81 |
| 1997 | 4.48 | 2009 | 7.13 |
| 1998 | 4.63 | 2010 | 7.37 |
| 1999 | 4.94 | 2011 | 7.09 |
| 2000 | 5.51 | 2012 | 7.03 |
| 2001 | 5.66 | 2013 | 7.13 |
| 2002 | 6.37 | 2014 | 7.61 |
| 2003 | 7.14 | 2015 | 7.89 |
| 2004 | 7.66 | 2016 | 8.24 |
| 2005 | 7.86 | 2017 | 8.41 |

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

***House price index***

UK residential property prices, as measured by the Nationwide House Price Index (the House Price Index), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the House Price Index occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007.

| | Retail Price Index | | Nationwide House Price Index | |
|---|---|---|---|---|
| Quarter | Index | per cent. annual change | Index | per cent. annual change |
| March 1989 | 111.7 | 7.7% | 118.8 | 32.0% |
| June 1989 | 114.9 | 8.2% | 124.2 | 27.2% |
| September 1989 | 116.0 | 7.7% | 125.2 | 15.5% |
| December 1989 | 118.3 | 7.6% | 122.7 | 7.4% |
| March 1990 | 120.4 | 7.8% | 118.9 | 0.1% |
| June 1990 | 126.0 | 9.7% | 117.7 | -5.2% |
| September 1990 | 128.1 | 10.4% | 114.2 | -8.8% |
| December 1990 | 130.1 | 10.0% | 109.6 | -10.7% |
| March 1991 | 130.8 | 8.7% | 108.8 | -8.5% |
| June 1991 | 133.6 | 6.0% | 110.6 | -6.0% |
| September 1991 | 134.2 | 4.8% | 109.5 | -4.1% |
| December 1991 | 135.5 | 4.2% | 107.0 | -2.3% |
| March 1992 | 136.2 | 4.1% | 104.1 | -4.3% |
| June 1992 | 139.1 | 4.2% | 105.1 | -5.0% |
| September 1992 | 139.0 | 3.6% | 104.2 | -4.8% |
| December 1992 | 139.6 | 3.1% | 100.1 | -6.5% |
| March 1993 | 138.7 | 1.8% | 100.0 | -3.9% |
| June 1993 | 140.9 | 1.3% | 103.6 | -1.4% |
| September 1993 | 141.3 | 1.6% | 103.2 | -1.0% |
| December 1993 | 141.8 | 1.6% | 101.8 | 1.8% |
| March 1994 | 142.0 | 2.4% | 102.4 | 2.4% |
| June 1994 | 144.5 | 2.6% | 102.5 | -1.1% |
| September 1994 | 144.6 | 2.3% | 103.2 | 0.0% |
| December 1994 | 145.5 | 2.6% | 104.0 | 2.1% |
| March 1995 | 146.8 | 3.4% | 101.9 | -0.5% |
| June 1995 | 149.5 | 3.4% | 103.0 | 0.5% |
| September 1995 | 149.9 | 3.7% | 102.4 | -0.8% |
| December 1995 | 150.1 | 3.2% | 101.6 | -2.3% |
| March 1996 | 150.9 | 2.8% | 102.5 | 0.6% |
| June 1996 | 152.8 | 2.3% | 105.8 | 2.7% |
| September 1996 | 153.1 | 2.2% | 107.7 | 5.2% |
| December 1996 | 154.0 | 2.6% | 110.1 | 8.3% |
| March 1997 | 154.9 | 2.7% | 111.3 | 8.6% |
| June 1997 | 156.9 | 2.7% | 116.5 | 10.1% |
| September 1997 | 158.4 | 3.5% | 121.2 | 12.5% |
| December 1997 | 159.7 | 3.7% | 123.3 | 12.1% |
| March 1998 | 160.2 | 3.4% | 125.5 | 12.7% |
| June 1998 | 163.2 | 4.0% | 130.1 | 11.7% |
| September 1998 | 163.7 | 3.3% | 132.4 | 9.2% |
| December 1998 | 164.4 | 3.0% | 132.3 | 7.3% |
| March 1999 | 163.7 | 2.2% | 134.6 | 7.3% |
| June 1999 | 165.5 | 1.4% | 139.7 | 7.3% |
| September 1999 | 165.6 | 1.2% | 144.4 | 9.0% |
| December 1999 | 166.8 | 1.5% | 148.9 | 12.6% |
| March 2000 | 167.5 | 2.3% | 155.0 | 15.1% |
| June 2000 | 170.6 | 3.1% | 162.0 | 16.0% |
| September 2000 | 170.9 | 3.2% | 161.5 | 11.8% |
| December 2000 | 172.0 | 3.1% | 162.8 | 9.4% |
| March 2001 | 171.8 | 2.5% | 167.5 | 8.1% |
| June 2001 | 173.9 | 1.9% | 174.8 | 7.9% |
| September 2001 | 174.0 | 1.8% | 181.6 | 12.5% |

| | Retail Price Index | | Nationwide House Price Index | |
|---|---|---|---|---|
| Quarter | Index | per cent. annual change | Index | per cent. annual change |
| December 2001 | 173.8 | 1.0% | 184.6 | 13.4% |
| March 2002 | 173.9 | 1.2% | 190.2 | 13.6% |
| June 2002 | 176.0 | 1.2% | 206.5 | 18.1% |
| September 2002 | 176.6 | 1.5% | 221.1 | 21.7% |
| December 2002 | 178.2 | 2.6% | 231.3 | 25.3% |
| March 2003 | 179.2 | 3.1% | 239.3 | 25.8% |
| June 2003 | 181.3 | 3.0% | 250.1 | 21.1% |
| September 2003 | 181.8 | 2.9% | 258.9 | 17.1% |
| December 2003 | 182.9 | 2.7% | 267.1 | 15.5% |
| March 2004 | 183.8 | 2.6% | 277.3 | 15.9% |
| June 2004 | 186.3 | 2.8% | 296.2 | 18.4% |
| September 2004 | 187.4 | 3.1% | 306.2 | 18.3% |
| December 2004 | 189.2 | 3.4% | 304.1 | 13.9% |
| March 2005 | 189.7 | 3.2% | 304.8 | 9.9% |
| June 2005 | 191.9 | 3.0% | 314.2 | 6.1% |
| September 2005 | 192.6 | 2.8% | 314.4 | 2.7% |
| December 2005 | 193.7 | 2.4% | 314.0 | 3.2% |
| March 2006 | 194.2 | 2.4% | 319.8 | 4.9% |
| June 2006 | 197.6 | 2.9% | 329.2 | 4.8% |
| September 2006 | 199.3 | 3.4% | 336.1 | 6.9% |
| December 2006 | 201.4 | 4.0% | 343.2 | 9.3% |
| March 2007 | 203.0 | 4.5% | 350.2 | 9.5% |
| June 2007 | 206.3 | 4.4% | 362.7 | 10.2% |
| September 2007 | 207.1 | 3.9% | 367.3 | 9.3% |
| December 2007 | 209.8 | 4.2% | 367.0 | 6.9% |
| March 2008 | 211.1 | 4.0% | 357.8 | 2.2% |
| June 2008 | 215.3 | 4.4% | 348.1 | -4.0% |
| September 2008 | 217.4 | 4.9% | 329.5 | -10.3% |
| December 2008 | 215.5 | 2.7% | 312.9 | -14.7% |
| March 2009 | 210.9 | -0.1% | 298.7 | -16.5% |
| June 2009 | 212.6 | -1.3% | 307.3 | -11.7% |
| September 2009 | 214.4 | -1.4% | 319.5 | -3.0% |
| December 2009 | 216.9 | 0.6% | 323.4 | 3.4% |
| March 2010 | 219.3 | 4.0% | 324.9 | 8.8% |
| June 2010 | 223.5 | 5.1% | 336.6 | 9.5% |
| September 2010 | 224.5 | 4.7% | 333.9 | 4.5% |
| December 2010 | 227.0 | 4.7% | 325.1 | 0.5% |
| March 2011 | 230.9 | 5.3% | 323.9 | -0.3% |
| June 2011 | 234.9 | 5.1% | 332.7 | -1.2% |
| September 2011 | 236.2 | 5.2% | 332.3 | -0.5% |
| December 2011 | 238.6 | 5.1% | 328.7 | 1.1% |
| March 2012 | 239.6 | 3.7% | 324.6 | 0.2% |
| June 2012 | 242.2 | 3.1% | 329.1 | -1.1% |
| September 2012 | 243.1 | 2.9% | 327.0 | -1.6% |
| December 2012 | 246.0 | 3.1% | 325.0 | -1.1% |
| March 2013 | 247.4 | 3.3% | 325.3 | 0.2% |
| June 2013 | 249.7 | 3.1% | 333.7 | 1.4% |
| September 2013 | 250.9 | 3.2% | 341.0 | 4.3% |
| December 2013 | 252.5 | 2.6% | 348.0 | 7.1% |
| March 2014 | 253.9 | 2.6% | 355.3 | 9.2% |
| June 2014 | 256.0 | 2.5% | 372.1 | 11.5% |
| September 2014 | 256.9 | 2.4% | 376.7 | 10.5% |
| December 2014 | 257.4 | 2.0% | 377.0 | 8.3% |
| March 2015 | 256.4 | 1.0% | 376.2 | 5.9% |
| June 2015 | 258.5 | 1.0% | 387.5 | 4.1% |
| September 2015 | 259.3 | 1.0% | 390.5 | 3.7% |
| December 2015 | 260.0 | 1.0% | 393.1 | 4.3% |
| March 2016 | 260.0 | 1.4% | 396.1 | 5.3% |
| June 2016 | 262.2 | 1.4% | 407.4 | 5.1% |
| September 2016 | 264.2 | 1.9% | 411.6 | 5.4% |
| December 2016 | 265.8 | 2.2% | 410.8 | 4.5% |
| March 2017 | 267.7 | 3.0% | 412.3 | 4.1% |

| | Retail Price Index | | Nationwide House Price Index | |
|---|---|---|---|---|
| Quarter | Index | per cent. annual change | Index | per cent. annual change |
| June 2017 | 271.5 | 3.6% | 418.9 | 2.8% |
| September 2017 | 274.2 | 3.8% | 422.3 | 2.6% |
| December 2017 | 276.4 | 4.0% | 421.8 | 2.7% |
| March 2018 | 277.5 | 3.6% | 422.5 | 2.5% |
| June 2018 | 280.6 | 3.4% | 428.1 | 2.2% |
| September 2018 | 283.3 | 3.3% | 431.1 | 2.1% |
| December 2018 | 284.9 | 3.1% | 427.3 | 1.3% |
| March 2019 | 284.4 | 2.5% | 424.3 | 0.4% |
| June 2019 | 289.0 | 3.0% | 430.7 | 0.6% |

*Source: Office for National Statistics and Nationwide Building Society.*

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

$$(x/y) - 1$$

where x is equal to the current quarter's index value and y is equal to the index value of the previous year's corresponding quarter.

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society, which is available on their website.https://www.nationwide.co.uk/about/house-price-index/headlines but which is not incorporated by reference into this Prospectus. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information.

## ESTIMATED WEIGHTED AVERAGE LIVES OF THE NOTES

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

(a) the Issuer exercises its option to redeem the Class A Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-Up Date, in the second scenario;

(b) the Loans are subject to a constant annual rate of prepayment (exclusive of scheduled principal redemptions) of between 0 and 30 per cent. per annum as shown on the table below;

(c) the assets of the Issuer are not sold by the Security Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Class A Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*);

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

(e) no Borrowers are offered and accept different mortgage products or Additional Borrowings by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan (including any Additional Borrowing thereon since the Closing Date) in accordance with the Mortgage Sale Agreement;

(f) no Loan is subject to a Product Transfer;

(g) the Security is not enforced;

(h) the Mortgages continue to be fully performing;

(i) the Loans are sold to the Issuer at a price equal to their Current Balance as at the Cut-Off Date, therefore the accrual of cash flows starts at the Cut-Off Date;

(j) the ratio of the Principal Amount Outstanding of the Class A Notes to the Current Balance of the Portfolio as at the Closing Date is 91.37%;

(k) the Notes are issued on or about 4th September 2019;

(l) the Interest Payment Dates are on the 28th day of every January, April, July and October with the first Interest Payment Date falling in January 2020 and the Step-Up Date being the Interest Payment Date falling in July 2024;

(m) excess Available Revenue Receipts after paying interest on the Class A Notes equal to the annualised rate of 2.46% is available at the Closing Date;

(n) scheduled amortisation is calculated on an individual Loan basis in accordance with the contractual repayment terms of each Loan within the Provisional Pool Date Portfolio and is initially aggregated on monthly basis;

(o) unscheduled amortisation is calculated on an aggregate basis by adjusting the scheduled amortisation in each period by the annualised constant prepayment rate;

(p) the annualised constant prepayment rate consists of both partial and full prepayments of the principal under the Loans;

(q) the weighted average lives of the Notes are calculated on an Actual/365 basis;

(r) there is no debit balance on any of the sub-ledgers of the Principal Deficiency Ledgers on any Interest Payment Date;

(s) the coupon payable on each Loan depends on the reversionary rate date and relevant margin over the Aldermore Managed Rate;

(t) amounts required to pay items (a) to (d) of the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date are:

(i) £174,000, per annum; and

(ii) 0.09 per cent. on the aggregate Current Balance of the Loans in the Portfolio as at the last day of the immediately preceding Collection Period, per annum; and

(u) the Aldermore Managed Rate is 5.23 per cent..

| | **Assuming Issuer call on Step-Up Date** | **Assuming no Issuer call** |
|---|---|---|
| | **Possible Average Life of Class A Notes (years)** | **Possible Average Life of Class A Notes (years)** |
| 0.0 per cent..... | 4.56 | 9.83 |
| 5.0 per cent..... | 4.04 | 6.77 |
| 10.0 per cent..... | 3.57 | 5.00 |
| 15.0 per cent..... | 3.15 | 3.89 |
| 20.0 per cent..... | 2.77 | 3.13 |
| 25.0 per cent..... | 2.43 | 2.58 |
| 30.0 per cent..... | 2.13 | 2.18 |

Assumption (a) (in relation to the Issuer exercising its option to redeem the Class A Notes on the Step-Up Date) in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumption (b) is stated as an average annualised prepayment rate as the prepayment rate for one Interest Period may be substantially different from that for another. The constant prepayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant prepayment rates.

Assumptions (b) to (g) (inclusive) relate to circumstances which are not predictable.

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

## UNITED KINGDOM TAXATION

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs (HMRC) practice in the United Kingdom relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

*In this summary references to "Notes" and "Noteholder" excludes the Class Z VFN and the Class Z VFN Holder. The Class Z VFN Holder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Class Z VFN under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the Class Z VFN Holder may be subject to tax.*

### Interest on the Notes

#### *Payment of Interest on the Notes*

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 ("**ITA 2007**"). Euronext Dublin is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Regulated Market of Euronext Dublin. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom income tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes where such interest has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to that Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

## FOREIGN ACCOUNT TAX COMPLIANCE ACT

Final regulations implementing sections of the Code commonly known as "**FATCA**" have been issued in the U.S. and the UK has entered into an intergovernmental agreement (the "U**.S.-UK IGA**") with the U.S. relating to FATCA. Pursuant to the U.S.-UK IGA, the Issuer may be required to comply with certain reporting requirements. Noteholders may therefore 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 Her Majesty's Revenue & Customs. Assuming the Issuer complies with any applicable reporting requirements pursuant to the U.S.-UK IGA, the Issuer should not be subject to FATCA withholding on payments it receives. Under the final regulations implementing FATCA, assuming the Notes are treated as debt for U.S. federal income tax purposes and are not materially modified after issuance, payments on the Notes will not be subject to FATCA withholding.

**FATCA is particularly complex and its application to the Issuer is uncertain at this time. Each prospective Noteholder should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each Noteholder in its particular circumstance.**

## SUBSCRIPTION AND SALE

Aldermore Bank PLC ("**Aldermore**"), BofA Merrill Lynch (which is the trading name of Merrill Lynch International) ("**BAML**"), an "**Arranger**" and a "**Joint Lead Manager**"), Lloyds Bank Corporate Markets plc ("**LBCM**", an "**Arranger**" (and together with BAML in its role as an Arranger, the "**Arrangers**") and a "**Joint Lead Manager**" and BNP Paribas ("**BNPP**", a "**Joint Lead Manager**") (and together with BAML and LBCM, each in its role as a Joint Lead Manager, the "**Joint Lead Managers**")) have, pursuant to a subscription agreement dated 10 Septmeber 2019 between Aldermore, the Seller, the Arrangers, the Joint Lead Managers and the Issuer (the "**Subscription Agreement**"), agreed with the Issuer (subject to certain conditions) on the Closing Date to subscribe and pay for:

(a) in the case of the Joint Lead Managers, £343,500,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes; and

(b) in the case of Aldermore, £37,636,300 of the Class Z VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class Z VFN (being the initial Principal Amount as at the Closing Date) which may be further subscribed for by Aldermore up to a maximum Principal Amount of £500,000,000.

The Arrangers and the Joint Lead Managers may sell any of the Notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may vary among different purchasers and which may be greater or less than the issue price of the Notes. The Issuer has agreed to indemnify Aldermore, the Joint Lead Managers and the Arrangers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Class A Notes to the Official List of Euronext Dublin and the admission of the Class A Notes to trading on Euronext Dublin's Regulated Market, no action has been taken by the Issuer, Aldermore, the Joint Lead Managers or the Arrangers, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

***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.***

Except with the express written consent of the Seller in the form of a U.S. Risk Retention Consent and where such sale falls within the exemption provided by Section 20 of the U.S. Risk Retention Rules, the Notes offered and sold by the Issuer may not be purchased by any Risk Retention U.S. Persons.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

### *United States*

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

Each of the Joint Lead Managers and Aldermore has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the

distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. See "*Transfer Restrictions and Investor Representations*", below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

***Prohibition of Sales to EEA Retail Investors***

Each of the Joint Lead Managers and Aldermore has represented to and agreed with the Issuer that it has not offered, sold or otherwise made available, and will not offer, sell or otherwise make available, any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II;

(ii) a customer within the meaning of 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) a person who is not a qualified investor as defined in article 2(e) the Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

***United Kingdom***

Each of the Joint Lead Managers and Aldermore has represented to and agreed with the Issuer that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of FSMA and any applicable secondary legislation made under 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 Aldermore has acknowledged that, save for the Issuer having obtained the approval of the Prospectus as a prospectus in accordance with the Prospectus Regulation and having applied for the admission of the Class A Notes to the Official List of Euronext Dublin and admission of the Class A Notes to trading on Euronext Dublin, no further action has been or will be taken in any jurisdiction by Aldermore 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.

***General***

No action has been taken by the Issuer, Aldermore, the Arrangers or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of Aldermore, the Arrangers and the Joint Lead Managers 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.

## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

### Offers and Sales by the Arrangers and the Joint Lead Managers

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

#### *Investor Representations and Restrictions on Resale*

Each purchaser of the Notes (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 per cent. Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules).

Each purchaser (other than the Arrangers and/or the Joint Lead Managers and/or the Class Z VFN Holder) 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;

(c) the Issuer, the Arrangers, the Joint Lead Managers, the Class Z VFN Registrar and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

*Additional representations and restrictions applicable to a Class Z VFN*

Any holder of a Class Z VFN may only make a transfer of the whole of its Class Z VFN or create or grant any encumbrance in respect of such Class Z VFN if all of the following conditions are satisfied:

(a) the holder of such Class Z VFN making such transfer or subjecting the Class Z VFN to such encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such Class Z VFN or any other person in relation to such transfer or encumbrance;

(b) the holder of such Class Z VFN has received the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee (the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders);

(c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A of the Insolvency Act 1986;

(d) the transferee of such Class Z VFN is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and

(e) the transferee is a Qualifying Noteholder.

The Class Z VFN Registrar shall not pay any relevant Interest Amount to the holder of a Class Z VFN and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 1 (Form of Tax Certificate) of the Agency Agreement (the "**Tax Certificate**") and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the Class Z VFN Registrar that such Interest Amount in respect of the Class Z VFN can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The Class Z VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the Class Z VFN Register.

***Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.***

## GENERAL INFORMATION

1. It is expected that the admission of the Class A Notes to the Official List of Euronext Dublin and the admission of the Class A Notes to trading on Euronext Dublin's Regulated Market will be granted on or around the Closing Date. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The Class Z VFN will not be listed.

2. The Issuer's LEI number is 213800C67LQEYHM4N606.

3. Neither the Issuer nor Holdings 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 17 July 2019 (being the date of incorporation of the Issuer and 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).

4. The auditors of the Issuer are Deloitte LLP. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales. No statutory or non-statutory accounts within the meaning of Section 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 any of the Class A 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 available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.

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

6. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.

7. Save as disclosed in this Prospectus, the Issuer has no outstanding loan capital, borrowings, indebtedness or contingent liabilities, nor has the Issuer created any mortgages or given any charges or guarantees.

8. Since 17 July 2019 (being the date of incorporation of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.

20.2 **The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 3 September 2019.**

9. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Code:

| **Class of Notes** | **ISIN** | **Common Code** |
|---|---|---|
| Class A Notes | XS2034869441 | 203486944 |
| Class Z VFN | Not Applicable | Not Applicable |

10. The Notes have the following CFIs and FISNs:

| **Class of Notes** | **CFI** | **FISN** |
|---|---|---|
| Class A Notes | DGVNFB | OAK NO.3 PLC/VARMBS 20550526 RESTN |

| | | |
|---|---|---|
| Class Z VFN | Not Applicable | Not Applicable |

11. From the date of this Prospectus and for the life of the Prospectus, physical copies of the following documents may be inspected at the registered office of the Issuer during usual business hours, on any weekday (public holidays excepted) and such documents will be published on the website of European DataWarehouse at https://editor.eurodw.eu/home/index:

    (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;

    (b) copies of the following documents:

        (i) the Prospectus;

        (ii) the Agency Agreement;

        (iii) the Deed of Charge;

        (iv) the Cash Management Agreement;

        (v) the Master Definitions and Construction Schedule;

        (vi) the Mortgage Sale Agreement;

        (vii) the Cross-Collateral Mortgage Rights Accession Deed;

        (viii) the Corporate Services Agreement;

        (ix) the Seller Collection Account Accession Undertaking;

        (x) the Bank Account Agreement;

        (xi) the Swap Collateral Account Agreement;

        (xii) the Servicing Agreement;

        (xiii) the Back-Up Servicing Agreement;

        (xiv) the Interest Rate Swap Agreement;

        (xv) the Reporting Delegation Agreement; and

        (xvi) the Trust Deed.

12. In order to comply with the Bank of England's Market Notice dated 30 November 2010 in respect of its eligibility requirements for residential mortgage backed securities, the following information in respect of the programme is made available to investors, potential investors and certain other market professionals acting on their behalf via a secure website (which can be accessed at: https://boeportal.co.uk/GlobalPortal/Account/login.aspx):

    (a) anonymised loan-level data (provided at least quarterly);

    (b) a link to all material transaction documents; and

    (c) a liability only cash flow model.

    The information listed above is, from the date of this Prospectus and as long as any Notes remain outstanding (including during the period while the Notes are admitted to the Official List, made available to investors, potential investors and certain other market professionals acting on their behalf via a secure website (which can be accessed via: https://boeportal.co.uk/GlobalPortal/Account/login.aspx). For the

avoidance of doubt, such information will be made available prior to or shortly after the Closing Date and, once made available, such information will be updated on a periodic basis.

13. Aldermore (as originator) will procure that the information and reports as more fully set out in the section of this Prospectus headed "*Regulatory Requirements — Reporting*" are published when and in the manner set out in such section.

14. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

15. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent in connection with the Class A Notes and is not itself seeking admission of the Class A Notes to the Official List of Euronext Dublin or to trading on its regulated market for the purposes of the Prospectus Regulation

16. Any website referred to in this document does not form part of the Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

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