

PROSPECTUS

DATED 3 MAY 2024

FRIARY NO.9 PLC

(incorporated with limited liability in England and Wales under number 15473285)

Legal Entity Identifier: 213800W4FQVPZKD8H908

Securitisation Transaction Unique Identifier: 2138003CSNVJEPFZ3U52N202401

Notes	Initial Principal Amount	Issue Price	Interest Rate	Margin/Step-Up Margin	Step-Up Date/Call Option Date	Pre-enforcement Redemption Profile	Final Maturity Date	Ratings (Fitch/Moody's)
Class A	£650,000,000	100%	Compounded Daily SONIA+ Margin or Step-Up Margin, as applicable	Up to and excluding the Step-Up Date, 0.50 per annum/from and including the Step-Up Date, 1.00 per annum	The Interest Payment Date falling in May 2029	Pass through amortisation	The Interest Payment Date falling in May 2072	AAA(sf) / Aaa(sf)
Class B	£56,522,000	100%	Compounded Daily SONIA + Margin	0.00 per annum	The Interest Payment Date falling in May 2029	Pass through amortisation	The Interest Payment Date falling in May 2072	N/A

Issue Date

The Issuer will issue the Notes in the classes set out above on or about 9 May 2024 (such date, the **Closing Date** and the **Issue Date**).

Stand alone/programme issuance

Stand alone issuance.

Underlying Assets

The Issuer will make payments on the Notes from, inter alia, payments of principal and revenue on a portfolio comprising mortgage loans (the **Loans**) originated by Principality Building Society (**Principality**) and secured over residential properties located in England and Wales (the **Portfolio**) which will be purchased by the Issuer on the Closing Date and, in the case of Further Advances, on the relevant Advance Date.

Please refer to the section entitled "The Portfolio" for further information.

- Credit Enhancement**
- Subordination of the Class B Notes;
 - General Reserve Fund; and
 - Excess Available Revenue Receipts.

Please refer to sections entitled "Structural Features" and "Cashflows and Cash Management" for further information.

Liquidity Support Liquidity Support Features for the Class A Notes

- General Reserve Fund applied to make up any Income Deficit; and
- Principal Receipts applied to make up any Remaining Income Deficit.

Please refer to the section entitled "Structural Features" for further information.

Redemption Provisions

Information on any optional and mandatory redemption of the Notes is summarised on page 68 ("Transaction Overview – Overview of the Terms and Conditions of the Notes") and is set out in full in Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation).

Rating Agencies

Moody's Investors Service Limited (**Moody's**) and Fitch Ratings Ltd. (**Fitch**) (each a **Rating Agency** and together, the **Rating Agencies**). As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the United Kingdom (the **UK**) and is registered under Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK CRA Regulation**). The ratings issued by Moody's and Fitch have been endorsed by Moody's Deutschland GmbH and Fitch Ratings Ireland Limited respectively. Each of Moody's Deutschland GmbH and Fitch Ratings Ireland Limited is registered under Regulation (EU) No. 1060/2009 (as amended) (the **EU CRA Regulation**). As such, each of the Rating Agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs) (this website and the contents thereof do not form part of this Prospectus) and by the FCA on its website (at <https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras>) (this website and the contents thereof do not form part of this Prospectus). In general, European and United Kingdom 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 or the United Kingdom (as applicable) and registered under the EU CRA Regulation or the UK CRA Regulation (as applicable).

Credit Ratings

Ratings are expected to be assigned to the Class A Notes by the Rating Agencies as set out above on or before the Closing Date. The Class B Notes will not be rated.

The ratings reflect the views of the Rating Agencies and are based on the Loans, the Related Security and the Properties and the structural features of the transaction, including, inter alia, the current ratings of the Interest Rate Swap Provider.

The ratings assigned by Fitch address the likelihood of full and timely payment to the Noteholders (i) of interest due on each Interest Payment Date and (ii) of principal on a date that is not later than the Final Maturity Date.

The ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the class of Notes held by the Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal on or before the Final Maturity Date.

The assignment of ratings to the Notes is not a recommendation to invest in the Notes and ratings may be suspended, revised or withdrawn at any time by the assigned Rating Agency.

Listing

This document comprises a prospectus (the **Prospectus**) for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) (the **EUWA**) (the **UK Prospectus Regulation**).

This Prospectus has been approved by the UK Financial Conduct Authority (the **FCA**) as the competent authority under the UK Prospectus Regulation. The FCA only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the quality of the Issuer or of the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Such approval by the FCA relates to the Notes which are to be admitted to trading on a regulated market for the purposes of Regulation EU No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA (**UK MiFIR**).

Application has been made for the Notes to be admitted to the official list of the FCA (the **Official List**) as competent authority under the UK Prospectus Regulation and to trading on the main market (the **Market**) of the London Stock Exchange plc (the **London Stock Exchange** or the **Stock Exchange**). The London Stock Exchange's main market is a UK regulated market for the purposes of UK MiFIR.

There can be no assurance that such admission of the Notes to the Official List will be granted or, if granted, that such admission to the Official List will be maintained and/or that any such admission to trading on the London Stock Exchange's main market will be granted or, if granted, that such admission to trading on the London Stock Exchange's main market will be maintained.

Any website referred to in this document does not form part of the Prospectus and has not been scrutinised or approved by the FCA.

References in this Prospectus to the Notes being listed (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the London Stock Exchange's main market.

This Prospectus is valid for a period of 12 months from the date of approval. The obligation to prepare a supplement to this Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Prospectus is no longer valid. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the closing of the offer period or the time when trading of the Notes on a regulated market begins, whichever occurs later.

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 any Transaction Party other than the Issuer.

Risk Retention

Principality will retain, as originator, on an ongoing basis, a material net economic interest of not less than 5% in the securitisation in accordance with:

- (a) Article 6(1) of Regulation (EU) 2017/2402 as it forms part of domestic law by virtue of the EUWA, including any relevant binding technical standards, regulations, instruments, rules, policy statements, guidance, transitional relief or other implementing measures of the FCA, the Bank of England, the PRA, the Pensions Regulator or other relevant UK regulator (or their successor) in relation thereto, as amended, restated or replaced from time to time (including by the Securitisation Regulations 2024, a statutory instrument (SI 2024/102) made on 29 January 2024 under the Financial Services and Markets Act 2023 (the **2024 UK SR SI**)) (the **UK Securitisation Regulation**) (such requirements, the **UK Retention Requirements**); and
- (b) Article 6(1) of Regulation (EU) 2017/2402, as amended (the **EU Securitisation Regulation**) (as required for the purposes of Article 5(1)(d) of the EU Securitisation Regulation) not taking into account any relevant national measures, as if the EU Securitisation Regulation were applicable to it, but solely as such articles are interpreted and applied on the Closing Date and until such time when Principality is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirements will also satisfy the EU Retention Requirements due to the application of an equivalence regime or similar analogous concept (the **EU Retention Requirements**).

As at the Closing Date, such interest will be comprised of an interest in the Class B Notes in accordance with Article 6(3)(d) of the UK Securitisation Regulation and Article 6(3)(d) of the EU Securitisation Regulation. Prospective investors should note that the obligation of Principality to comply

with the EU Retention Requirements is strictly contractual and Principality has elected to comply with such requirements in its discretion.

Principality, as the sponsor under the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the **U.S. Risk Retention Rules**), does not intend to retain at least five per cent. of the "credit risk" of the "securitized assets" (each such term as defined in the U.S. Risk Retention Rules) for purposes of the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in Section 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions. Except with the prior written consent of Principality 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, nor for the account or benefit of, any Risk Retention U.S. Person.

See the section entitled "Regulatory Requirements – Risk Retention" for more information.

**Simple, Transparent
and Standardised
Securitisation**

On or about the Closing Date, it is intended that a notification will be submitted to the FCA by Principality, as originator, in accordance with Article 27 of the UK Securitisation Regulation, confirming that the requirements of Articles 18-22 of the UK Securitisation Regulation (the **UK STS Requirements**) have been satisfied with respect to the Notes (such notification, the **UK STS Notification**). It is not intended that the issue of the Notes complies with the requirements of Article 18-22 of the EU Securitisation Regulation. Any events which trigger changes in any Priority of Payments and any change in any Priority of Payment which will materially adversely affect the repayment of the Notes shall be disclosed without undue delay to the extent required under Article 21(9) of the UK Securitisation Regulation.

The short-form (anonymised) particulars of the UK STS Notification, once notified to the FCA, will be available for download on the FCA Register of Securitisation STS Notifications at <https://data.fca.org.uk/#/sts/stssecuritisations> (or its successor website) (the **FCA STS Register website**). For the avoidance of doubt, the FCA STS Register website and the contents thereof do not form part of this Prospectus. Please also refer to the Reporting Websites for the final full form of the UK STS Notification.

The UK STS status of the Notes is not static and investors should verify the current status on the FCA STS Register website, which will be updated where the Notes are no longer considered to be UK STS following a decision of the FCA, another relevant UK regulator or a notification by Principality.

In relation to the UK STS Notification, Principality has been designated as the first contact point for investors and the FCA.

Principality and the Issuer have used the services of Prime Collateralised Securities (PCS) UK Limited (**PCS UK**) as a verification agent authorised under Article 28 of the UK Securitisation Regulation in connection with an assessment of the compliance of the Notes with the requirements of Articles

18-22 of the UK Securitisation Regulation (the **UK STS Verification**). It is expected that the UK STS Verification prepared by PCS UK will be available on the PCS UK website (<https://www.pcsmarket.org/sts-verification-transactions/>). For the avoidance of doubt, this PCS UK website and the contents thereof do not form part of this Prospectus.

Designation as a UK STS securitisation does not meet, as at the date of this Prospectus, the STS requirements of the EU Securitisation Regulation, and, as such, better or more flexible regulatory treatment under the relevant EU regulatory regimes (in particular, under Regulation (EU) 2017/2401 (the **EU CRR**), the EU LCR Regulation and the EU Solvency II regime) will not be available. See the section entitled "Risk Factors – Simple, Transparent and Standardised Securitisations" for further information.

EU Securitisation Regulation – transaction overview requirements

The Issuer and Principality intend that this Prospectus constitutes a transaction summary/overview of the main features of the transaction contemplated herein for the purposes of Article 7(1)(c) of the EU Securitisation Regulation.

Volcker Rule

The Issuer is not, and solely after giving effect to any offering and sale of the Notes and the application of the proceeds thereof will not be, a "covered fund" for the purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the Volcker Rule). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the **Investment Company Act**) and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determination that it would satisfy all of the elements of the exemption from the definition of "investment company" under the Investment Company Act provided by Section 3(c)(5)(C) thereunder.

Benchmarks

Amounts payable under the Notes shall be calculated by reference to SONIA.

At the date of this Prospectus, the administrator of SONIA is not included in ESMA's register of administrators under Article 36 of Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**). The Bank of England, as administrator of SONIA, is exempt under Article 2 of the EU Benchmarks Regulation but has issued a statement of compliance with the principles for financial benchmark issued in 2017 by the International Organisation of Securities Benchmarks.

At the date of this Prospectus, the administrator of SONIA is not included in the FCA's register of administrators under Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Benchmarks Regulation**). The Bank of England, as administrator of SONIA, is exempt under Article 2 of the UK Benchmarks Regulation but has issued a statement of compliance with the principles for financial benchmark issued in 2017 by the International Organisation of Securities Benchmarks.

A "RISK FACTORS" SECTION BEGINNING ON PAGE 23 OF THIS PROSPECTUS CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.

Joint Arrangers and Joint Lead Managers

NATWEST MARKETS

and

SANTANDER CORPORATE & INVESTMENT BANKING

The date of this Prospectus is 3 May 2024

IMPORTANT NOTICES

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

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

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF THE 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 % RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION __.20 OF THE U.S. RISK RETENTION RULES).

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

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

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) is an investment professional within the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **FPO**) or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of FPO.

The attached Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, NatWest Markets Plc (**NatWest**), Banco Santander, S.A. (**Santander**) nor the Transaction Parties or any person who controls any such person or any director, officer, employee or agent of any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, NatWest or Santander.

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and this Prospectus does not omit anything likely to affect its import. Any information sourced from third parties contained in this Prospectus, including the information provided by the Interest Rate Swap Provider in the section entitled "Interest Rate Swap Provider", 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.

Principality accepts responsibility for the information set out in the sections headed "Principality Building Society", "The Portfolio" and "Regulatory Requirements". To the best of the knowledge of Principality, the information contained in such sections is in accordance with the facts and this Prospectus 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 Principality 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.

NatWest Markets Plc accepts responsibility for the relevant information set out in the section headed "Interest Rate Swap Provider". To the best of the knowledge of NatWest Markets Plc, the information contained in such section is in accordance with the facts and this Prospectus 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 NatWest Markets Plc 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.

Citibank, N.A., London Branch accepts responsibility for the relevant information set out in the section headed "Account Bank, Agent Bank, Principal Paying Agent, Registrar and Custodian". To the best of the knowledge of Citibank, N.A., London Branch, the information contained in such section is in accordance with the facts and this Prospectus 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 Citibank, N.A., London Branch as to the accuracy or completeness of any information contained in this Prospectus (other than in the section referred to in this paragraph) or any other information supplied in connection with the Notes or their distribution.

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

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

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

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

The Notes are intended to be held in a manner which allows eligibility under the rules of the monetary authority of the euro area (**Eurosystem**). This means that the Notes are intended upon issue to be deposited with, and registered in the name of the Common Safekeeper (or a nominee thereof) with one of Euroclear or Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Issuer gives no 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 Eurosystem eligibility and be recognised as Eurosystem eligible collateral. 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 Eurosystem eligible collateral.

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

Except with the prior written consent of the Seller (a **U.S. Risk Retention Consent**) and where such sale falls within the exemption provided by Section __.20 of the final rules promulgated under Section 15G of the Securities Exchange Act of 1934, as amended (the **U.S. Risk Retention Rules**), the Notes offered and sold by the Issuer may not be purchased by, or for the account or benefit of, any "U.S. Person" as defined in the U.S. Risk Retention Rules (**Risk Retention U.S. Persons**). Prospective investors should note that the definition of "U.S. Person" in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of "U.S. Person" in Regulation S. Each purchaser of the Notes or a beneficial interest therein acquired in the initial syndication of the Notes, by its acquisition of the Notes or a beneficial interest therein will be deemed to have made certain representations and agreements, including that it (1) either (i) is not a Risk Retention U.S. Person or (ii) 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% Risk

Retention U.S. Person limitation in the exemption provided for in Section __.20 of the U.S. Risk Retention Rules).

None of the Issuer, the Joint Arrangers or 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.

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

PROHIBITION OF SALES TO UK RETAIL INVESTORS – THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTORS IN THE UNITED KINGDOM (**UK**). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (AS AMENDED BY THE EUROPEAN UNION (WITHDRAWAL AGREEMENT) ACT 2020) (THE **EUWA**); OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FSMA AND ANY RULES OF THE FSMA TO IMPLEMENT THE INSURANCE DISTRIBUTION DIRECTIVE WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE **UK PRIIPS REGULATION**) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – SOLELY FOR THE PURPOSES OF THE MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ONLY, EACH AS DEFINED IN DIRECTIVE 2014/65/EU (AS AMENDED, **MIFID II**); AND (II) ALL CHANNELS FOR DISTRIBUTION OF THE NOTES TO ELIGIBLE COUNTERPARTIES AND PROFESSIONAL CLIENTS ARE APPROPRIATE. ANY PERSON SUBSEQUENTLY OFFERING, SELLING OR RECOMMENDING THE NOTES (A **DISTRIBUTOR**) SHOULD TAKE INTO CONSIDERATION THE MANUFACTURER'S TARGET

MARKET ASSESSMENT. HOWEVER, A DISTRIBUTOR SUBJECT TO MIFID II IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE MANUFACTURER'S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

UK MIFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – SOLELY FOR THE PURPOSES OF THE MANUFACTURER'S PRODUCT APPROVAL PROCESS, THE TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES HAS LED TO THE CONCLUSION THAT: (I) THE TARGET MARKET FOR THE NOTES IS ONLY ELIGIBLE COUNTERPARTIES, AS DEFINED IN THE FCA HANDBOOK CONDUCT OF BUSINESS SOURCEBOOK (**COBS**) AND PROFESSIONAL CLIENTS, AS DEFINED IN REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (**UK MIFIR**); 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 MANUFACTURER'S TARGET MARKET ASSESSMENT. HOWEVER, A DISTRIBUTOR SUBJECT TO THE FCA HANDBOOK PRODUCT INTERVENTION AND PRODUCT GOVERNANCE SOURCEBOOK (THE **UK MIFIR PRODUCT GOVERNANCE RULES**) IS RESPONSIBLE FOR UNDERTAKING ITS OWN TARGET MARKET ASSESSMENT IN RESPECT OF THE NOTES (BY EITHER ADOPTING OR REFINING THE MANUFACTURER'S TARGET MARKET ASSESSMENT) AND DETERMINING APPROPRIATE DISTRIBUTION CHANNELS.

The information on the websites to which this Prospectus refers does not form part of this Prospectus.

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

None of the Joint Arrangers, the Joint Lead Managers, the Trustee, the Account Bank, the Custodian, or the Agents shall be responsible for any matter which is the subject of, any statement, representation, warranty or covenant of the Issuer contained in the Notes or any Transaction Documents or any other agreement or document relating to the Notes or any Transaction Document or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof. In making an investment decision, investors must rely on their own examination of the terms of this offering, including the merits and risks involved. The contents of this Prospectus should not be construed as providing legal, business, accounting or tax advice. None of the Joint Arrangers, the Joint Lead Managers, the Trustee, the Account Bank, the Custodian, or the Agents has independently verified the information contained herein. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus or any part hereof and any offering of the Notes in certain jurisdictions may be restricted by law. No action has been taken by the Issuer, the Joint Arrangers or the Joint Lead Managers that would permit a public offer of the Notes in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any part hereof nor any other prospectus, form of application, advertisement or other offering material may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

In connection with this new issue of the Notes as described in this Prospectus (the **Transaction**), the Joint Arrangers and the Joint Lead Managers are acting exclusively for the Issuer and no one else. Accordingly, in connection with the Transaction, neither the Joint Arrangers nor the Joint Lead Managers will be responsible to anyone other than the Issuer for providing the protections afforded to its clients or for the giving of advice in relation to the Transaction. The Joint Lead Managers will be paid a fee by the Issuer in respect of the placement of Notes.

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

The Notes will be represented by Global Notes which are expected to be deposited with a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**) and registered in the name of a nominee of the Common Safekeeper on the Closing Date.

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

Forward-Looking Statements and Statistical Information

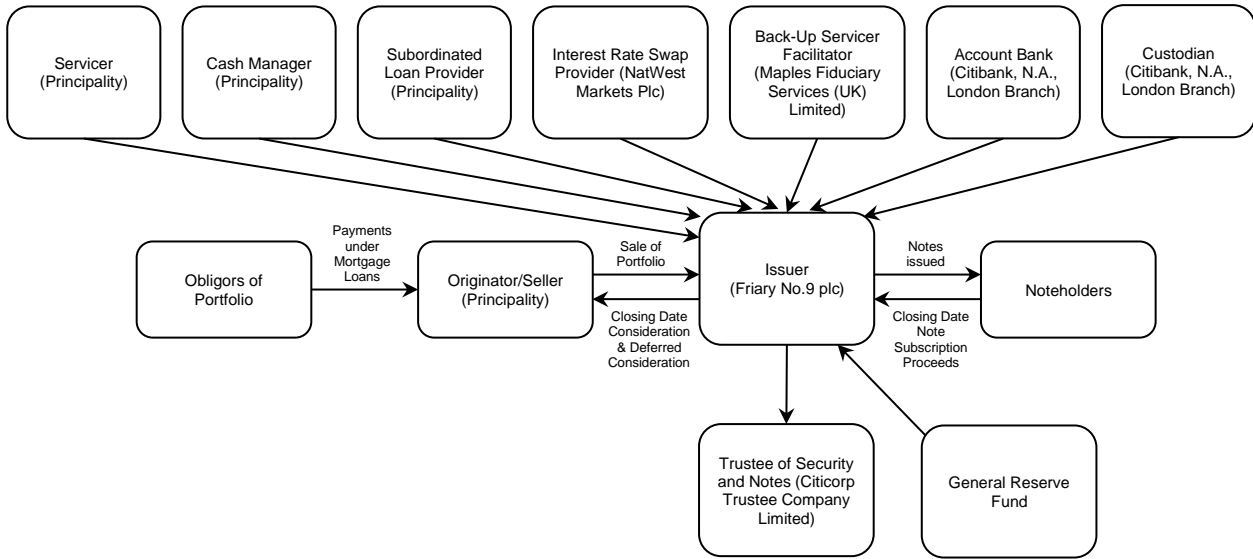
Certain matters contained in this Prospectus are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. This Prospectus also contains certain tables and other statistical analyses (the **Statistical Information**). Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. Neither the Joint Arrangers nor the Joint Lead Managers have attempted to verify any forward-looking statements or Statistical Information, nor does it make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements or Statistical Information. None of the Issuer, the Joint Arrangers or the Joint Lead Managers assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.

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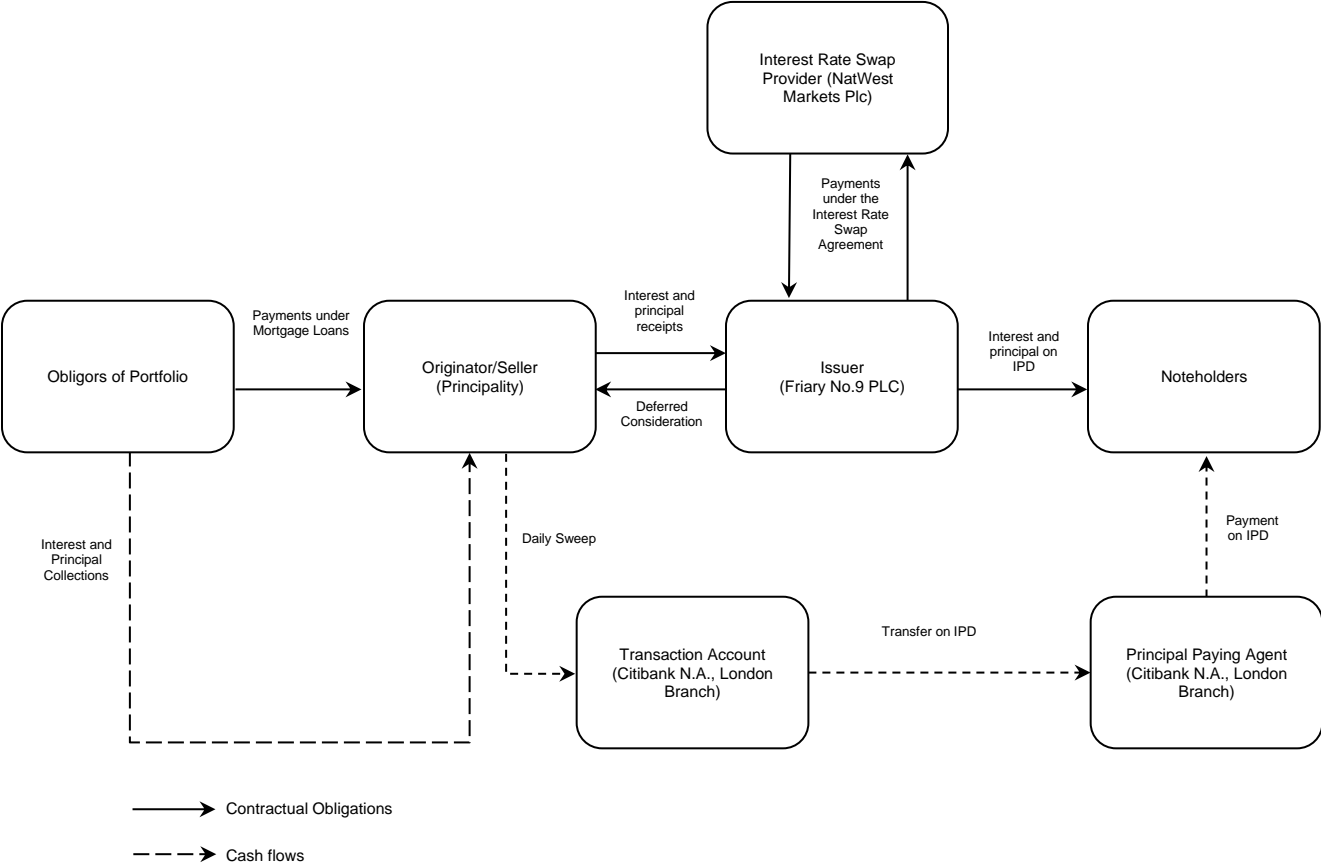
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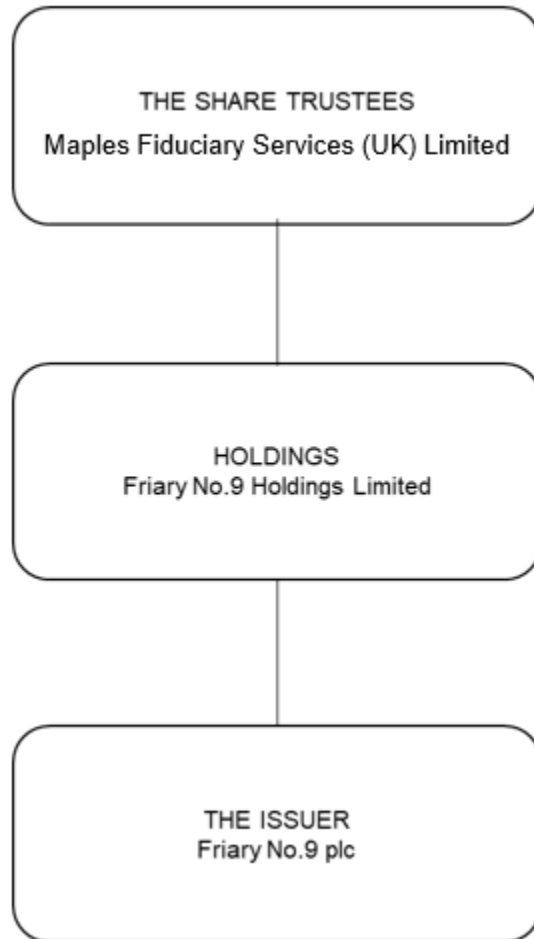
DIAGRAMMATIC OVERVIEW OF TRANSACTION



DIAGRAMMATIC OVERVIEW OF ONGOING CASHFLOW



OWNERSHIP STRUCTURE DIAGRAM



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

The entire issued share capital of Holdings is beneficially owned by the Share Trustee and is held on discretionary trust, the benefit of which is expressed to be for discretionary purposes.

TRANSACTION OVERVIEW

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

TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed/Further Information
Issuer:	Friary No.9 plc	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	N/A (Please refer to the section entitled "Issuer" for further information on this.)
Holdings:	Friary No.9 Holdings Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	N/A (Please refer to the section entitled "Holdings" for further information on this.)
Seller:	Principality Building Society	Principality House The Friary Cardiff CF10 3FA	N/A (Please refer to the section entitled "Principality Building Society" for further information on this.)
Servicer:	Principality Building Society	Principality House The Friary Cardiff CF10 3FA	Servicing Agreement (Please refer to the section entitled "The Servicer" for further information on this.)
Back-Up Servicer Facilitator:	Maples Fiduciary Services (UK) Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Servicing Agreement (Please refer to the section entitled "The Servicing Agreement" for further information on this.)
Cash Manager:	Principality Building Society	Principality House The Friary Cardiff CF10 3FA	Cash Management Agreement (Please refer to the section entitled "Cashflows and Cash Management" for further information on this.)

Party	Name	Address	Document under which appointed/Further Information
Subordinated Loan Provider:	Principality Building Society	Principality House The Friary Cardiff CF10 3FA	Subordinated Loan Agreement (Please refer to the section entitled "Structural Features" for further information on this.)
Interest Rate Swap Provider:	NatWest Markets Plc	250 Bishopsgate, London EC2M 4AA	Interest Rate Swap Agreement (Please refer to the section entitled "Structural Features" for further information on this.)
Trustee:	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Trust Deed (See the Conditions for further information on this.) Deed of Charge
Principal Paying Agent:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Agency Agreement
Agent Bank:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Agency Agreement
Registrar:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Agency Agreement
Account Bank:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Account Bank Agreement
Custodian:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB	Swap Collateral Securities Account Agreement
Corporate Services Provider:	Maples Fiduciary Services (UK) Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Corporate Services Agreement
Joint Arrangers and Joint Lead Managers:	NatWest Markets Plc	250 Bishopsgate, London EC2M 4AA	Subscription Agreement

Party	Name	Address	Document under which appointed/Further Information
	Banco Santander, S.A.	Ciudad Grupo Santander, Avenida de Cantabria s/n, Edificio Encinar, planta baja 28860 Boadilla del Monte, Madrid, Spain	Subscription Agreement
Share Trustee:	Maples Fiduciary Services (UK) Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	N/A
Auditors of the Issuer:	Deloitte LLP	5 Callaghan Square, Cardiff CF10 5BT	N/A

In this Prospectus:

Agents means the Agent Bank, the Paying Agents and the Registrar (or any successors duly appointed).

Paying Agents means the Principal Paying Agent and any other paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement.

Transaction Documents means the Account Bank Agreement, the Servicing Agreement, the Agency Agreement, the Cash Management Agreement, 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 Incorporated Terms Memorandum, the Mortgage Sale Agreement, the Seller Security Power of Attorney, the Subordinated Loan Agreement, the Swap Collateral Securities Account Agreement, the Trust Deed, the Collection Account Accession Undertaking, the Citi Fee Letter, the Corporate Services Provider Fee Letter and such other related documents which are referred to in the terms of the above documents, and any other document entered into by one or more Transaction Parties which is designated as a Transaction Document with the consent of the Trustee, the Issuer and the Seller.

RISK FACTORS

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

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

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

1. Risks relating to the availability of funds to pay the Notes

The Issuer has a limited set of resources available to make payments on the Notes

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 primarily on Revenue Receipts and Principal Receipts in respect of the Loans in the Portfolio, interest earned on the Transaction Account, the receipts under the Interest Rate Swap Agreement and amounts standing to the credit of the General Reserve Fund. Other than the foregoing, the Issuer is not expected to have any other material funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. The Issuer will have no recourse to the Seller, save in the limited circumstances provided in the Mortgage Sale Agreement (see further the section entitled "Sale of the Portfolio under the Mortgage Sale Agreement").

The Notes will be limited recourse obligations of the Issuer

The Notes will be limited recourse obligations of the Issuer. If at any time following:

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

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any class of Notes, then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer. **Realisation** is defined in Condition 10 (Limited Recourse).

No reliance on any person other than the Issuer to make payments on the Notes

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

The timing and amount of payments on the Loans could be affected by various factors which may adversely affect payments on the Notes

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

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, inflation, higher cost of living, local and regional economic conditions and homeowner mobility. Subject to the terms and conditions of the Loans (which may require in some cases notification to the Seller and in other cases the consent of the Seller), a Borrower may "overpay" or prepay principal on any day in specified circumstances. No assurance can be given as to the level of prepayments that the Portfolio will experience. In addition should a Borrower elect, subject to the agreement of the Seller and Servicer, to change the terms of their Loan from an Interest Only Loan to a Repayment Loan, the Issuer would (subject to satisfaction of the Product Switch Conditions) receive principal payments in respect of the relevant Loan earlier than would otherwise be anticipated. See also the section entitled "Sale of the Portfolio under the Mortgage Sale Agreement".

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

On any Interest Payment Date from and including the Step-Up Date or any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Notes is equal to or less than 10% of the aggregate Principal Amount Outstanding of all the Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Interest Rate Swap Provider being required to make a Tax Deduction in respect of any payment in respect of the

Notes or the Interest Rate Swap Agreement, respectively, or if the Issuer would be subject to UK corporation tax in an accounting period on an amount which materially exceeds the Issuer Profit Amount retained during that accounting period. See Condition 9.4 (Optional Redemption in whole for taxation reasons) for further information.

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

2. Risks relating to the Underlying Assets

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

The sale by the Seller to the Issuer of certain loans secured by Mortgages (the **Loans**) and their Related Security (until legal title is conveyed) takes effect in equity only. This means that the Issuer will not acquire legal title and, in the case of registered land in England or Wales, will not be registered as proprietor and legal owner of the Mortgage at the Land Registry, until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "Sale of the Portfolio under the Mortgage Sale Agreement" below).

The Issuer has not and will not apply to the Land Registry or the Land Charges Department to register or record its equitable interest in the Mortgages and their Related Security.

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

- (a) a bona fide purchaser from the Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third-party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents;
- (b) although as between the Seller and the Issuer, under the Servicing Agreement, the Seller has agreed that it will not vary any of the terms of the Loans or their Related Security except that it may in its capacity as Servicer vary certain terms in certain circumstances as set out in the Servicing Agreement, as between any Borrower and the Issuer, if the Seller were to modify the terms of the Loans and their Related Security the revised terms would apply and the Issuer would only have recourse against the Seller for breach of contract or breach of trust;
- (c) prior to the insolvency of the Seller, unless notice of the assignment is given to a Borrower who is also a creditor of the Seller other than in the context of the Loans and their Related Security, equitable or independent set-off rights may accrue in favour of the Borrower against its obligation to make payments to the Seller under the Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. However, where notice of the assignment is given to the Borrower, some rights of set-off may continue to arise after the date notice is given;

- (d) 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, for example, set-off rights associated with Borrowers holding deposits with the Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist (see "Set-off risk may adversely affect the value of the Portfolio or any part thereof" below); and
- (e) until notice of the assignment is given to the Borrowers, the Issuer would not be able to enforce any Borrower's obligations under a Loan or Related Security itself but would have to join the Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the Loan directly to the Seller. However, the Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of Loans to the order of the Issuer. However, for so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the Loans and their Related Security.

If any of the risks described above were to occur then the realisable value of the Portfolio or any part thereof may be affected. Under the Mortgage Sale Agreement, the Seller will grant to the Issuer and the Trustee a power of attorney to give them the power to do all further things and take all necessary action to perfect the transfer of legal title to the Loans and their Related Security on the occurrence of a Perfection Trigger Event.

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

As described above, the sale by the Seller to the Issuer of Loans will be given effect by an assignment. As a result, legal title to the Loans and their Related Security sold by the Seller to the Issuer will remain with the Seller until the occurrence of certain trigger events under the terms of the Mortgage Sale Agreement.

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

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

If the Borrower is unable to obtain an alternative mortgage loan, it may have a claim in respect of other indirect losses arising from the Seller's breach of contract where there are special circumstances communicated by the Borrower to the Seller at the time the Borrower entered into the Mortgage or which otherwise were reasonably foreseeable. A Borrower may also attempt to set off an amount greater than the amount of its damages claim against its mortgage payments. In that case, the Servicer will be entitled to take enforcement proceedings against the Borrower,

although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

The exercise of set-off rights by Borrowers may adversely affect the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes. However, the risk is mitigated by the undertaking given by the Seller under the Mortgage Sale Agreement to reimburse the Issuer for any reduction in the amount of principal and/or interest owing under a Loan on account of the exercise of the right of set-off by any Borrower against the Seller in certain circumstances.

The value of the Related Security in respect of the Loans may be affected by a decline in the residential property values in the United Kingdom

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

The Issuer cannot guarantee that the value of a Property will remain at the same level as on the date of origination of the related Loan. Downturns in the United Kingdom economy (due to local, national and/or global macroeconomic factors) generally may have a negative effect on the housing market. In addition, any natural disasters, impact of climate change (including but not limited to, increased flood risk or coastal erosion), wars, increase of interest rates, inflation or widespread health crises (such as a pandemic or epidemic), government policies, action or inaction in response to such crises or such potential crises, and/or the fear of any such crises whether in the United Kingdom or in any other jurisdiction, may lead to a deterioration of economic conditions in the United Kingdom and also globally and may reduce the value of the affected Properties. A fall in property prices resulting from a deterioration in the housing market could result in losses being incurred by the Issuer where the net recovery proceeds are insufficient to redeem any outstanding loan secured on such property. If the value of the Related Security backing the Loans is reduced, this may ultimately result in losses to Noteholders if the Related Security is required to be enforced and the resulting proceeds are insufficient to make payments on all Notes.

Borrowers may have insufficient equity to refinance their Loans with lenders other than the Seller and/or may revert to a reversionary rate or a replacement rate which is higher than their previous interest rate meaning they 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.

House prices may decline, should the labour market situation deteriorate, if strains in the financial system re-emerge and impair the flow of credit to the wider economy or other factors cause a deterioration in economic conditions.

Loans may be subject to geographic concentration risks within certain regions of the United Kingdom

To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions (due to local, national and/or global macroeconomic factors) and weaker housing markets than other regions in the United Kingdom, a concentration of the Loans in such a region may be expected to exacerbate the risks relating to the Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely

affect regional employment levels and consequently the repayment ability of the Borrowers in that region or in the region that relies most heavily on that industry. Government actions taken in response to a downturn may include cuts in public benefits or public sector employment, or other austerity measures that may directly affect Borrowers by reducing or eliminating their income, which could impact their ability to pay their debts. Private businesses may also reduce hiring or implement layoffs or reduce hours of work, which would potentially affect Borrowers. In addition, self-employed Borrowers may see a reduction in volume of work and/or income. Different geographic areas of the UK might be impacted differently by any economic downturn and by any government action taken in relation to it.

The Issuer can predict neither when nor where such regional economic declines may occur nor to what extent or for how long such conditions may continue. In addition, any natural disasters, impact of climate change (including but not limited to, increased flood risk or coastal erosion), wars, increase of interest rates, inflation or widespread health crises (such as a pandemic or epidemic), government policies, action or inaction in response to such crises or such potential crises, and/or the fear of any such crises whether in a particular region, in the United Kingdom or in any other jurisdiction, may lead to a deterioration of economic conditions in a particular region, within the United Kingdom and also globally and may reduce the value of the affected Properties. This may result in a loss being incurred upon the sale of such Properties. 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 Portfolio Cut-Off Date, see "Statistical Information on the Portfolio – Geographical Distribution of Properties".

Delay in payment by the Borrowers may affect the Issuer's ability to make payments on the Notes

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers after the end of the relevant Collection Period. This risk is addressed in respect of the Notes by the provision of liquidity from alternative sources as described in the section entitled "Structural Features". However, no assurance can be made as to the effectiveness of such liquidity enhancement features, or that such liquidity enhancement features will protect the Noteholders from all risk of loss.

Borrower default may affect the Issuer's ability to make payments on the Notes

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

Borrowers may default on their obligations under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic conditions (due to local, national and/or global macroeconomic and geopolitical factors such as the war between Russia and Ukraine and the geopolitical tensions in the Middle East), changes in tax laws, interest rates, inflation, higher cost of living, the availability of financing,

political developments and government policies. In this context, a UK general election will be held within 12 months of the Closing Date, the outcome of which, together with its effects on the UK economy, it is not possible to predict.

In addition, the UK economy is experiencing a range of economic effects, partly associated with the war between Russia and Ukraine and the geopolitical tensions in the Middle East, as well as with the lasting effects of the global response to the COVID-19 pandemic, with uneven impacts. Developments such as consumer energy price inflation and disruption to global supply chains alongside elevated global demand for goods and supply shortages of specific goods have led to recent inflationary pressure. In response to such pressure, the Bank of England's Monetary Policy Committee has increased the base rate on several occasions since December 2021, although as inflationary pressures have eased, the base rate has remained stable since August 2023. However, should inflationary pressure increase again, this may result in further interest rate increases over time. There is currently some economic uncertainty and concern in relation to the technical recession experienced in the second half of 2023 and the potential for stagnation. If there were further interest rate increases, this could adversely affect Borrowers' disposable income and ability to pay interest or repay principal on their Loans, particularly against a background of price rises for essential goods. House prices, after a period of decline, have returned to growth and there is a risk that such house price growth may accelerate faster than earnings, stretching affordability and leaving households more vulnerable to shocks, such as increases in interest rates (although there is some expectation that these have now peaked) that could ultimately lead to higher retail loan losses. If inflationary pressure on prices combines with suppressed wage growth, there is the potential for stagflation. Widespread economic impacts have the potential to create contagion effects. A deflationary environment may negatively affect property values.

Other factors in Borrowers' individual, personal or financial circumstances may affect the Borrowers' ability to repay their Loan. Unemployment, loss of earnings, illness (including any illness arising in connection with an epidemic or pandemic), divorce or widespread health crises or the fear of such crises and other similar factors may lead to an increase in delinquencies by and bankruptcies (and analogous arrangements) of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay their 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 addition, certain Borrowers may be, or may become, unemployed (or have their working hours reduced) throughout the life of the Loan taken out by them, which could affect their ability to make payments and repayments under such Loan. Additionally, Borrowers who are self-employed or who operate as independent contractors may have an income stream which is more susceptible to change (including the reduction or loss of future earnings due to illness, loss of business, tax laws or general economic conditions including as a result of shortage of materials) than Borrowers who are in full time employment. Each such Borrower may resultantly be more likely to fall into payment difficulties. 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 (including reductions in property value as a result of the macroeconomic conditions). Loans in arrears and subject to historical breaches by borrowers are generally likely to experience higher rates of delinquency, write-offs, enforcements and bankruptcy, than Loans without such arrears or breaches which may impact the ability of the Issuer to make payments on the Notes.

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

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

Realisation of Loans and liquidity risk

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 can be no assurance that any secondary market for the mortgage loans of this type in the United Kingdom will provide sufficient liquidity of investment for the Loans to be realised or that any such market will be present at any given time or will continue for the life of the Notes. The Issuer, and following the occurrence of an Event of Default, the Trustee, may not, therefore, be able to sell the Loans for an amount sufficient to discharge amounts due to the Secured Creditors (including the Noteholders) in full should they be required to do so.

Interest Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest only basis or a combination capital repayment/interest payment basis (see the section entitled "The Portfolio – The Loans – Characteristics of the Loans – Repayment Terms"). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. While the Seller does not verify or does not require proof that such repayment mechanism is in place and does not take security over any investment policies taken out by Borrowers, the Seller will review the repayment mechanism in line with the size of the Loan, the applicant's age, income and likelihood of the repayment mechanism accumulating sufficient value to repay the Loan, and will decline the application if this repayment mechanism is deemed to be unacceptable. Affordability for interest only loans is calculated on an interest only basis. The Seller also recommends that the Borrower takes out term life assurance cover in relation to the Loan, although the Seller, again, does not verify or take security over such policies.

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

Loans are subject to certain legal and regulatory risks

The Loans are subject to certain risks relating to the law and regulation of mortgages in the United Kingdom. No assurance can be given that additional legislative and/or regulatory changes (by any legislative body, the FCA 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, including any further changes to the FCA's MCOB arising from the FCA's mortgage market review, or to MCOB or the FSMA arising from HM Treasury's proposals to change mortgage regulation or changes in the regulatory structure or compliance costs may have a material adverse effect on the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due. Further detail on certain considerations in relation to the regulation of mortgages in the UK is set out in the section headed "Information relating to the Regulation of Mortgages in the UK" and certain specific risks are set out below:

Regulated Mortgage Contracts

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 an FCA (including MCOB) or PRA rule, 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 that authorised person. Any such set-off in respect of the Loans may adversely affect the Issuer's ability to make payments on the Notes. Further detail is included in the section headed "Information relating to the Regulation of Mortgages in the UK – Regulated Mortgage Contracts".

Guidance Issued by the Regulators

Guidance issued by the regulators has changed over time and it is possible that it may change in the future. No assurance can be given that any changes in legislation, guidance or case law as it relates to the Portfolio will not have a material adverse effect on the Seller 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 and consequently the Issuer's ability to make payment in full on the Notes when due. Any such changes (including changes in regulators' responsibilities) may also adversely affect the Seller, the Issuer and the Servicer and their respective businesses and operations. Further detail is included in the section headed "Information relating to the Regulation of Mortgages in the UK".

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 allow, in certain specified circumstances, a borrower to cancel a credit agreement it has entered into with lenders without provision of certain required information. 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. Further detail is included in the section headed "Information relating to the Regulation of Mortgages in the UK – Distance Marketing Regulations".

UTCCR and CRA

The UTCCR and CRA provide that a consumer may, in certain circumstances, challenge a term in an agreement on the basis that it is unfair. 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 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 which have been made to Borrowers covered by the UTCCR and/or 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 between 1 July 1995 and 30 September 2015 is found to be unfair for the purpose of the UTCCR,, this may reduce the amounts available to meet the payments due in respect of the Notes, including by way of non-recovery of a Loan by the Seller or the Issuer, a claim made by the Borrower, or the exercise by the Borrower of a right of set-off arising as a result of a term of a loan being found to be unfair (and therefore not binding on the consumer).

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. No assurance can be given that any such changes in guidance on the CRA, or reform of the CRA, will not affect the Loans and will not have a material adverse effect on the Issuer's ability to make payments on the Notes. Further detail in relation to both the CRA is included in the section headed "Information relating to the Regulation of Mortgages in the UK – Unfair Terms in Consumer Contracts Regulations 1994 and 1999 and Consumer Rights Act 2015".

Consumer Protection from Unfair Trading Regulations 2008

The CPUTR prohibits certain practices which are deemed unfair within the terms of the CPUTR. Breach of the CPUTR may lead to sanction and/or liability for misrepresentation or breach of contract in relation to the underlying credit agreements, which may result in irrecoverable losses on amounts to which such agreements apply. No assurance can be given that the CPUTRs will not adversely affect the ability of the Issuer to make payments to Noteholders. Further detail in relation to the CPUTR is included in the section headed "Information relating to the Regulation of Mortgages in the UK – Consumer Protection from Unfair Trading Regulations 2008".

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction. As the Ombudsman is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to a borrower, it is not possible to predict how any future decision of the Ombudsman would affect the ability of the Issuer to make payments to Noteholders. Further detail is included in the section headed "Information relating to the Regulation of Mortgages in the UK – Decisions of the Ombudsman could lead to some terms of the Loans being varied, which may adversely affect payments on the Notes".

Assured Shorthold Tenancy

Depending on the level of ground rent payable at any one time it is possible that a long leasehold may also be an Assured Tenancy (**AT**) or Assured Shorthold Tenancy (**AST**) under the Housing Act 1988 (**HA 1988**). There is a risk that in certain circumstances, where a long lease is also an AT/AST due to the level of the ground rent, the long lease will come to an end and the landlord will be able to re-enter the relevant property. This may adversely affect the realisable value of the Portfolio, and/or the ability of the Issuer to make payments in full on the Notes when due. Further detail is

included in the section headed "Information relating to the Regulation of Mortgages in the UK – Assured Shorthold Tenancy (AST)".

Consumer Duty

The FCA has published final rules on the introduction of a new consumer duty on regulated firms (the **Consumer Duty**), which aims to set a higher level of consumer protection in retail financial markets. The industry is still in the early days of implementation and therefore it is not yet possible to predict the precise effect of the new Consumer Duty on the Loans with any certainty. If (for example) the obligations relating to fair value or not causing harm are not met in relation to the Portfolio, it could adversely affect the amounts received or recoverable in relation to the Portfolio. This may adversely affect the ability of the Issuer to make payments in full on the Notes when due. Further detail is included in the section headed "Information relating to the Regulation of Mortgages in the UK – FCA Consumer Duty".

Mortgage Charter

On 26 June 2023, HM Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the **Mortgage Charter**). Principality is a signatory to the Mortgage Charter and has agreed that, among other things, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the **MC Interest-only Agreement**); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the **MC Extension Agreement**). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages.

The FCA has amended the Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB) to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement.

There can be no assurance that the FCA or other UK government or regulatory bodies will not take further steps in response to the rising cost of living in the UK, including further amending and extending the scope of the Mortgage Charter or related rules. Such developments may adversely affect the ability of the Issuer to make payments in full on the Notes when due. Further detail is included in the section headed "Information relating to the Regulation of Mortgages in the UK – Mortgage Charter".

3. Risks relating to the structure

Deferral of interest payments on the Notes

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Notes other than the Most Senior Class of Notes, after having paid or provided for items of higher priority in the Pre-Enforcement Revenue Priority of Payments, then that amount shall not be due and payable and the Issuer will be entitled under Condition 8.10 (Interest Accrual) to defer payment of that

amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of such class of Notes becomes immediately due and repayable in accordance with the Conditions and such deferral shall not constitute an Event of Default. To the extent that there are insufficient funds on the following Interest Payment Date or such earlier date as interest in respect of such class of Notes is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Final Maturity Date. However, if there is insufficient money available to the Issuer to pay interest on any class of Notes, then the relevant Noteholders may not receive all interest amounts.

Payment of principal and interest in respect of the Class B Notes is subordinated

The Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes as set out in "Structural Features". Further, Available Revenue Receipts will be applied to credit the General Reserve Fund prior to payment of interest on the Class B Notes. There is no assurance that these subordination provisions will protect the holders of the Class A Notes from all risk of loss and there is no assurance that the Class B Noteholders will be paid interest and principal in cases of such subordination.

Income and Principal Deficiency

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

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

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

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

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

Product Switches, Further Advances and Substitutions

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

The number of Further Advance and Product Switch requests received by the Seller and/or the Servicer may affect both the timing of principal amounts received by the Issuer from the Borrowers and, as Available Principal Receipts will be used to pay amounts to the Seller in respect of consideration for such Further Advances, the amount of Available Principal Receipts available to meet payments of principal and (in the event of a shortfall) interest on the Notes.

4. Risks relating to the changes to the structure and the documents

Meetings of Noteholders, modification and waiver

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Such binding decisions of defined majorities may also occur by way of a sufficient number of Noteholders providing their consent either in writing or by way of electronic consents submitted through the electronic communications systems of the clearing system(s).

The Trust Deed provides that, without the consent or sanction of the Noteholders or any of the other Secured Creditors, the Trustee may (but subject in each case to the more detailed provisions of the Trust Deed):

- (a) concur with the Issuer and/or any other person, in making:
 - (i) any modification to the Conditions, the Trust Documents, the Notes or the other Transaction Documents in relation to which its consent is required (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes; or

- (ii) any modification to the Conditions, the Trust Documents or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error;
- (b) authorise or waive, on such terms and conditions (if any) as it may decide, any proposed breach or breach of any Transaction Document, if in the Trustee's opinion, the interests of the holders of the Most Senior Class of Notes then outstanding will not be materially prejudiced thereby; and
- (c) determine that a specified Event of Default or any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default (a **Potential Event of Default**) shall not be treated as such, if in the Trustee's opinion, the interests of the holders of the Most Senior Class of Notes then outstanding will not be materially prejudiced thereby,

provided always that the Trustee shall not exercise any powers under paragraph (b) or (c) above in contravention of any express direction given by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or a request or direction in writing made by the holders of not less than 25% in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (but no such direction or request shall affect: (i) any authorisation, waiver or determination previously given or made; or (ii) shall authorise or waive any proposed breach or breach relating to a Reserved Matter unless each Class of Notes, has by Extraordinary Resolution, so authorised its exercise).

The Trustee may also, without the consent of any of the Noteholders or other Secured Creditors, concur with the Issuer in substituting in place of the Issuer a Substituted Obligor as the principal debtor in respect of the Transaction Documents provided that certain conditions as set out in the Trust Deed are satisfied.

Further, the Trustee may also be obliged, in certain circumstances, to agree to amendments to the Conditions and/or the Transaction Documents for the purpose of (i) enabling the Issuer to comply with any requirements which apply to it under EMIR or UK EMIR, (ii) enabling the Issuer to open additional accounts with an additional account bank or to move the Issuer Accounts to be held with an alternative account bank, (iii) complying with changes in the requirements of Article 6 of the UK Securitisation Regulation and the EU Securitisation Regulation, or Section 15G of the Securities Exchange Act of 1934, Regulation (EU) 2017/2401 as it forms part of domestic law by virtue of the EUWA (the **UK CRR Amendment Regulation**) or any other risk retention regulations, (iv) enabling the Notes to comply with the requirements of the UK Securitisation Regulation and/or the EU Securitisation Regulation, (v) enabling the Notes to be (or to remain) listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange's main market, (vi) 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, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (FATCA), (vii) complying with any changes in the requirements of the UK CRA Regulation and/or the EU CRA Regulation after the Closing Date, (viii) 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, or (ix) changing the base rate on the Notes from SONIA to an Alternative Base Rate (and such other amendments as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change) to the extent that there has been or that there is reasonably expected to be a material disruption or cessation to SONIA or in the event that an alternative means of

calculating a SONIA-based rate of interest is introduced and becomes a standard method of calculating interest for similar transactions (each a **Proposed Amendment**), without the consent of Noteholders pursuant to and in accordance with the detailed provisions of Condition 18.2 (Additional Right of Modification).

In relation to any such Proposed Amendment, the Issuer is required to give at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 23 (Notices) and by publication on Bloomberg L.P. on the "Company News" screen relating to the Notes. However, Noteholders should be aware that, in relation to each Proposed Amendment, unless Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have 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.

If Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have notified the Issuer or the Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 18 (Modification and Waiver).

The full requirements in relation to the modifications discussed above are set out in Condition 18.2 (Additional Right of Modification).

Conflict between Noteholders

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

If, in the opinion of the Trustee, there is a conflict between the interests of holders of different classes of Notes, the Trustee will have regard only to the interests of the holders of the Class A Notes (provided that in relation to a Reserved Matter, the Trustee will have regard to the interests of the holders of the affected class or classes of Notes in accordance with the provisions of the Trust Deed).

Conflict between Noteholders and other Secured Creditors

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

Change of counterparties

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Account Bank and the Interest

Rate Swap Provider) are required to satisfy certain criteria in order to remain a counterparty to the Issuer.

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

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

The Trustee is not obliged to act in certain circumstances

The Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes or the Trust Documents (including the Conditions) or of the other Transaction Documents to which it is a party and at any time after the service of an Enforcement Notice, the Trustee may, at its discretion and without notice, take such proceedings, actions or steps as it may think fit to enforce the Security. However, the Trustee shall not be bound to take any such proceedings, actions or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 13 (Events of Default)) unless it shall have been directed to do so by an Extraordinary Resolution of the Most Senior Class of Noteholders or in writing by the holders of at least 25% in Principal Amount Outstanding of the Most Senior Class of Notes then outstanding and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

In relation to the undertaking to be given by the Seller to the Issuer and the Trustee on behalf of itself and the Noteholders in the Deed of Charge in accordance with Article 6 of the UK Securitisation Regulation and the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and as in force on the Closing Date) regarding the material net economic interest to be retained by the Seller and certain requirements as to providing investor information in connection with the retention of such interest, the Trustee shall not be under any obligation to monitor the compliance by the Seller with such undertaking or to investigate any matter which is the subject of such undertaking and shall not be under any obligation to take any action in relation to non-compliance with such undertaking unless and until the Trustee has received actual written notice of the same from any Transaction Party, in which event the only obligation of the Trustee shall be to notify the Issuer (who shall notify the Noteholders and the other Secured Creditors of the same) and, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction, to take such further action as it is directed to take in connection with such non-compliance by an Extraordinary Resolution of the Most Senior Class of outstanding Notes.

5. Counterparty risks

Issuer reliance on other third parties to meet its obligations under the Notes

The Issuer is party to contracts with a number of third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Interest Rate Swap Provider has agreed to provide interest rate hedging to the Issuer, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, the Account Bank has agreed to provide the Transaction Account to the Issuer, the Servicer has agreed to service the Portfolio, the Cash Manager has agreed to provide cash management services, the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes and the Back-Up Servicer Facilitator has agreed to assist in appointing a back-up or replacement servicer. If any of the above parties: (i) were to fail to perform their obligations under the respective agreements to which they are a party (including any failure arising from circumstances beyond their control, such as epidemics, pandemics and natural disasters); or (ii) were to resign from their appointment; or (iii) if their appointment under the agreements to which they are a party were to be terminated in accordance with the terms of the Transaction Documents (in each case, without being replaced by a suitable replacement party that is able to perform such services, and where applicable has at least the minimum required ratings and holds the required licences); or (iv) in the event of the insolvency of the Account Bank, the collections on the Portfolio or the payments to the Noteholders may be disrupted or otherwise adversely affected, which, in turn, may negatively impact the value of the Notes and the ultimate return on the Notes.

If the Servicer is removed, there is no guarantee that a substitute Servicer would be found, which could delay collection of payments on the Loans and ultimately could adversely affect payments on the Notes

The Servicer will be appointed by the Issuer to service the Loans. If the Servicer breaches the terms of the Servicing Agreement, the Issuer and/or the Trustee may, having given notice to the Servicer and the Rating Agencies, terminate the appointment of the Servicer and a replacement servicer will be sought to take over the servicing on substantially the same terms as those set out in the Servicing Agreement.

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

The Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion or at all.

Refinancing capacity of Borrowers

The only security that exists in relation to a Loan in the Portfolio will be the Mortgage in respect of the relevant Property. The ability of a Borrower to refinance the relevant Property will be affected by a number of factors, including the value of the relevant Property, the Borrower's equity in the relevant Property, the Borrower's age and employment status, the financial condition and

payment history of the Borrower, tax laws and prevailing general economic conditions. In recent times and in response to increases in regulation, mortgage lenders have maintained stricter conditions to the advancing of mortgage loans which are secured by mortgages. In addition, in periods of economic downturns mortgage lenders usually apply further more restrictive conditions to advancing mortgage loans leading to Borrowers being less likely to meet lending criteria for refinancing. The inability of the Borrowers to refinance their respective Properties may ultimately result in a reduction of amounts available to the Issuer and adversely affect its ability to make payments on the Notes.

Interest Rate Swap Provider Risk and Swap Termination Payment

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

If the Interest Rate Swap Agreement is terminated for any reason, the Cash Manager (on behalf of the Issuer) may be obliged to use available funds of the Issuer to pay any termination payment due to the Interest Rate Swap Provider under the Interest Rate Swap Agreement. Any termination payment due by the Issuer to the Interest Rate Swap Provider will be paid first out of amounts standing to the credit of the relevant Swap Collateral Account in accordance with the relevant Swap Collateral Account Priority of Payments and then, to the extent that there are insufficient funds standing to the credit of the relevant Swap Collateral Account, using available funds in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments. Any termination payment due by the Issuer to the Interest Rate Swap Provider (except for any Swap Subordinated Amounts) will rank in priority to amounts due on the Notes both in the Pre-Enforcement Revenue Priority of Payments and the Post-Enforcement Priority of Payments.

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

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

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

To mitigate this risk, under the terms of the Interest Rate Swap Agreement, in the event that the relevant ratings of the Interest Rate Swap Provider and any party providing credit support for the Interest Rate Swap Provider fail to meet the required ratings, such Interest Rate Swap Provider will, in accordance with the terms of the Interest Rate Swap Agreement, be required to elect to take certain remedial measures within the time frame stipulated in the Interest Rate Swap Agreement

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

Basis risk

The Issuer is subject to the risk of a mismatch between (a) the fixed rates of interest payable on the Fixed Rate Loans and the interest rate payable in respect of the Notes; and (b) the interest rate payable on SVR-linked Loans being determined on a different basis from that on which the interest rate payable on the Notes is determined.

The Issuer will only enter into an Interest Rate Swap Transaction with the Interest Rate Swap Provider in respect of the mismatch between the fixed rates of interest payable on the Fixed Rate Loans and the interest payable in respect of the Notes, and not in respect of any other mismatch. The Interest Rate Swap Transaction is not designed to provide a perfect hedge for the Loans included in the Portfolio or eliminate all risks associated with the mismatch between rates payable in respect of such Loans and interest rates in respect of the Notes. In particular, the notional amount of the Interest Rate Swap Transaction will be set at the last day of the calendar month preceding the relevant calculation period of the Interest Rate Swap Transaction and will only be reset on a monthly basis. The Interest Rate Swap Transaction covers a major share of the interest rate risk present in the context of the Notes.

Credit ratings assigned to the Notes may not reflect all the risks associated with an investment in the Notes

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European

Securities and Markets Authority (**ESMA**) on its website in accordance with the EU 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.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Rating Agency confirmation in relation to the Notes in respect of certain actions

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 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 Cash Manager on behalf of the Issuer provides to the Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraph (i) (A) or (B) and (ii) above 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 or response 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 of the then current ratings of the Class A Notes may have an adverse effect on the value of the Notes.

The Trustee shall be entitled to rely without Liability to any person on any certificate delivered to it in connection with a Non-Responsive Rating Agency pursuant to Condition 24 (Non-Responsive Rating Agency). The Trustee shall not be required to investigate any action taken by the Issuer or

such Non-Responsive Rating Agency and shall treat the applicable condition or requirement to receive a Rating Agency Confirmation or response from each Rating Agency as having been modified with the consent of all Noteholders and all parties to the relevant Transaction Documents so that there shall be no requirement for such Rating Agency Confirmation or response from the Non-Responsive Rating Agency.

No independent investigations; reliance on warranties in relation to the Loans

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

None of the Trustee, the Joint Arrangers, the Joint Lead Managers or the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date or, as the case may be, as at the last day of the calendar month in which any relevant Advance Date, Switch Date or Substitution Date occurred and is not remedied within 30 days of receipt by the Seller of a notice from the Issuer that such conditions are not satisfied, shall be to require the Seller to repurchase any relevant Loan and its Related Security. In addition the Seller will be required to repurchase a loan that is subject to a Further Advance, Product Switch or substitution for a Loan that is subject to a repurchase (a **Substitution**) if the relevant Further Advance Conditions, Product Switch Conditions or Substitution Conditions are not satisfied as at the last day of the calendar month in which such Further Advance, Product Switch or Substitution is made and such breach is not remedied within 30 days of receipt by the Seller of a notice from the Issuer that such conditions are not satisfied. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

No assurance that the Issuer will receive the benefit of any claims made under any applicable buildings insurance contract

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

Certain conflicts of interest may exist or may arise as a result of the parties to this transaction

NatWest Markets Plc is acting as a Joint Arranger, a Joint Lead Manager and as Interest Rate Swap Provider. Banco Santander, S.A. is acting as a Joint Arranger and a Joint Lead Manager. Citibank, N.A., London Branch is acting as Account Bank, Agent Bank, Custodian, Principal Paying Agent and Registrar. Other parties to the transaction may also perform multiple roles, including Principality,

who will act as (among other roles) the Servicer, the Cash Manager and the Subordinated Loan Provider.

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

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

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

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

As such, each Relevant Entity may have various potential and actual conflicts of interest arising in the ordinary course of its business. For example, a Relevant Entity's dealings with respect to the Notes, the Issuer or a Transaction Party may affect the value of the Notes as the interests of this Relevant Entity may conflict with the interests of a Noteholder, and that Noteholder may suffer loss as a result. To the maximum extent permitted by applicable law, no Relevant Entity is restricted from entering into, performing or enforcing its rights in respect of the Transaction Documents or the interests described above and may continue or take steps to further or protect any of those interests and its business even where to do so may be in conflict with the interests of Noteholders. The Relevant Entities may in so doing act in its own commercial interests without notice to, and without regard to, the interests of the Noteholders or any other person. To the maximum extent permitted by applicable law, the duties of each Relevant Entity in respect of the Notes are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No Relevant Entity shall have any obligation to account to the Issuer, any other Transaction Party or any Noteholder for any profit as a result of any other business that it may conduct with either the Issuer or any other Transaction Party.

6. Macroeconomic and market risks

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

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. The Class A Notes will be sold to third-party investors. Principality may purchase some of the Class A Notes and will purchase all of the Class B Notes on the Closing Date. Any investor in the Notes must be prepared to hold its Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

The secondary market for mortgage-backed securities has experienced disruptions as a result of wider global economic conditions. This had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities similar to the Notes experiencing limited liquidity. In the future, limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, such as the Notes, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. It is not known whether such disruptions to the market will reoccur. Consequently, an investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

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 global economic, monetary and political conditions. If such concerns further deteriorate (including as may be demonstrated by any relevant credit rating agency action, any default or restructuring of indebtedness by one or more 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 Facilitator, the Cash Manager, the Account Bank and/or the Interest Rate Swap Provider) and/or any borrower in respect of the Loans. Given the current uncertainty and the range of possible outcomes, no assurance can be given as to the impact of any of the matters described above and, in particular, no assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

Borrowers with a Loan subject to a variable rate of interest or with a Loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward (or, in the case of a Loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). This increase in Borrowers' monthly payments, which (in the case of a Loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, ultimately may result in higher delinquency rates and losses in the future.

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave Borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, where the reversionary rate is the current SVR, 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 on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

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

Prospective investors in the Notes should be aware that the market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions. It may be difficult for the Issuer to find an alternative swap provider to properly hedge its interest rate exposures should the Interest Rate Swap Provider need to be replaced and at such time the Notes use an application of SONIA that differs from products which may be hedged by those alternative swap providers. Interest on the Notes is only capable of being determined at the end of the relevant SONIA Observation Period and immediately prior to the relevant Interest Payment Date. The development of SONIA as an interest reference rate for the Eurobond markets, as well as continued development of SONIA-based rates for such 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 the Notes.

Furthermore, the Interest 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 to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade the Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of the Notes.

In addition, the manner of adoption or application of SONIA reference rates in the bond 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.

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

Interest rates and indices which are deemed to be "benchmarks" (including SONIA) are the subject of national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

The EU Benchmarks Regulation applies from 1 January 2018 in general, subject to certain transitional provisions. Certain requirements of the EU Benchmark Regulation apply with respect to the provision of a wide range of benchmarks (including SONIA), the contribution of input data to a benchmark and the use of a benchmark within the European Union. In particular, the EU Benchmarks Regulation, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of benchmarks and (ii) prevents certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU-based, deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

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

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including SONIA) could affect the level of the published rate, including to cause it to be lower and/or more volatile than it would otherwise be;
- (b) while an amendment may be made under Condition 18.2 (Additional Right of Modification) 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, there can be no assurance that any such amendment will be made or, if made, that it (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 or (ii) will be made prior to any date on which any of the risks described in in this risk factor may become relevant; and

- (c) if SONIA is discontinued, and whether or not an amendment is made under Condition 18.2 (Additional Right of Modification) to change the base rate with respect to the Notes as described in paragraph (b) above, 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 fully or effectively mitigate interest rate risk in respect of 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 adjustment to the Conditions, early redemption, discretionary valuation by the Calculation Agent, delisting or other consequences in relation to the Notes. No assurance may be provided that relevant changes will not occur with respect to SONIA and/or that SONIA will continue to exist. Investors should consider these matters when making their investment decision with respect to the Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of the Notes in making any investment decision with respect to the Notes.

Central bank eligibility

Whilst central bank schemes (such as the Bank of England's Discount Window Facility, the Indexed Long-Term Repo Facility and other schemes under its Sterling Monetary Framework, and the Eurosystem monetary policy framework for the European Central Bank), including emergency liquidity operations introduced by central banks in response to a financial crisis or a wide-spread health crisis, provide an important source of liquidity in respect of eligible securities, relevant eligibility criteria for eligible collateral apply (and will apply in the future) under such schemes and liquidity operations. Investors should make their own conclusions and seek their own advice with respect to whether or not the Notes constitute eligible collateral for the purposes of any of the central bank liquidity schemes, including whether and how such eligibility may be impacted by the UK withdrawal from the EU and the UK no longer being part of the EEA.

If the Notes cannot meet the central bank eligibility, it may impact on the liquidity of the Notes and could have an adverse effect on their value. No assurance is given that any Notes will be eligible for any specific central bank liquidity schemes.

7. Risks relating to the Issuer

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, several cases have focused on provisions involving the subordination of a party's payment rights 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 Swap Subordinated Amounts payable in respect of the Interest Rate Swap Agreement (or any replacement interest rate swap agreement).

The English Supreme Court 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 U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a U.S. bankruptcy of the counterparty. On 11 August 2020, the US Court of Appeals for the Second Circuit issued a decision disagreeing with the U.S. Bankruptcy Court's decision, finding that a flip clause that altered the priority of payments waterfall in a swap agreement was enforceable in bankruptcy because the swap transaction was protected under the Bankruptcy Code. This decision is binding within the Second Circuit (which includes New York) but not across the whole of the United States. Regardless of such decision, there remains a risk that the decisions of the UK and U.S. courts may diverge in their approach, and an unfavourable decision in the US may adversely affect the Issuer's ability to make payments under the Notes.

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 Priorities of Payments which refers to the ranking of the Interest Rate Swap Provider's payment rights in respect of Swap Subordinated 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 the Interest Rate Swap Provider (and/or with respect to any replacement counterparty, depending on certain matters in respect of that entity).

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 Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the 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 Swap Subordinated 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.

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 "Certain other Transaction Documents – Deed of Charge"). In certain circumstances, including the occurrence of certain insolvency (or certain pre-insolvency) events in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired. In particular, it should be noted that significant changes to the UK insolvency regime have been enacted under the Corporate Insolvency and Governance Act 2020 which came into effect on 26 June 2020. The changes include, among other things: (i) the introduction of a new moratorium regime that certain eligible companies can obtain which will prevent creditors taking certain action against the company for a specified period; (ii) a ban on operation of or exercise of ipso facto clauses preventing (subject to exemptions) termination, variation or exercise of other rights under a contract due to a counterparty entering into certain insolvency or restructuring procedures; and (iii) a new compromise or arrangement under Part 26A of the Companies Act 2006 (the **Restructuring Plan**) that provides for ways of imposing a restructuring on creditors and/or shareholders without their consent (so-called cross-class cram-down procedure), subject to certain conditions being met and with a court adjudicating on the fairness of the restructuring proposal as a whole in determining whether or not to exercise its discretionary power to sanction the Restructuring Plan. While the Issuer are expected to be exempt from the application the new moratorium regime and the ban on ipso facto clauses, there is no guidance on how the new legislation will be interpreted and the Secretary of State may by regulations modify the exceptions. For the purposes of the Restructuring Plan, it should also be noted that there are currently no exemptions, but the Secretary of State may by regulations provide for exclusion of certain companies providing financial services and the UK government has expressly provided for changes to the Restructuring Plan to be effected through secondary legislation, particularly in relation to the cross-class cram-down procedure. It is therefore possible that aspects of the legislation may change. While the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent and/or subject to pre-insolvency restructuring proceedings, no assurance can be given that any modification of the exceptions from the application of the new insolvency reforms referred to above will not be detrimental to the interests of the Noteholders and there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency or pre-insolvency restructuring proceedings and/or that the Noteholders would not be adversely affected by the application of insolvency laws (including English insolvency laws or the laws affecting creditors' rights generally).

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of sections 174A, 176ZA and 176A of the Insolvency Act, certain floating charge realisations which would otherwise be available to satisfy the claims of Secured Creditors under the Deed of Charge may be used to satisfy any expenses of the insolvency proceedings, claims of unsecured creditors or creditors who otherwise take priority over floating charge recoveries. 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.

Fixed charges may take effect under English law as floating charges

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security)

may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the Charged Property. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets.

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

Liquidation expenses

On 6 April 2008, Section 176ZA of the Insolvency Act 1986 came into force, so that in general, the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

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

8. Legal risks and regulatory risks

Noteholders' interests may be adversely affected by a change of law

The transactions described in this Prospectus (including the issue of the Notes) and the ratings which are to be assigned to the Notes are based on the relevant law and administrative practice in effect as at the date hereof, 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 or 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 amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this Prospectus or of any party under any applicable law or regulation.

Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes and/or decrease liquidity in respect of the Notes

In Europe, the U.S., and elsewhere, there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in multiple measures for increased regulation which are 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 should consult their own advisers in this respect. None of the Issuer, the Joint Arrangers, the Joint Lead Managers or Principality makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory treatment of their investment on the Closing Date, or at any time in the future.

Prudential regulation reforms under Basel or other frameworks may have an adverse impact on the regulatory capital treatment of the Notes. Investors should note in particular that the Basel Committee on Banking Supervision (**BCBS**) has approved a series of significant changes to the Basel framework for prudential regulation (such changes being referred to by the BCBS as Basel III, and referred to, colloquially, as Basel III in respect of reforms finalised prior to 7 December 2017 and Basel IV in respect of reforms finalised on or following that date). The Basel III/IV reforms, which include revisions to the credit risk framework in general and the securitisation framework in particular, may result in increased regulatory capital and/or other prudential requirements in respect of securitisation positions. The BCBS continues to work on new policy initiatives. National implementation of the Basel III/IV reforms may vary those reforms and/or their timing. It should also be noted that changes to prudential requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II frameworks in Europe and the UK, both of which are under review and subject to further reform. Investors in the Notes are responsible for analysing their own regulatory position and prudential regulation treatment applicable to the Notes and should consult their own advisers in this respect.

Non-compliance with the securitisation regulation regimes in the EU and/or the UK

The UK Securitisation Regulation applies in the UK from 11pm London time on 31 December 2020 following the end of the transition period relating to the UK's withdrawal from the EU (note that the UK is also no longer part of the EEA). The UK Securitisation Regulation largely mirrors (with some adjustments) the EU Securitisation Regulation as it applied in the EU at the end of 2020 (meaning that the amendments that took effect in the EU from 9 April 2021 are not part of the UK regime). The UK Securitisation Regulation regime is currently subject to legislative reforms under the "Edinburgh Reforms" of UK financial services unveiled on 9 December 2022 and the UK post-Brexit move to "A Smarter Regulatory Framework for Financial Services". Such legislative reforms will be effected through a combination of the 2024 UK SR SI; amendments to the PRA Rulebook to, amongst other things, introduce a new section on securitisation, in relation to which a consultation (CP15/23) was published by the PRA on 27 July 2023 (the **PRA Consultation**); and a set of rules to be implemented by the FCA into the FCA Handbook (such rules to be known as the Securitisation Sourcebook), in relation to which a consultation (FCA CP23/17) was published by the FCA on 7 August 2023 (the **FCA Consultation**). Each of the PRA Consultation and the FCA Consultation closed on 30 October 2023. It is expected that the changes proposed in the 2024 UK SR SI, the PRA Consultation and the FCA Consultation will be finalised and become fully applicable in Q2 2024. It should be noted that these reforms will impact new securitisations closed after the relevant date of application and they also have potential implications for securitisations in-scope of the UK Securitisation Regulation that closed prior to such date, although the exact application of any transitional or grandfathering provisions has not yet been confirmed. Additionally, further consultations and reforms relating to the UK securitisation regime (including a review of the reporting templates required under the UK Securitisation Regulation) are expected to be carried out

by the UK government, the PRA and the FCA throughout the course of 2024 and into 2025. Therefore, as at the date of this Prospectus, the timing and details for the implementation of securitisation-specific reforms are not yet fully known. While the UK Securitisation Regulation reforms published in the summer 2023 proposed some alignment with the EU regime, divergence between the UK and EU regimes already exists and the risk of further divergence in the longer term cannot be ruled out.

The EU Securitisation Regulation applies (subject to certain grandfathering) from 1 January 2019 and, from 9 April 2021, the EU Securitisation Regulation applies as amended by Regulation (EU) 2021/557. The EU Securitisation Regulation establishes certain common rules for all securitisations that fall within its scope (including recast of pre-1 January 2019 risk retention and investor due diligence regimes).

However, some legislative measures necessary for the full implementation of the EU Securitisation Regulation regime have not yet been finalised and compliance with certain requirements is subject to the application of transitional provisions. In addition, further amendments are expected to be introduced to the EU Securitisation Regulation regime as a result of its wider review on which, under Article 46 of the EU Securitisation Regulation, the European Commission published a report on 10 October 2022 outlining a number of areas where legislative changes may be introduced in due course.

The EU Securitisation Regulation has direct effect in member states of the EU, and once the EU Securitisation Regulation is incorporated into the EEA Agreement, it will apply more broadly in the EEA, including Iceland, Norway and Liechtenstein.

The EU Securitisation Regulation and/or the UK Securitisation Regulation requirements will apply to the Notes. As such, certain European-regulated institutional investors or UK-regulated institutional investors, which include relevant credit institutions, investment firms, authorised alternative investment fund managers, insurance and reinsurance undertakings, certain undertakings for the collective investment of transferable securities and certain regulated pension funds (institutions for occupational retirement provision), are required to comply under Article 5 of the EU Securitisation Regulation or Article 5 of the UK Securitisation Regulation, as applicable, with certain due diligence requirements prior to holding a securitisation position and on an ongoing basis while holding the position. Among other things, prior to holding a securitisation position, such institutional investors are required to verify under their respective EU or UK regime certain matters with respect to compliance of the relevant transaction parties with credit granting standards, risk retention and transparency requirements and, on transactions notified as EU STS or UK STS, compliance of that transaction with the EU or UK STS requirements, as applicable.

If the relevant European-regulated or UK-regulated institutional investor elects to acquire or holds the Notes having failed to comply with one or more of these requirements, as applicable to them under their respective EU or UK regime, this may result in the imposition of a penal capital charge on the Notes for institutional investors subject to regulatory capital requirements or a requirement to take a corrective action, in the case of a certain type of regulated fund investors.

Aspects of the requirements of the EU Securitisation Regulation and the UK Securitisation Regulation and what is or will be required to demonstrate compliance to national regulators remain unclear. Prospective investors should therefore make themselves aware of the requirements applicable to them in their respective jurisdictions and are required to independently assess and determine the sufficiency of the information described in this Prospectus generally for the purposes

of complying with such due diligence requirements under the EU Securitisation Regulation (and any corresponding national measures which may be relevant) or the UK Securitisation Regulation.

Various parties to the securitisation transaction described in this Prospectus (including the Issuer and Principality) are also subject to the requirements of the UK Securitisation Regulation. However, some uncertainty remains in relation to the interpretation of some of these requirements and what is or will be required to demonstrate compliance to the relevant UK regulators.

It is expected that in due course the EU Securitisation Regulation regime will be amended as a result of the wider review of the functioning of the EU Securitisation Regulation regime, on which the European Commission published a report on 10 October 2022 (the **October Report**). The October Report outlined a number of areas where legislative changes may be introduced. It is expected that this will include amendments to the EU Reporting Requirements, as the October Report includes a mandate to ESMA to review the Article 7 EU Technical Standards. As at the date of this Prospectus, ESMA has commenced an informal consultation on the review of the Article 7 EU Technical Standards, although it is unclear as to what amendments may be made or when any such amendments will take effect.

Prospective investors should note that the obligation of Principality to comply with the EU Reporting Requirements is strictly contractual. If, after the Closing Date, there are any amendments or changes to the EU Reporting Requirements, Principality may elect, at its sole discretion, not to comply with the EU Reporting Requirements following any such amendments or changes thereto. If Principality elects not to comply with the EU Reporting Requirements following any amendments or changes thereto, the Cash Manager shall, without delay, procure the publication of an inside information and significant event report in accordance with Article 7(1)(f) and (g) of the UK Securitisation Regulation and Article 7(1)(f) and (g) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and the Issuer) notifying that Principality shall no longer comply with the EU Reporting Requirements. Prospective investors should therefore note that if Principality elects not to comply with any amendments or changes to the EU Reporting Requirements that come into effect after the Closing Date, then the EU Reporting Requirements may no longer be complied with following such changes or amendments coming into effect.

There can be no assurance that the information in this Prospectus or to be made available to investors in accordance with such undertakings will be adequate for any prospective institutional investors to comply with their due diligence obligations under the EU Securitisation Regulation or the UK Securitisation Regulation (as applicable).

Prospective investors are referred to the sections entitled "Regulatory Requirements" and "Listing and General Information" for further details and should note that there can be no assurance that undertakings relating to compliance with the UK Securitisation Regulation or the EU Securitisation Regulation, the information in this Prospectus or information to be made available to investors in accordance with such undertakings will be adequate for any prospective institutional investors to comply with their due diligence obligations under the EU Securitisation Regulation or the UK Securitisation Regulation.

Non-compliance with the securitisation regulation regimes in the EU and/or the UK, as applicable, may have an adverse impact on the regulatory treatment of the Notes and/or decrease liquidity of the Notes. Prospective investors in the Notes are responsible for analysing their own regulatory position, and should consult their own advisers in this respect.

Simple, Transparent and Standardised Securitisations

It is intended that a UK STS Notification will be submitted to the FCA by Principality, as originator. The UK STS Notification, once notified to the FCA, will be made available on the Reporting Websites, with the short-form (anonymised) particulars of such UK STS Notification being made available on the FCA STS Register website.

Principality and the Issuer have used the services of PCS UK as a verification agent authorised under Article 28 of the UK Securitisation Regulation to prepare an assessment of compliance of the Notes with the requirements of Articles 19 to 22 of the UK Securitisation Regulation (the **UK STS Verification**) (and to provide additional assessments with regard to the status of the Notes for the purposes of Article 243 of Regulation (EU) 2017/2401 as it forms part of UK law by virtue of the EUWA (the **UK CRR**) and Article 13 of the UK LCR Regulation (the **UK STS Additional Assessments**)). It is expected that the UK STS Verification and the UK STS Additional Assessments prepared by PCS UK will be available on its website at (<https://www.pcsmarket.org/sts-verification-transactions/>) together with detailed explanations of its scope at <https://www.pcsmarket.org/disclaimer/> on and from the Closing Date. For the avoidance of doubt, the website of PCS UK and the contents of that website do not form part of this Prospectus.

It is important to note that the involvement of PCS UK is not mandatory and the responsibility for compliance with the UK Securitisation Regulation (or, if applicable, the EU Securitisation Regulation) remains with the relevant institutional investors, originators, sponsors and issuers, as applicable in each case. A UK STS Verification (and/or UK STS Additional Assessments) will not absolve such entities from making their own assessments with respect to the UK Securitisation Regulation (or, if applicable the EU Securitisation Regulation) and other relevant regulatory provisions, and an UK STS Verification (and/or UK STS Additional Assessments) cannot be relied on to determine compliance with the foregoing regulations in the absence of such assessments by the relevant entities.

The UK STS status of the Notes is not static and investors should verify the current status on the FCA STS Register website, which will be updated where the Notes are no longer considered to be UK STS following a decision of the FCA or another relevant UK regulator or a notification by Principality.

The UK STS securitisation designation is not an opinion on the creditworthiness of the relevant Notes nor on the level of risk associated with an investment in the relevant Notes. It is not an indication of the suitability of the relevant Notes for any investor and/or a recommendation to buy, sell or hold Notes. Institutional investors that are subject to the due diligence requirements of the UK Securitisation Regulation (or, if applicable, the EU Securitisation Regulation) need to make their own independent assessment and may not solely rely on any UK STS Verification, the UK STS Notification, any UK STS Additional Assessments or other disclosed information.

No assurances can be provided that the securitisation transaction described in this Prospectus does or will continue to qualify as a UK STS securitisation under the UK Securitisation Regulation. The relevant institutional investors are required to make their own assessment with regard to compliance of the securitisation with the UK STS Requirements and such investors should be aware that non-compliance with the UK STS Requirements and the change in the UK STS status of the Notes may result in the loss of better regulatory treatment of the Notes under the applicable UK regulatory regime(s), including in the case of prudential regulation, higher capital charges being applied to the Notes and may have a negative effect on the price and liquidity of the Notes in the secondary market. In addition, non-compliance may result in various sanctions and/or remedial measures

being imposed on the relevant transaction parties, including Principality, which may have an impact on the availability of funds to pay the Notes.

Note that designation as UK STS securitisation does not meet, as at the date of this Prospectus, the STS requirements of the EU Securitisation Regulation, and, as such, better or more flexible regulatory treatment under the relevant EU regulatory regimes (in particular, under the EU CRR, the EU LCR Regulation and the EU Solvency II regime) will not be available. While the European Commission in its Article 46 report on the review of the EU Securitisation Regulation of 10 October 2022 considered it premature to introduce an STS equivalence regime for third country securitisations at this time, the Commission also confirmed that it will monitor this issue and that it might reconsider the need for an STS equivalence regime. Therefore, it is possible that in due course, as part of the subsequent review of the EU Securitisation Regulation regime, an equivalence regime for non-EU STS securitisations may be introduced in the EU, resulting in the UK STS regime being considered equivalent. However, no assurances can be made that such equivalence regime will be introduced or that, when introduced, it will benefit the EU regulatory treatment of the Notes.

Banking Act 2009

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 certain authorised 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. Relevant transaction parties for these purposes include Principality Building Society in its various capacities, the Account Bank and NatWest Markets Plc as the Interest Rate Swap Provider.

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. In respect of UK building societies, the relevant tools include (i) modified property transfer powers which also refer to cancellation of shares and conferring rights and liabilities in place of such shares, (ii) modified share transfer powers as well as a public ownership tool which may involve (among other things) arranging for deferred shares in a building society to be publicly owned, cancellation of private membership rights and the eventual winding up or dissolution of the building society and (iii) modified bail-in powers such that exercise of the tool may be immediately preceded by the demutualisation of the building society through the conversion of it into a company or the transfer of all of the property, rights or liabilities of the society to a company. It is possible that the tools described above could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made and, in certain circumstances, the UK authorities may exercise broad pre-resolution powers in respect of relevant entities with a view to removing impediments to the exercise of the stabilisation tools.

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

general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the authorities may choose to exercise them.

If an instrument or order were to be made under the provisions of the Banking Act currently in force in respect of a relevant entity as described above, such action may (among other things) affect the ability of such entity to satisfy its obligations under the Transaction Documents and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the Transaction Documents or in other modifications to such documents. In particular, modifications may be made pursuant to powers permitting (i) certain trust arrangements to be removed or modified, (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.

If the bail-in powers were used in respect of a building society (such as Principality), then pursuant to section 84D of the Banking Act, a banking group company is defined for the purposes of such powers to be a "subsidiary" of the relevant building society (or any successor company where demutualisation has taken place). The term "subsidiary" is not defined for these purposes. As a result, it is not clear whether or not the Issuer would be regarded to be a subsidiary and, as a result, whether the bail-in powers could be used in respect of any unsecured liabilities of it. However, we would note that membership, control and/or voting rights are common features of a parent-subsidiary relationship, and Principality is not a member of the Issuer and does not hold or control any voting rights in the Issuer. As a result the Notes are not eligible liabilities in respect of which the bail-in tool may be used if the security is sufficient to secure the Notes at the relevant time.

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 Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

EMIR and UK EMIR

The European Market Infrastructure Regulation (EU) No 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (and which came into force on 16 August 2012) (**EMIR**) (as amended by Regulation (EU) No 2019/834 (**EMIR Refit 2.1**)) and EMIR (as amended from time to time) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020 (**EUWA**)) as may be amended, supplemented or replaced from time to time (**UK EMIR**), each prescribe a number of regulatory requirements for counterparties to derivatives contracts including (i) a mandatory clearing obligation for certain classes of OTC derivatives contracts (the **Clearing Obligation**); (ii) collateral exchange, daily valuation and other risk mitigation requirements for OTC derivatives contracts not subject to clearing (the **Risk Mitigation Requirements**); and (iii) certain reporting requirements. In general, the application of such regulatory requirements in respect of an Interest Rate Swap Agreement will depend on the classification of the counterparties to such derivative transaction.

Pursuant to EMIR and UK EMIR, counterparties can be classified as: (i) financial counterparties (**FCs**) (which, following changes made by EMIR Refit 2.1, includes a sub-category of small FCs), and (ii) non-financial counterparties (**NFCs**). The category of "NFC" is further split into: (i) non-financial counterparties whose trading exceeds the "clearing threshold" (**NFC+s**), and (ii) non-financial counterparties whose trading falls below the "clearing threshold" (**NFC-s**). Whereas FCs and NFC+ entities may be subject to the relevant Clearing Obligation or, to the extent that the relevant derivatives transactions are not subject to clearing, to the relevant collateral exchange obligation and the relevant daily valuation obligation under the Risk Mitigation Requirements, such obligations do not apply in respect of NFC- entities.

The Issuer is currently an NFC- for the purposes of UK EMIR and a third country equivalent to an NFC- for the purposes of EMIR, although a change in its position cannot be ruled out. Should the status of the Issuer change to an NFC+ or FC for the purposes of UK EMIR and a third country equivalent to an FC or NFC+ for the purposes of EMIR, this may result in the application of the relevant Clearing Obligation or (more likely) the relevant collateral exchange obligation and the relevant daily valuation obligation under the Risk Mitigation Requirements, as it seems unlikely that any Interest Rate Swap Agreement would be a relevant type of OTC derivative contract that would be subject to the Clearing Obligation under EMIR and UK EMIR to date. It should also be noted that the relevant collateral exchange obligation should not apply in respect of any Interest Rate Swap Agreement entered into prior to the relevant application date unless such a swap is materially amended on or after that date.

If the classification of the Issuer changes and, to the extent relevant, one or more of the Interest Rate Swap Agreements is regarded to be in-scope, then an Interest Rate Swap Agreement entered into or materially amended at a relevant time may become subject to the relevant Clearing Obligation or (more likely) to the relevant collateral exchange 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 an Interest Rate Swap Agreement (possibly resulting in a restructuring or termination of the relevant Interest Rate Swap Agreement) or to enter into Interest Rate Swap Agreements 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.

In respect of UK EMIR, it should also be noted that, given the intention to seek the UK STS designation for the Notes, should the status of the Issuer change to NFC+ or FC, another exemption from the Clearing Obligation and a partial exemption from the collateral exchange obligation may be available for the Interest Rate Swap Transactions, provided the applicable conditions are satisfied. With regard to the latter, please refer to the section entitled "Simple, Transparent and Standardised Securitisations" below.

Lastly, it should be noted that, as described above under "Meetings of Noteholders, modification and waiver", amendments relating to EMIR and UK EMIR may be made to the transaction documents and/or to the terms and conditions applying to Notes.

Effects of the Volcker Rule on the Issuer

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

U.S. Risk Retention Requirements

Section 941 of the Dodd-Frank Act amended the Exchange Act to generally require the "securitiser" of a "securitisation transaction" to retain at least 5% of the "credit risk" of "securitized assets", as such terms are defined for the purposes of that statute, and generally prohibit a securitiser from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the securitiser is required to retain. The U.S. Risk Retention Rules came into effect on 24 December 2015 with respect to residential mortgage-backed securitisations. The U.S. Risk Retention Rules provide that the securitiser of an asset backed securitisation is its sponsor. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least 5% of the credit risk of the securitised assets for the 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% of the dollar value (or equivalent amount in the currency in which the "ABS interests" (as defined in Section __.20 of the U.S. Risk Retention Rules) are issued) of all classes of ABS interests issued in the securitisation transaction are sold or transferred to, or for the account or benefit of, U.S. persons (as defined in the U.S. Risk Retention Rules, **Risk Retention U.S. Persons**); (3) neither the sponsor nor the issuer of the securitisation transaction is organised under U.S. law or is a branch located in the United States of a non-U.S. entity; and (4) no more than 25% of the underlying collateral was acquired from a majority-owned affiliate or branch of the sponsor or issuer organised or located in the United States.

The Portfolio will be comprised of mortgage loans and their related security, all of which are originated by the Seller, a building society incorporated in England and Wales under the Building Society Act 1874. See the section entitled "The Servicer".

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), 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 States¹;
- (c) any estate of which any executor or administrator is a U.S. person (as defined under any other clause of this definition);
- (d) any trust of which any trustee is a U.S. person (as defined under any other clause of this definition);
- (e) any agency or branch of a foreign entity located in the United States;
- (f) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person (as defined under any other clause of this definition);
- (g) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and
- (h) any partnership, corporation, limited liability company, or other organisation or entity if:
 - (i) organised or incorporated under the laws of any foreign jurisdiction; and
 - (ii) formed by a U.S. person (as defined under any other clause of this definition) principally for the purpose of investing in securities not registered under the Securities Act².

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

² The comparable provision from Regulation S (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.

Each holder of a Note or a beneficial interest therein acquired in the initial syndication of the Notes, by its acquisition of a Note or a beneficial interest in a Note, will be deemed, and, in certain circumstances, will be required to represent to the Issuer, the Seller, the Joint Lead Managers 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% Risk Retention U.S. Person limitation in the exemption provided for in Section 20 of the U.S. Risk Retention Rules described herein).

The Seller has advised the Issuer that it will not provide a U.S. Risk Retention Consent to any investor if such investor's purchase would result in more than 10% of the dollar value (or equivalent amount in the currency in which the securities are issued) (as determined by fair value under U.S. GAAP) of all Classes of Notes to be sold or transferred to Risk Retention U.S. Persons on the Closing Date.

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

None of the Joint Arrangers, the Joint Lead Managers, the Issuer or any other Transaction Party 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 advisers as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Provisions of the Corporate Insolvency and Governance Act 2020 may limit the Trustee's ability to enforce the Security

The Corporate Insolvency and Governance Act (**CIGA**) came into force on 26 June 2020. The CIGA introduces significant new corporate restructuring tools to the UK insolvency regime. The principal elements of the CIGA are a moratorium on certain actions taken against eligible companies, a prohibition on termination of certain contracts triggered by certain insolvency-related events of an eligible company (the **ipso facto termination provisions**) and a new compromise procedure which allows for a 75% majority of creditors or members in each class to bind others in the same class even if they do not vote in favour. It is also possible for one class of creditors to bind all others, including secured creditors (a **cross-class cram down**). In addition, the "small companies" moratorium which was introduced by the Insolvency Act 2000 is repealed by the CIGA and a new moratorium process is introduced instead.

The Issuer is not expected to be an eligible company for the purposes of either the moratorium provisions or of the ipso facto termination provisions of the CIGA, as the Issuer is expected to be a securitisation company within the meaning of the Taxation of Securitisation Companies Regulations 2006. The Issuer is further not expected to be an eligible company for the purposes of the moratorium provisions, and the Transaction Documents are not expected to be subject to the ipso facto termination provisions, because the Transaction is expected to constitute a "capital market arrangement" and the Notes a "capital market investment" (each as defined under paragraphs 13 and 14 of new schedule ZA1 to the Insolvency Act 1986 introduced by CIGA). That said, if for any reason the Issuer is an eligible company for the purposes of the moratorium or the ipso facto termination provisions, application of these provisions could result in a material adverse effect on the ability of Noteholders to accelerate their debts and enforce the security granted under the Deed of Charge in a timely manner, which in turn may result in material losses being incurred by Noteholders.

Further, although the Issuer is theoretically within the scope of the new cross-class cram down provisions, given the fact that it is established as an insolvency remote vehicle, with limited third party creditors and where its Secured Creditors have entered into non-petition covenants and limited recourse provisions it is unlikely to fulfil the prerequisites for the cross-class cram down to apply in practice. If, however, the cross-class cram down provisions were to be used in respect of the Issuer, it would be possible under some circumstances for 75% by value of the creditors in one class to approve a compromise and thereby "cram down" dissenting classes of creditors, which, if approved by the court, may result in material losses being incurred by Noteholders. The inability of the Servicer (acting on behalf of the Issuer) to obtain timely and complete payment of debts from Borrowers may in turn have a material adverse effect on the ability of the Issuer to make timely and complete payments under the Notes.

9. Tax risks

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 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 may, at its option, redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding and will, in accordance with Condition 9.4 (Optional Redemption in whole for taxation reasons), before doing so be required to provide to the Trustee a certificate signed by two directors to the effect that the obligation to make a Tax Deduction cannot be avoided. 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 "Tax Treatment on the Notes - United Kingdom Taxation" below.

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

(SI 2006/3296) (as amended) (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 in fact satisfy the conditions of 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. However, in such circumstances, the Issuer may, at its option, be entitled to redeem all (but not some only) of the Notes in each Class at their Principal Amount Outstanding in accordance with Condition 9.4 (Optional Redemption in whole for taxation reasons).

10. Risks relating to the characteristics of the Notes

The minimum denominations of the Notes may adversely affect payments on the Notes if issued in definitive form

The 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.

Book-Entry Interests

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

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

Except as noted in the previous paragraph, payments of principal and interest on, and other amounts due in respect of, the Global Notes will be made by the Principal Paying Agent to a nominee of the Common Safekeeper for Euroclear and Clearstream, Luxembourg. Upon receipt of any payment

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

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

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

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

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

TRANSACTION OVERVIEW – FULL CAPITAL STRUCTURE OF THE NOTES

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

	<u>Class A Notes</u>	<u>Class B Notes</u>
<i>Currency:</i>	GBP	GBP
<i>Initial Principal Amount:</i>	£650,000,000	£56,522,000
<i>Note Credit Enhancement:</i>	Subordination of Class B Notes, excess Available Revenue Receipts	Excess Available Revenue Receipts
<i>Reserve Credit Enhancement for the Class A Notes:</i>	General Reserve Fund	N/A
<i>Liquidity Support:</i>	General Reserve Fund applied to make up Income Deficit. Principal Receipts applied to make up Remaining Income Deficit (subject to conditions as set out in "Overview of Credit Structure and Cashflow – Income Deficiency")	N/A
<i>Issue Price:</i>	100%	100%
<i>Interest Rate:</i>	Compounded Daily SONIA + Margin or Step-Up Margin, as applicable	Compounded Daily SONIA+ Margin
<i>Margin:</i>	Up to and excluding the Step-Up Date, 0.50 p.a.	0.00 p.a.
<i>Step-Up Margin:</i>	From and including the Step-Up Date, 1.00 p.a.	0.00 p.a.
<i>Interest Accrual Method:</i>	Actual/365	Actual/365
<i>Calculation Date:</i>	The fourth Business Day prior to each Interest Payment Date.	The fourth Business Day prior to each Interest Payment Date.
<i>Interest Payment Dates:</i>	Interest and principal will be payable quarterly in arrears on the 21st day of February, May, August and November in each year.	Interest and principal will be payable quarterly in arrears on the 21st day of February, May, August and November in each year.

	<u>Class A Notes</u>	<u>Class B Notes</u>
<i>Business Day Convention:</i>	Modified Following	Modified Following
<i>First Interest Payment Date:</i>	The Interest Payment Date falling in August 2024.	The Interest Payment Date falling in August 2024.
<i>First Interest Period:</i>	The period from the Closing Date to the Interest Payment Date falling in August 2024.	The period from the Closing Date to the Interest Payment Date falling in August 2024.
<i>Call Option/Step-Up Date:</i>	The Interest Payment Date falling in May 2029.	The Interest Payment Date falling in May 2029.
<i>Pre-Step-Up Date Redemption profile:</i>	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation).	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation).
<i>Post-Step-Up Date Redemption profile:</i>	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation).	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation).
<i>Other Early Redemption in Full Events:</i>	Tax/illegality/clean-up call. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation).	Tax/illegality/clean-up call. Please refer to Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation).
<i>Final Maturity Date:</i>	The Interest Payment Date falling in May 2072.	The Interest Payment Date falling in May 2072.
<i>Form of the Notes:</i>	Registered	Registered
<i>Application for Listing:</i>	London Stock Exchange	London Stock Exchange
<i>ISIN:</i>	XS2783632446	XS2783633170
<i>Common Code:</i>	278363244	278363317
<i>CFI:</i>	DGVNFR	DGVXFR

	Class A Notes	Class B Notes
<i>FISN:</i>	FRIARY NO.9 PLC/VARMBS 22001231	FRIARY NO.9 PLC/VARMBS 22001231 SU
<i>Minimum Denomination:</i>	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter
<i>Expected Ratings (Fitch/Moody's):</i>	AAA(sf) / Aaa(sf)	N/A

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

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

Ranking of Payments of Interest:

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

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

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

Ranking of Payments of Principal:

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

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

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

Most Senior Class:

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

Sequential Order:

Firstly, to the Class A Notes and secondly to the Class B Notes.

Security:

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

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

- (c) a first fixed charge over the benefit of each Authorised Investment;
- (d) first fixed charges over the Transaction Account, the Swap Collateral Accounts and other bank accounts of the Issuer established on or after the Closing Date in accordance with the Account Bank Agreement or the other Transaction Documents;
- (e) an assignment by way of security of the benefit under each relevant Transaction Document (other than the Trust Documents); except that the assignment by way of security of all of the Issuer's right, title, interest and benefit under the Interest Rate Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder; and
- (f) a first floating charge over the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever present and future including its uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security or absolute assignment as described above).

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

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

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

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

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

- (a) mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 9.1 (Final Redemption);
- (b) mandatory redemption in part on any Interest Payment Date prior to the delivery of an Enforcement Notice subject to availability of Available Principal Receipts, as fully set out in Condition 9.2 (Mandatory Redemption in part);

- (c) optional redemption exercisable by the Issuer in whole on any Interest Payment Date where the Principal Amount Outstanding of all the Notes is equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date, as fully set out in Condition 9.3(a) (Optional Redemption in whole);
- (d) optional redemption exercisable by the Issuer in whole on any Interest Payment Date on or after the Step-Up Date, as fully set out in Condition 9.3(b) (Optional Redemption in whole); and
- (e) optional redemption exercisable by the Issuer in whole for tax reasons, as fully set out in Condition 9.4 (Optional Redemption in whole for taxation reasons).

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

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

- (a) non-payment by the Issuer of principal in respect of the Most Senior Class of Notes within seven days following the due date or non-payment by the Issuer of interest within 14 days following the due date (provided that, for the avoidance of doubt, a deferral of interest in respect of the Class B Notes in accordance with Condition 8.10 (Interest Accrual) shall not constitute a default in the payment of such interest);
- (b) breach of contractual obligations by the Issuer under the Transaction Documents which are incapable of remedy or which are, if capable of remedy, not remedied within 30 days;
- (c) Issuer Insolvency Event; or
- (d) it being illegal for the Issuer to perform or comply with its obligations.

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

Governing Law: English law.

**Eurosystem
eligibility:**

The Notes are intended to be held in a manner which allows eligibility under the rules of the monetary authority of the euro area (**Eurosystem**). This means that the Notes are intended upon issue to be registered in the name of the Common Safekeeper (or a nominee thereof) with one of Euroclear or Clearstream, Luxembourg as Common Safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

**TRANSACTION OVERVIEW – OVERVIEW OF RIGHTS OF NOTEHOLDERS AND
RELATIONSHIP WITH OTHER SECURED CREDITORS**

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

Prior to an Event of Default: Noteholders holding not less than 10% of the aggregate Principal Amount Outstanding of the Notes then outstanding of the relevant class are entitled to request that the Trustee convene a Noteholders' meeting and all Noteholders of each class are entitled to participate in a Noteholders' meeting convened by the Issuer or the Trustee to consider any matter affecting their interests.

Following an Event of Default: Following the occurrence of an Event of Default which is continuing, the Trustee may and shall if so requested in writing by the holders of at least 25% of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding, deliver an Enforcement Notice to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding together with any accrued but unpaid interest.

Noteholders Meeting provisions: Notice period: At least 21 clear days (but not more than 42 clear days) for the initial meeting 14 clear days for the adjourned meeting

Quorum: One or more persons holding or representing in aggregate a majority of the Principal Amount Outstanding of the relevant class or classes of Notes outstanding for the initial meeting (other than in respect of a Reserved Matter (which must be proposed separately to each Class of Noteholders), which requires one or more persons holding or representing in the aggregate not less than 75% of the Principal Amount Outstanding of the relevant class or classes of Notes then outstanding). At an adjourned meeting one or more persons being or representing Noteholders of that class or those classes, whatever the Principal Amount Outstanding of the Notes then outstanding held or represented by them (other than in respect of a Reserved Matter (which must be proposed separately to each Class of Noteholders), which requires one or more persons holding or representing not less than in aggregate 25% of the Principal Amount Outstanding of the relevant class or classes

of Notes then outstanding).

Required majority for Ordinary Resolution: Simple majority of the votes cast Simple majority of the votes cast

Required majority for Extraordinary Resolution: Not less than 75% of votes cast Not less than 75% of votes cast

Written Resolution: 100% of the Principal Amount Outstanding of the relevant Class of Notes outstanding. A Written Resolution shall take effect as an Extraordinary Resolution.

Electronic Consents: Noteholders may also pass an Ordinary Resolution or an Extraordinary Resolution by way of electronic consents communicated through the electronic communications systems of the clearing system(s) to the Principal Paying Agent or another specified agent and/or the Trustee in accordance with the operating rules and procedures of the relevant clearing system(s) (**Electronic Consents**) by or on behalf of the Noteholders of the relevant Class or Classes with the required majority for an Ordinary Resolution or an Extraordinary Resolution (as applicable). A resolution passed by Electronic Consent shall take effect as an Ordinary Resolution or an Extraordinary Resolution (as applicable).

Time and location: Every such meeting shall be held at such time and place (which need not be a physical place and instead may be by way of conference call, including by use of a videoconference platform) as the Trustee may approve in writing, provided that the place of any physical meeting shall be a location in the United Kingdom.

Reserved Matters: Broadly speaking, the following matters are Reserved Matters:

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

Right of modification without Noteholder consent Pursuant to and in accordance with the detailed provisions of Condition 18.1 (Modification), the Trustee may, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making (i) any modification to the Conditions, the

Notes and/or any Transaction Document (other than in respect of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes or (ii) any modification to the Conditions, the Trust Documents or the other Transaction Documents if, in the opinion of the Trustee, the modification is of a formal, minor or technical nature or is made to correct a manifest error.

Pursuant to and in accordance with the detailed provisions of Condition 18.2 (Additional Right of Modification), the Trustee shall be obliged, without any consent or sanction of the Noteholders, to concur with the Issuer in making any modification (other than in respect of a Reserved Matter) to the Conditions or any Transaction Documents to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer considers necessary for the purposes set out in Condition 18.2 (Additional Right of Modification) provided that, other than a modification made in order to enable the Issuer to comply with any requirements which apply to it under EMIR or UK EMIR in accordance with Condition 18.2(a) (Additional Right of Modification), inter alia, the Issuer has certified to the Trustee that Noteholders have been notified of any proposed modification and that at least 10% of Noteholders of the aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding have not notified the Issuer in the manner set out in Condition 18.2 (Additional Right of Modification) that they do not consent to the proposed modification.

See section entitled "Terms and Conditions of the Notes".

Relationship between Classes of Noteholders:

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

Subject to the provision in respect of a Reserved Matter, an Extraordinary Resolution of Noteholders of the Most Senior Class shall be binding on all other classes and would override any resolutions to the contrary of the classes ranking behind such class.

A Reserved Matter requires an Extraordinary Resolution of the relevant affected class or classes of Notes.

Seller as Noteholder:

For the purpose of, inter alia, the right to attend and vote at any meeting of Noteholders, any Extraordinary Resolution in writing and any direction made by Noteholders, those Notes (if any) which are held by or on behalf of or for the benefit of the Issuer, the Seller, any holding company of any of them or any other subsidiary of either such holding company in each case as beneficial owner, shall (unless and until ceasing to be held) be deemed not to remain outstanding, except, in the case of the Seller, , any holding company of the Seller, or any other subsidiary of such holding company (the Relevant Persons) where all of the Notes of any class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the **Relevant Class of Notes**) shall be deemed to remain outstanding except that, if there is any other class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the

beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding. Pursuant to the subscription agreement, the Seller has agreed with the Issuer to subscribe for £150,000,000 of the Class A Notes and £56,522,000 of the Class B Notes.

Relationship between Noteholders and other Secured Creditors:

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

Provision of Information to the Noteholders:

For so long as the Notes remain outstanding, the Cash Manager on behalf of the Issuer will publish:

- (a) (i) a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation (each, a **UK SR Quarterly Report**); and (ii) on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation (the **UK SR Loan Level Information**), simultaneously each quarter (to the extent required under Article 7(1) of the UK Securitisation Regulation) and no later than one month after the relevant Interest Payment Date; and
- (b) (i) a quarterly investor report in respect of the relevant Collection Period, as required by and in accordance with Article 7(1)(e) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and the Issuer) (each, an **EU SR Quarterly Report**) and (ii) on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and the Issuer) (the **EU SR Loan Level Information**), simultaneously each quarter (to the extent required under Article 7(1) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and the Issuer)) and no later than one month after the relevant Interest Payment Date. If, after the Closing Date, there are any amendments or changes to the EU Reporting Requirements (as defined below), Principality may at its sole discretion elect not to comply with the EU Reporting Requirements as so amended or changed (as if such requirements were applicable to it).

The Cash Manager will make such information available to the holders of any of the Notes, relevant competent authorities and to potential investors in the Notes.

Principality (as originator) will procure on demand that the Cash Manager will make available, from the Closing Date until the date the last Note is redeemed in full, a liability cashflow model (the **Cashflow Model**) to investors, either directly or indirectly through one or more entities which provide such Cashflow Models, which precisely represents the contractual relationship between the Loans and the payments flowing between the Seller, investors in the Notes, other third parties and the Issuer. The Cashflow Model shall be made available (i) prior to pricing of the Notes to potential investors, and (ii) on an ongoing basis and to investors in the Notes and to potential investors in the Notes upon request.

Each UK SR Quarterly Report and UK SR Loan Level Information will be published on <https://www.secrep.co.uk/>, being a securitisation repository in accordance with Article 10 of the UK Securitisation Regulation as required by Article 7(2) of the UK Securitisation Regulation, or any other website which may be notified by the Issuer from time to time provided that such replacement or additional website conforms to the requirements set out in Article 7(2) of the UK Securitisation Regulation (the **UK Reporting Website**).

Each EU SR Quarterly Report and EU SR Loan Level Information will be published on <https://www.EuroABS.com>, or any other website which may be notified by the Issuer from time to time provided that such replacement or additional website conforms to the requirements set out in Article 7(2) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) (the **EU Reporting Website** and, together with the UK Reporting Website, the **Reporting Websites**).

The Cashflow Model will be published by means of the Reporting Websites. None of the reports or the websites or the contents thereof form part of this Prospectus.

Principality and the Issuer will procure that the Cash Manager will publish a monthly investor report detailing, inter alia, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework. Such reports will be published by means of the Reporting Websites. For the avoidance of doubt, these websites and the contents thereof do not form part of this Prospectus. Principality will make the information referred to above available to the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes.

Information required to be made available prior to pricing to potential investors in the Notes pursuant to Articles 7 and 22(5) of the UK Securitisation Regulation and Article 7 of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to the Issuer and Principality) was made available by means of the Reporting Websites.

The obligation of Principality to comply with the EU Reporting Requirements is strictly contractual. If, after the Closing Date, there are any amendments or changes to the EU Reporting Requirements, Principality may elect, at its sole discretion, not to comply with the EU Reporting Requirements following any such amendments or changes thereto. If Principality elects not to comply with the EU Reporting Requirements following any amendments or changes thereto, the Cash Manager shall, without delay, procure the publication of an inside information and significant event report in accordance with Article 7(1)(f) or (g) of the UK Securitisation Regulation and Article 7(1)(f) or (g) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and the Issuer) (as applicable) notifying that Principality shall no longer comply with the EU Reporting Requirements.

EU Reporting Requirements means (i) Article 7(1) of the EU Securitisation Regulation, (ii) Commission Implementing Regulation (EU) 2020/1225 including any relevant guidance and policy statements in relation thereto published by the EBA, the ESMA, the European Insurance and Occupational Pensions Authority (**EIOPA**) (or their successor) or by the European Commission; and (iii) Commission Delegated Regulation (EU) 2020/1224 including any relevant guidance and policy statements in relation thereto published by the EBA, the ESMA, the EIOPA (or their successor) or by the European Commission.

TRANSACTION OVERVIEW – OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW

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

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

Available Revenue Receipts will comprise the following:

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if the immediately preceding Collection Period is a Determination Period, Calculated Revenue Receipts (excluding in each case an amount to be applied as Available Principal Receipts in accordance with Condition 8.11(c)(i) (Determinations and Reconciliation) on the relevant Interest Payment Date);
- (b) interest payable to the Issuer on the Transaction Account and income from any Authorised Investments received in relation to the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Interest Rate Swap Agreement on or in respect of such Interest Payment Date, other than:
 - (i) any amounts or securities to be credited to the Swap Collateral Accounts; and
 - (ii) any amounts received by the Issuer in respect of Swap Tax Credits;
- (d) any Swap Collateral Account Surplus;
- (e) following the date on which the General Reserve Required Amount is reduced to zero and the Subordinated Loan has been repaid in full, any amount standing to the credit of the General Reserve Fund;
- (f) other net income of the Issuer received during the immediately preceding Collection Period excluding any interest, distributions or redemption or sale proceeds received in respect of amounts or securities standing to the credit of the Swap Collateral Accounts and without double-counting the amounts described in paragraphs (a) to (e) above;

- (g) any amounts available pursuant to paragraph (c) of the Pre-Enforcement Principal Priority of Payments on such Interest Payment Date;
- (h) any amounts available pursuant to paragraph (n) of the Pre-Enforcement Revenue Priority of Payments on the immediately preceding Interest Payment Date;
- (i) any amount applied as Available Revenue Receipts in accordance with Condition 8.11(c)(ii) (Determinations and Reconciliation);
- (j) any amounts standing to the credit of the General Reserve Fund equal to the General Reserve Fund Excess,

less:

- (k) Permitted Withdrawals, which amounts may be deducted by the Cash Manager on a daily basis from the Transaction Account to make payments to the persons entitled thereto.

At any time that the General Reserve Required Amount is reduced to zero (after all the Class A Notes have been redeemed in full), all monies released from the General Reserve Fund shall be applied first to repay the Subordinated Loan and second, once the Subordinated Loan has been repaid in full, to form part of Available Revenue Receipts.

If the Cash Manager determines that there would be a deficit on an Interest Payment Date to pay items (a) to (f) (inclusive) of the Pre-Enforcement Revenue Priority of Payments, then the Issuer shall pay or provide for such deficit by applying (i) amounts standing to the credit of the General Reserve Fund; and (ii) (only in respect of any senior expenses of the Issuer which rank in priority to the Class A Notes in the applicable Priority of Payments (the **Senior Expenses**) and interest payments due on the Class A Notes) Principal Receipts (if any), subject to certain conditions. See "Income Deficiency" below.

Available Principal Receipts will, broadly, include the following:

- (a) Principal Receipts on the Loans received during the immediately preceding Collection Period or, if the immediately preceding Collection Period is a Determination Period, Calculated Principal Receipts (excluding in each case an amount to be applied as Available Revenue Receipts in accordance with 8.11(c)(ii) (Determinations and Reconciliation) on the relevant Interest Payment Date);

- (b) amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f) and (i) of the Pre-Enforcement Revenue Priority of Payments on such Interest Payment Date;
- (c) in respect of the first Interest Period only, any funds representing the excess of the proceeds of the issue of the Notes over the Initial Consideration;
- (d) any amount applied as Available Principal Receipts in accordance with Condition 8.11(c)(i) (Determinations and Reconciliation),

less:

- (e) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period which are to be applied to cover Remaining Income Deficits; and
- (f) the amount of Principal Receipts used during the immediately preceding Collection Period to purchase any Further Advances.

Collection Period means each period from (but excluding) the last day in the calendar month immediately preceding a Calculation Date (or, in the case of the first Collection Period, from (and including) the Cut-Off Date) to (and including) the last day in the calendar month immediately preceding the immediately following Calculation Date (or, in the case of the first Collection Period, the last day in the calendar month immediately preceding the first Calculation Date).

Initial Consideration means the amount which is paid by the Issuer to the Seller on the Closing Date in partial consideration of the Seller's sale to the Issuer of the Loans and their Related Security comprising the Portfolio being an amount equal to the Current Balance of the Loan on the Cut-Off Date.

Permitted Withdrawals means amounts applied during a Collection Period in making payment of certain monies which properly belong to third parties such as (but not limited to):

- (a) payments of certain insurance premiums;
- (b) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
- (c) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller; and
- (d) payments by the Borrower of any Early Repayment Charges.

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

<u>Pre-Enforcement Revenue Priority of Payments</u>	<u>Pre-Enforcement Principal Priority of Payments</u>	<u>Post-Enforcement Priority of Payments</u>
<ul style="list-style-type: none"> (a) Fees, costs, indemnity payments and expenses of the Trustee or any Appointee; (b) any costs and fees of the Agents, the Account Bank, the Custodian and any costs and expenses of the Corporate Services Provider; 	<ul style="list-style-type: none"> (a) To redeem the Class A Notes; (b) to redeem the Class B Notes; and (c) any further amounts to be applied as Available Revenue Receipts. 	<ul style="list-style-type: none"> (a) Fees, costs, indemnity payments and expenses of the Trustee (and any Receiver appointed by the Appointee and/or the Trustee); (b) any costs and fees of the Agents, the Account Bank, the Custodian and the Corporate Services Provider; (c) any costs and fees of each of the Servicer, any back- up servicer, the Back-Up Servicer Facilitator, the Cash Manager and any back-up cash manager;

- (c) any costs and fees of each of the Servicer, any back-up servicer, the Back-Up Servicer Facilitator, the Cash Manager, any back-up cash manager, any third parties, amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained under item (h) below and any costs and expenses associated with any transfer of servicing to a substitute servicer);
- (d) any amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (excluding Swap Subordinated Amounts, Swap Tax Credits and any Return Amounts, Interest Amounts and Distributions payable under a Swap Credit Support Annex (as defined in the relevant Swap Credit Support Annex));
- (e) Class A interest;
- (f) an amount sufficient to eliminate any debit on the Class A Principal Deficiency Sub-Ledger;
- (d) any amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (excluding Swap Subordinated Amounts and any Return Amounts, Interest Amounts and Distributions payable under a Swap Credit Support Annex));
- (e) Class A interest;
- (f) to redeem the Class A Notes;
- (g) Class B interest;
- (h) to redeem the Class B Notes;
- (i) Swap Subordinated Amounts due to the Interest Rate Swap Provider;
- (j) payment of interest and principal to the Subordinated Loan Provider;
- (k) Issuer Profit Amount;
- (l) corporation tax payable by the Issuer (which cannot be paid out of amounts retained by the Issuer under item (k) above); and
- (m) Deferred Consideration to the Seller.

- (g) an amount sufficient (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (h) Issuer Profit Amount;
- (i) an amount sufficient to eliminate any debit on the Class B Principal Deficiency Sub-Ledger;
- (j) Swap Subordinated Amounts due to the Interest Rate Swap Provider;
- (k) Class B interest;
- (l) interest payment to the Subordinated Loan Provider;
- (m) principal payment to the Subordinated Loan Provider;
- (n) (so long as any Class A Notes will remain outstanding following such Interest Payment Date) if such Interest Payment Date falls immediately after a Determination Period, the excess (if any) to be retained in the Transaction Account to be applied as Available Revenue Receipts on the next following Interest Payment Date; and

- (o) Deferred Consideration to the Seller.

Summary of Key Structural Features:

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

- (a) availability of the General Reserve Fund, initially funded by a Subordinated Loan on the Closing Date up to the General Reserve Required Amount and replenished on each Interest Payment Date up to the General Reserve Required Amount from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. The General Reserve Fund will be credited to the Transaction Account. Monies standing to the credit of the General Reserve Fund will be applied to make up any Income Deficit. Any amount standing to the credit of the General Reserve Fund equal to the General Reserve Fund Excess will form part of Available Revenue Receipts. Any amount standing to the credit of the General Reserve Fund after the Class A Notes have been repaid in full shall be used to repay the Subordinated Loan in full and thereafter will form part of Available Revenue Receipts;
- (b) availability of Principal Receipts to make up any Remaining Income Deficit. See the section entitled "Overview of Credit Structure and Cashflow - Income Deficiency" below for limitations on the use of Principal Receipts for this purpose;
- (c) payments of principal and interest on the Class B Notes will be subordinated to payments on the Class A Notes;
- (d) availability of interest provided by the Account Bank on any cleared credit balances standing to the credit of the Transaction Account. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the Transaction Account in Authorised Investments; and
- (e) availability of an Interest Rate Swap Agreement provided by the Interest Rate Swap Provider, to hedge against the possible variance between the fixed interest rates payable in respect of Fixed Rate Loans in the Portfolio and the floating rate interest payable in respect of the Notes.

It is expected that during the life of the Notes, the cash available to the Issuer will, assuming that all the Loans are fully performing, be sufficient to pay the interest amounts payable in respect of all the Class A Notes, to pay the Senior Expenses and to enable the Issuer to retain the Issuer Profit Amount.

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

Income Deficiency:

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

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

The application of any Principal Receipts to meet any Remaining Income Deficit will be recorded as set out below in the section entitled "Principal Deficiency Ledger".

Principal Deficiency Ledger:

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

Debits will be recorded as follows:

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

On each Interest Payment Date, the Issuer shall apply any Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments to extinguish or reduce any balance on the Principal Deficiency Ledger. Any amounts credited to the Principal Deficiency Ledger will be applied as Available Principal Receipts on an Interest Payment Date. Any credit to the Principal Deficiency Ledger will be applied:

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

On each Interest Payment Date, the Issuer shall also apply any amount standing to the credit of the General Reserve Fund to extinguish or reduce any balance on the Class A Principal Deficiency Sub-Ledger and such amounts will be applied as Available Principal Receipts (see "Income Deficiency" above).

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

Transaction Account and Cash Management:

The Servicer shall ensure that all amounts from (and including) the Cut-Off Date that relate to the Loans will be identified on a daily basis (each such aggregate daily amount, a **Daily Loan Amount**) and the Seller will transfer an amount equal to the Daily Loan Amount into the Transaction Account on the next Business Day after that Daily Loan Amount is identified as received or in respect of amounts received from and including the Cut-Off Date to (and excluding) the Closing Date on the next Business Day after the Closing Date. On each Interest Payment Date amounts standing to the credit of the Transaction Account (other than any amounts from the General Reserve Fund which are required to be applied to make up an Income Deficit or any Principal Receipts which are required to make up a Remaining Income Deficit) will be applied by the Cash Manager in accordance with the applicable Priority of Payments.

TRANSACTION OVERVIEW – OVERVIEW OF THE PORTFOLIO AND SERVICING

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

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

The Loans and Related Security and any non-contractual obligations arising out of or in connection with them are governed by English law.

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

Features of Loans: Certain features of the Loans as at the Portfolio Cut-Off Date are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Loans set out in "Statistical Information on the Portfolio". The Loans comprise loans to prime Borrowers and are secured by first priority charges over freehold and leasehold properties in England and Wales.

Type of Borrower		Prime	
Type of Loan		Repayment, Part and Part and Interest Only	
Number of mortgage accounts		6,079	
		Weighted average	Minimum Maximum
Current Balance*	129,565	283	851,271
Original LTV (%)	67.87	1.33	90.00
Indexed Current LTV (%)	57.79	0.13	89.95
Seasoning (months)	31.38	3.00	97.00
Remaining Term (years)	23.50	0.00	39.00

*Current balance calculated as a simple average

Consideration: The consideration from the Issuer to the Seller in respect of the sale of the Portfolio, together with the Related Security, shall be: (i) an Initial Consideration of £706,520,773.09, being an amount equal to the aggregate Current Balance of the Loans comprising the Portfolio

determined as at opening of business on 30 April 2024 (the **Cut-Off Date**), which is due and payable on the Closing Date; and (ii) a Deferred Consideration, in each case, payable in accordance with the Mortgage Sale Agreement.

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

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

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

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

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

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

**Representations
Warranties:**

and The Seller will make certain representations and warranties to the Issuer and the Trustee on: (i) the Closing Date in respect of the Portfolio; (ii) each Advance Date in respect of the relevant Further Advances; (iii) each Switch Date in respect of the relevant Product Switches; and (iv) each Substitution Date in respect of the relevant Substitute Loans.

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

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

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

Substitution Criteria:

On repurchase of the Loans as described below, the Seller may transfer Substitute Loans to the Issuer as consideration in whole, or in part together with any cash payment amount, for such repurchase. This is subject to the satisfaction of certain Substitution Conditions which broadly speaking include the following:

- no Event of Default is continuing;
- no Seller Insolvency Event has occurred; and
- the Substitute Loan and Related Security constitute the same ranking and priority security over a Property as the security provided in respect of the relevant repurchased Loan.

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

Repurchase of Loans:

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

- upon material breach of any of the representations or warranties given by the Seller on the Closing Date, which have not been remedied by the Seller within 30 days of being notified by the Issuer of such breach;
- upon material breach of any of the representations or warranties given by the Seller: (i) in respect of a Further Advance, on the

Testing Date; (ii) in respect of a Product Switch, on the Testing Date; or (iii) in respect of a Substitute Loan, on a Testing Date (in each case which is not capable of remedy or is not remedied within 30 Business Days of being notified by the Issuer); and

- in certain circumstances upon making a Product Switch, Further Advance or Substitution if the Seller has notified the Issuer that certain conditions have not been met. See "Sale of the Portfolio under the Mortgage Sale Agreement".

The Seller may also offer to repurchase the Loans and their Related Security from the Issuer, which the Issuer may or may not accept, in the following circumstances:

- if the Issuer exercises its clean up call option where the Principal Amount Outstanding of the Notes is equal to or less than 10% of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date; or
- if the Issuer exercises a general call option on any Interest Payment Date from and including the Step-Up Date (see the section headed "Overview of the Terms and Conditions of the Notes –Redemption" and Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation)); or
- the Issuer exercises its call option following a change in Tax law in respect of which: (a) the Issuer (or the Paying Agents on the Issuer's behalf) or the Interest Rate Swap Provider, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment or (b) the Issuer would be subject to United Kingdom corporation tax otherwise than in accordance with regulations 14 to 21 of the Securitisation Taxation Regulations, in each case in accordance with Condition 9.4 (Optional Redemption in whole for taxation reasons).

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

Consideration for repurchase:

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

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

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

Perfection Trigger Events:

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

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

Servicing of the Portfolio:

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

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

Delegation:

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

TRANSACTION OVERVIEW – TRIGGERS TABLES

Rating Triggers Table

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
<p>Interest Rate Swap Provider (or any guarantor thereof):</p>	<p>The Required Ratings in respect of each Rating Agency are set out below.</p> <p>The terms Moody's Initial Required Rating, Moody's Subsequent Required Rating, Fitch Initial Required Rating and Fitch Subsequent Required Rating have the meaning given to them below.</p> <p>Moody's Initial Required Rating</p> <p>One of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's present and future obligations under the Interest Rate Swap Agreement must satisfy the following requirement to have the Moody's Initial Required Rating: its counterparty risk assessment is "A3(cr)" or above or, if a counterparty risk assessment is not available, its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "A3" or above by Moody's.</p>	<p>The Interest Rate Swap Provider must within 30 Business Days provide collateral (to the extent required depending on the value of the Interest Rate Swap Transaction to each of the parties at such time) unless it (i) transfers its obligations to an entity that is eligible to be a swap provider under the Moody's criteria (ii) it obtains a guarantee from an entity with the Moody's Initial Required Rating or (iii) it takes such other action (which may include inaction) as may be necessary and in respect of which Moody's confirms that there will not be an adverse impact on the current rating of the Class A Notes.</p> <p>The Issuer may terminate the Interest Rate Swap Agreement if the Interest Rate Swap Provider (a) fails to use its commercially reasonable efforts to take the relevant actions described above or (b) fails to provide collateral in the relevant time period (to the extent the Interest Rate Swap Provider is required to do so).</p>

Moody's Subsequent Required Rating

One of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's present and future obligations under the Interest Rate Swap Agreement must satisfy the following requirement to have the Moody's Subsequent Required Rating: its counterparty risk assessment is "Baa3(cr)" or above or, if a counterparty risk assessment is not available, its long-term, unsecured and unsubordinated debt or counterparty obligations are rated "Baa3" or above by Moody's.

The Interest Rate Swap Provider must at its own cost use commercially reasonable efforts to, as soon as reasonably practicable (and in any event within 30 Business Days), either:

- (a) procure a guarantee from an entity with the Moody's Subsequent Required Rating;
- (b) transfer its rights and obligations under the Interest Rate Swap Agreement to a replacement counterparty with the Moody's Subsequent Required Rating; or
- (c) take other such action (which may include inaction) as may be necessary and in respect of which Moody's confirms that there will not be an adverse impact on the current rating of the Class A Notes.

While this process is ongoing the Interest Rate Swap Provider must also provide collateral (to the extent required depending on the value of the Interest Rate Swap Transaction to each of the parties at such time).

The Issuer may terminate the Interest Rate Swap Agreement if the Interest Rate Swap Provider fails to provide collateral in the relevant time period (to the extent the Interest Rate Swap Provider is required to do so). The Issuer may also terminate the Interest Rate Swap

Agreement if the Interest Rate Swap Provider fails to take action in accordance with item (a), (b) or (c) above (provided that, in respect of item (b) above, at least one eligible replacement counterparty has made an offer which is capable of becoming legally binding upon acceptance).

Fitch Initial Required Rating

One of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's present and future obligations under the Interest Rate Swap Agreement must satisfy the following requirements to have the Fitch Initial Required Rating:

- (a) if the Class A Notes have a current rating of "AAAsf", the Derivative Counterparty Rating (**DCR**) assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the long-term IDR assigned to such entity by Fitch (the **Long-Term Fitch Rating**) must be "A" or above or, if applicable, the short-term issuer default rating from Fitch must be "F1" or above; or
- (b) if the Class A Notes have a current rating of "AA+sf" or "AAsf" or "AA-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long-Term Fitch Rating must be "A-" or above or, if applicable, the short-term issuer default rating from Fitch must be "F1" or above; or
- (c) if the Class A Notes have a current rating of "A+sf" or "Asf" or "A-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long-Term Fitch Rating must be "BBB" or above or, if applicable, the short-

The Interest Rate Swap Provider must within 14 calendar days post collateral in the form of cash or securities or both unless it:

- (a) transfers its rights and obligations to an eligible entity under the relevant Fitch ratings criteria; or
- (b) obtains a co-obligor commitment or guarantee from an entity with the Fitch Initial Required Rating; or
- (c) takes such action as will (i) maintain or restore the Class A Note rating to the level it would have been but for such breach of Fitch Initial Required Rating, and (ii) result in the Class A Notes not being placed on rating watch negative by Fitch due to the breach of Fitch Initial Required Rating.

In all cases above, the Interest Rate Swap Provider must use commercially reasonable efforts and take such actions at its own cost and expense.

The Issuer may terminate the Interest Rate Swap Agreement if

term issuer default rating from Fitch must be "F2" or above; or

- (d) if the Class A Notes have a current rating of "BBB+sf" or "BBBsf" or "BBB-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long Term Fitch Rating must be "BBB-" or above or, if applicable, the short-term issuer default rating from Fitch must be "F3" or above; or
- (e) if the Class A Notes have a current rating of "BB+sf" or below or are not rated by Fitch, the rating must be at least as high as the Class A Notes rating.

the Interest Rate Swap Provider fails to provide collateral or take one of the actions in paragraphs (a) to (c) above within the relevant time period and provided that it is in receipt of a Firm Offer from an Eligible Replacement (each as such term is defined in the Interest Rate Swap Agreement).

Fitch Subsequent Required Rating

One of the Interest Rate Swap Provider or any guarantor of the Interest Rate Swap Provider's present and future obligations under the Interest Rate Swap Agreement (provided that the Interest Rate Swap Provider or such guarantor (as applicable) is incorporated in England or Fitch has been provided with a legal opinion confirming the enforceability of the subordination provisions against the Interest Rate Swap Provider or such guarantor in its jurisdiction) must satisfy the following requirements to have the Fitch Subsequent Required Rating:

- (a) if the Class A Notes have a current rating of "AAAsf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long-Term IDR assigned to such entity by Fitch must be "BBB-" or above and, if applicable, the short-term issuer default rating from Fitch must be "F3" or above; or
- (b) if the Class A Notes have a current rating of "AA+sf" or "AAsf" or "AA-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the

The Interest Rate Swap Provider must, within 14 calendar days of breach, post collateral in the form of cash or securities or both (or continue to post collateral, as applicable).

The Interest Rate Swap Provider must also within 60 calendar days either:

- (a) transfer its rights and obligations to an eligible entity under the relevant Fitch ratings criteria; or
- (b) obtain a co-obligor commitment or guarantee from an entity with the Fitch Subsequent Rating; or
- (c) take such action as will (i) maintain or restore the Class A Note rating to the level it would have been but for such breach of Fitch Subsequent Required Rating, and (ii) result in the Class A Notes

Long-Term IDR assigned to such entity by Fitch must be "BBB-" or above and, if applicable, the short-term issuer default from Fitch must be "F3" or above; or

not being placed on rating watch negative by Fitch due to the breach of Fitch Subsequent Required Rating.

- (c) if the Class A Notes have a current rating of "A+sf" or "Asf" or "A-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long-Term IDR assigned to such entity by Fitch must be "BB+" or above; or
- (d) if the Class A Notes have a current rating of "BBB+sf" or "BBBsf" or "BBB-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long-Term IDR assigned to such entity by Fitch must be "BB-" or above; or
- (e) if the Class A Notes have a current rating of "BB+sf" or "BBsf" or "BB-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long-Term IDR assigned to such entity by Fitch must be "B+" or above; or
- (f) if the Class A Notes have a current rating of "B+sf" or "Bsf" or "B-sf", the DCR assigned to such entity by Fitch or, if a DCR has not been assigned to such entity, the Long-Term IDR assigned to such entity by Fitch must be "B-" or above.

In all cases above, the Interest Rate Swap Provider must use commercially reasonable efforts and take such actions at its own cost and expense.

The Issuer may terminate the Interest Rate Swap Agreement if the Interest Rate Swap Provider fails to provide (or continue providing) collateral in the relevant time period, provided that it is in receipt of a Firm Offer from an Eligible Replacement (each as such term is defined in the Interest Rate Swap Agreement).

The Issuer may also terminate the Interest Rate Swap Agreement if the Interest Rate Swap Provider fails to take one of the actions listed in paragraphs (a) to (c) above and provided that it is in receipt of a Firm Offer from an Eligible Replacement (each as such term is defined in the Interest Rate Swap Agreement), regardless whether the Interest Rate Swap Provider has posted collateral.

Account Bank

Short-term IDR by Fitch of at least F1 or deposit rating, or if this has not been assigned to such entity, a long-term IDR of at least A by Fitch and a long-term deposit rating of at least A3 by Moody's (or such other short-term or long-term rating (or, in the case of Fitch, short-term rating or deposit rating or long-term IDR) which will not have an adverse effect on the then current ratings of the Class A Notes).

The consequences of breach may include replacement of Account Bank within 60 days (but not less than 33) from the date of such breach.

Custodian	Short-term IDR by Fitch of at least F1 or deposit rating, or if this has not been assigned to such entity, a long-term IDR of at least A by Fitch and a long-term deposit rating of at least A3 by Moody's (or such other short-term or long-term rating (or, in the case of Fitch, short-term rating or deposit rating or long-term IDR) which will not have an adverse effect on the then current ratings of the Class A Notes).	The consequences of breach may include replacement of Custodian within 60 days (but not less than 33) from the date of such breach.
Seller	Long-term counterparty risk assessment from Moody's of at least Baa3(cr) and the long-term IDR of at least BBB- from Fitch (or such other long-term rating or risk assessment (or, in the case of Fitch, long-term IDR) which will not have an adverse effect on the ratings of the Class A Notes).	Under the Mortgage Sale Agreement, the Seller shall be obliged to prepare the documentation required to perfect legal title to the Loans and Related Security, but shall not be required to give notice of the transfer of the equitable or beneficial interest in the Loans to the Borrowers nor complete any other step necessary to perfect legal title to the Loans or the Related Security to the Issuer. See the section entitled "Sale of the Portfolio under the Mortgage Sale Agreement".
	For so long as the short-term counterparty risk assessment is below P-2(cr) by Moody's or the short-term IDR from Fitch is below F2 (or such other lower short-term rating or risk assessment acceptable to the relevant Rating Agency).	Under the Mortgage Sale Agreement, the Seller shall be obliged to provide to the Issuer and the Trustee a valid solvency certificate signed in accordance with the Mortgage Sale Agreement. See the section entitled "Sale of the Portfolio under the Mortgage Sale Agreement – Product Switches, Further Advances and Substitution".
Servicer	Long-term counterparty risk assessment of at least Baa3(cr) by Moody's or a long-term issuer default rating of at least BBB- by Fitch (or (A) such other lower risk assessment/rating which is consistent with the then current methodology of the relevant Rating Agency or (B) such other	The Servicer, with the assistance of the Back-Up Servicer Facilitator, shall, within 60 days of the date on which it has ceased to be so rated, use reasonable endeavours to enter into a back-up servicing

lower risk assessment/rating that the Cash Manager certifies in writing to the Issuer and the Trustee would not have an adverse effect on the ratings of the Class A Notes.

agreement with a back-up servicer with suitable experience and credentials in such form as the Issuer and the Trustee shall reasonably require, subject to and in accordance with the provisions of the Servicing Agreement. See the section entitled "The Servicing Agreement – Back-Up Servicer Facilitator" for more information.

Cash Manager

Long-term counterparty risk assessment by Moody's of at least Baa3(cr) or a long-term issuer default rating of at least BBB- by Fitch (or (A) such other lower risk assessment/rating which is consistent with the then current methodology of the relevant Rating Agency or (B) such other lower risk assessment/rating that the Cash Manager certifies in writing to the Trustee would not have an adverse effect on the ratings of the Class A Notes.

The Issuer shall require the Cash Manager, within 60 days, to use its best efforts to appoint a back-up cash manager which meets the requirements for a substitute cash manager provided for by the Cash Management Agreement.

Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Consequence of Trigger
<p>Servicer Termination Event</p> <p>See the section entitled "The Servicing Agreement" for further information on this.</p>	<p>(a) Servicer payment default;</p> <p>(b) Failure to comply with any of its other covenants or obligations; or</p> <p>(c) Servicer Insolvency Event.</p>	<p>A replacement servicer will replace the Servicer and shall provide the servicing services in accordance with any replacement servicing agreement as replacement Servicer.</p>
<p>Perfection Trigger Events</p> <p>See the section entitled "Sale of the Portfolio under the Mortgage Sale Agreement" for further information on this.</p>	<p>(a) Seller Insolvency Event;</p> <p>(b) Severe Deterioration Event; or</p> <p>(c) a breach by the Seller of its obligations under the Mortgage Sale Agreement where such breach remains unremedied after a period of 90 days following notification to the Seller of such breach.</p>	<p>The legal transfer by the Seller to the Issuer of all the Loans and their Related Security as soon as reasonably practicable.</p>

Nature of Trigger**Description of Trigger****Consequence of Trigger**

Replacement of Cash Manager See the section entitled "Cashflows and Cash Management" for further information on this.

Following the termination of the appointment of the Cash Manager under the Cash Management Agreement.

A replacement cash manager will replace the Cash Manager and shall provide the cash management services in accordance with any replacement cash management agreement as replacement Cash Manager.

TRANSACTION OVERVIEW – FEES

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

Type of Fee	Amount of Fee	Priority Cashflow	in	Frequency
Servicing Fees	£1,200 per annum (inclusive of any applicable VAT)	Ahead of all outstanding Notes	all	Quarterly in arrears on each Interest Payment Date
Cash Management Fees	£1,200 per annum (inclusive of any applicable VAT)	Ahead of all outstanding Notes	all	Quarterly in arrears on each Interest Payment Date
Other fees and expenses of the Issuer	Estimated at £40,000 each year (exclusive of any applicable VAT)	Ahead of all outstanding Notes	all	Quarterly in arrears on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at £12,860 (inclusive of applicable VAT)			On or about the Closing Date

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

REGULATORY REQUIREMENTS

Risk Retention

Principality will retain, as originator for purposes of the UK Securitisation Regulation (the **Retention Holder**), on an ongoing basis, a material net economic interest of not less than 5% in the securitisation described in this Prospectus in accordance with the UK Retention Requirements.

In addition, although the EU Securitisation Regulation is not applicable to it or the Issuer, the Retention Holder will retain (on a contractual basis), as originator for the purposes of the EU Securitisation Regulation, on an ongoing basis, a material net economic interest of not less than 5% in the securitisation described in this Prospectus in accordance with the EU Retention Requirements (until such time when the Retention Holder is able to certify to the Issuer and the Trustee that a competent EU authority has confirmed that the satisfaction of the UK Retention Requirements will also satisfy the EU Retention Requirements due to the application of an equivalence regime or similar analogous concept). Prospective investors should note that the obligation of the Retention Holder to comply with the EU Retention Requirements is strictly contractual and the Retention Holder has elected to comply with such requirements in its discretion and it will be under no obligation to comply with any amendments to applicable EU technical standards, guidance or policy statements introduced in relation thereto after the Closing Date.

As at the Closing Date, such interest will be comprised of an interest in the Class B Notes in accordance with Article 6(3)(d) of the UK Securitisation Regulation and Article 6(3)(d) of the EU Securitisation Regulation (the **Retained Interest**).

Any change to the manner in which the Retained Interest is held will be notified to Noteholders in accordance with the Conditions and the requirements of the UK Securitisation Regulation and the EU Securitisation Regulation.

The Retention Holder's Retained Interest will be confirmed through the disclosure in each UK SR Quarterly Report and each EU SR Quarterly Report. See below the section entitled "Transparency and Reporting" for further information.

The Retention Holder has provided corresponding undertakings with respect to the Retained Interest to the Joint Arrangers and the Joint Lead Managers in the Subscription Agreement and to the Issuer and the Trustee on behalf of the Noteholders in the Deed of Charge. See the section entitled "Subscription and Sale" for further information.

Transparency and Reporting

For the purposes of Article 7(2) of the UK Securitisation Regulation, Principality, as originator, has been designated as the reporting entity (the **UK Reporting Entity**) and, as the UK Reporting Entity, it will fulfil the requirements of Article 7 of the UK Securitisation Regulation either itself or shall procure that such requirements are fulfilled on its behalf.

The UK Reporting Entity has undertaken in the Subscription Agreement that it will procure that certain information and reports, as more fully set out in the section entitled "Listing and General Information," are published with the frequency and in the manner set out in such section.

It should be noted that, subject to certain conditions, the UK Reporting Entity has contractually agreed to provide (or to procure the provision of) certain information and reports required pursuant to Article 7 of the

EU Securitisation Regulation, as if such requirements were applicable to it. Such reports will be made available on the EU Reporting Website.

Principality will be responsible for compliance with Article 7 of the UK Securitisation Regulation for the purposes of Article 22(5) of the UK Securitisation Regulation.

The obligation of Principality to comply with the EU Reporting Requirements is strictly contractual. If, after the Closing Date, there are any amendments or changes to the EU Reporting Requirements, Principality may at its sole discretion elect not to comply with the EU Reporting Requirements (as if such provisions were applicable to it).

This may mean that if there are any amendments or changes to the EU Reporting Requirements after the Closing Date and Principality elects not to comply with the EU Reporting Requirements as so amended or changed, then the EU Reporting Requirements will, upon any such amendment or change coming into effect, no longer be satisfied. In the event that Principality makes such an election, it will promptly notify the Issuer, the Cash Manager and the Trustee, whereupon the Cash Manager shall, without delay, procure the publication of an inside information and significant event report in accordance with Article 7(1)(f) or (g) of the UK Securitisation Regulation or Article 7(1)(f) or (g) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) notifying that Principality shall no longer comply with the EU Reporting Requirements.

Affected EU investors may therefore no longer be able to satisfy their obligations under Article 5 of the EU Securitisation Regulation and any corresponding national measures. Each EU investor is required to independently assess and determine the sufficiency of the information described above and in the Prospectus generally for the purposes of complying with Article 5 of the EU Securitisation Regulation and any corresponding national measures which may be relevant to investors and none of the Issuer, the Joint Arrangers, the Joint Lead Managers, Principality or any of the other Transaction Parties makes any representation that any such information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes.

Other than as outlined in the section referred to below, the Issuer and Principality do not intend to provide post-issuance transaction information regarding the Notes.

Please see the section entitled “Listing and General Information” for further information.

Simple, transparent and standardised securitisation

Principality and the Issuer have used the services of PCS UK as a verification agent authorised under Article 28 of the UK Securitisation Regulation in connection with the UK STS Verification (the **UK STS Verification**) and to prepare an assessment of compliance of the Notes with the relevant provisions of Article 243 of the UK CRR and Article 13 of the UK LCR Regulation (the **UK STS Additional Assessments**). It is expected that the UK STS Verification prepared by PCS UK will be available on the PCS UK 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 UK 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 a UK STS securitisation under the UK Securitisation Regulation as at the date of this Prospectus or at any point in time in the future. For further information please refer to the Risk Factor entitled "Risk Factors –Simple, Transparent and Standardised Securitisations". As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and, after the Closing Date, to the EU SR Quarterly Reports, the UK SR

Quarterly Reports, the EU SR Loan Level Information, the UK SR Loan Level Information and Cashflow Model (a general description of which is set out in "Cashflows and Cash Management").

Further information in respect of individual loan level data may be obtained by means of the Reporting Websites. None of the reports or the websites or the contents thereof form part of this Prospectus.

It is not intended that the issue of the Notes complies with the requirements of Articles 18-22 of the EU Securitisation Regulation.

Notes are not part of a re-securitisation

The Notes are not part of a securitisation of one or more exposures where at least one of the underlying exposures is a securitisation position.

Mitigation of interest rate risks

The Loans and the Notes are affected by the risk of mismatches in interest rates (see the sections "Risk Factors – Basis risk" in this Prospectus). The Issuer aims to hedge the relevant interest rate exposures in respect of the Loans and the Notes, as applicable, by entering into a swap agreement (see the section "Structural Features – Credit Enhancement and Liquidity Support – Interest Rate Swap Agreement" in this Prospectus) which appropriately mitigates the relevant risk.

Information regarding the policies and procedures of the Seller

The Seller has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation, as required by Article 9(1) of the UK Securitisation Regulation. The policies and procedures of the Seller in this regard broadly include the following:

- (a) criteria for the granting of credit and the process for approving, amending, renewing and refinancing credits, as to which see the information set out under "The Portfolio - The Loans – Lending Criteria" and "The Servicing Agreement";
- (b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures. The Portfolio will be serviced in line with the usual servicing procedures of the Seller, as to which see the information set out under "The Servicing Agreement";
- (c) diversification of credit portfolios taking into account the Seller's target market and overall credit strategy, as to which, in relation to the Provisional Portfolio, see the information set out under "The Portfolio - The Loans – Other Characteristics"; and
- (d) policies and procedures in relation to risk mitigation techniques, as to which see the information set out under "The Portfolio - The Loans – Lending Criteria", "The Servicing Agreement".

The Seller has applied the same policies, procedures and sound and well defined criteria for the Loans as it applies to equivalent mortgage loans that are not part of the Portfolio.

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 one or more appropriate and independent third parties. Such Loans have been subject to an agreed upon procedures review of a representative sample of Loans selected from the Provisional

Portfolio as at the Portfolio Cut-Off Date conducted by a third party and completed on or about 9 March 2024. An appropriate and independent third party has verified that the tables disclosed under the section "The Portfolio - The Loans – Other Characteristics" of this Prospectus in respect of the underlying exposures are accurate. Such appropriate and independent third party has also reviewed the conformity of Loans in the Provisional Portfolio against the Loan Warranties (where applicable). The Seller has reviewed such reports and is of the opinion that there were no significant adverse findings in such reports. The third parties undertaking such reviews only have obligations to the parties to the engagement letters governing the performance of the agreed upon procedures subject to the limitations and exclusions contained therein.

Investors to assess compliance

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 5 of the UK Securitisation Regulation or Article 5 of the EU Securitisation Regulation. None of the Issuer, Principality, the Joint Arrangers, the Joint Lead Managers or any of the other transaction parties (i) makes any representation that the information described above or elsewhere in this Prospectus is sufficient in all circumstances for such purposes and (ii) should have any liability to any prospective investor or any other person for any insufficiency of such information or failure of the transactions contemplated herein to comply with or otherwise satisfy the requirements of the UK Securitisation Regulation or the EU Securitisation Regulation or any other applicable legal, regulatory or other requirements. Please refer to the risk factors entitled "Risk Factors – Regulatory initiatives may have an adverse impact on the regulatory treatment of the Notes and/or decrease liquidity in respect of the Notes" for further information on the implications of the EU Securitisation Regulation and the UK Securitisation Regulation and certain other related matters.

WEIGHTED AVERAGE LIFE OF THE NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security.

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 the 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 Notes 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 repayment (inclusive of scheduled and unscheduled principal redemptions) of between 5 and 35% per annum as shown on the table below;
- (c) there are no arrearages or enforcements;
- (d) no Loan is sold by the Issuer;
- (e) there is no debit balance on the Class A Principal Deficiency Sub-Ledger and on the Class B Principal Deficiency Sub-Ledger on any Interest Payment Date;
- (f) the Seller is not in breach of the terms of the Mortgage Sale Agreement;
- (g) no Loan is repurchased by the Seller;
- (h) no Substitute Loans are purchased;
- (i) no Further Advances are made in respect of the Portfolio;
- (j) the Notes will be redeemed in accordance with the Conditions;
- (k) the Security is not enforced;
- (l) the assets of the Issuer are not sold by the Trustee or any Transaction Party except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;
- (m) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;
- (n) the Loans continue to be fully performing;
- (o) the portfolio mix of loan characteristics remain the same throughout the life of the Notes;
- (p) 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 92%;
- (q) the weighted average lives of the Notes are calculated on an Actual/365 (fixed);

- (r) on the first Interest Payment Date, any funds representing the excess of the proceeds of the issue of the Notes over the Initial Consideration, as defined in Available Principal Receipts (c), are zero;
- (s) the Cut-Off Date for the calculation of the average lives of the Notes is 30 April 2024; and
- (t) the Notes are issued on or about 3 May 2024.

Annual Repayment Rate	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)
5%	4.44	15.4
10%	3.9	7.59
15%	3.41	4.98
20%	2.98	3.68
25%	2.6	2.89
30%	2.27	2.37
35%	1.97	1.99

Assumption (a) (in relation to the Issuer exercising its option to redeem the Class A Notes on the Step-Up Date) 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 repayment rate as the repayment rate for one Interest Period may be substantially different from that for another. The constant repayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant repayment rates.

Assumptions (b) to (n) (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.

USE OF PROCEEDS

The Issuer will use the net proceeds of the Notes to pay the Initial Consideration of £706,520,773.09 payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date (see "Sale of the Portfolio under the Mortgage Sale Agreement").

ISSUER

The Issuer, Friary No.9 plc, was incorporated in England and Wales on 7 February 2024 (registered number 15473285) and is a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is at Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB. The telephone number of the Issuer's registered office is +44(0) 207 466 1600.

The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,998 shares of which are partly paid to £0.25 each and two of which are fully paid and all of which are beneficially owned by Holdings (see the section entitled "Holdings" below). The authorised share capital of the Issuer is 50,000 ordinary shares of £1 each.

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

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

As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2024.

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

Directors and secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
MaplesFS UK Corporate Director No.1 Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Corporate Director
MaplesFS UK Corporate Director No.2 Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Corporate Director
Charles Michael Leahy	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Director

The directors of each of MaplesFS UK Corporate Director No.1 Limited and MaplesFS UK Corporate Director No.2 Limited and their respective occupations are as follows:

Name	Business address	Business Occupation
Scott William Somerville	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Chief Executive
Samuel Michael Howard Ellis	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Director

The company secretary of the Issuer is Maples Fiduciary Services (UK) Limited whose principal office is at Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB.

HOLDINGS

Holdings was incorporated in England and Wales on 7 February 2024 (registered number 15473010) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is Level 6 Duo, 280 Bishopsgate, London, EC2M 4RB. The telephone number of Holdings' registered office is +44(0) 207 466 1600.

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

The entire beneficial interest in the share of Holdings is beneficially owned by Maples Fiduciary Services (UK) Limited (the **Share Trustee**) on a discretionary trust, the benefit of which is expressed to be for discretionary purposes.

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

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

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

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

Directors

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
MaplesFS UK Corporate Director No.1 Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Corporate Director
MaplesFS UK Corporate Director No.2 Limited	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Corporate Director
Charles Michael Leahy	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Director

The directors of each of MaplesFS UK Corporate Director No.1 Limited and MaplesFS UK Corporate Director No.2 Limited and their respective occupations are as follows:

Name	Business Address	Business Occupation
Scott William Somerville	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Chief Executive
Samuel Michael Howard Ellis	Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB	Director

The company secretary of Holdings is Maples Fiduciary Services (UK) Limited whose principal office is at Level 6 DUO, 280 Bishopsgate, London, EC2M 4RB.

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2024.

PRINCIPALITY BUILDING SOCIETY

The Seller, the Servicer and the Cash Manager

Introduction

Principality Building Society (**Principality** or the **Society**) is the sixth largest building society, ranked by total assets, in the United Kingdom with total assets as at 31 December 2023 of £12.6 billion and a network of 53 branches and 15 agency offices.

The Society

Principality was incorporated in England and Wales for an unlimited duration under the Building Societies Act 1874 as the Principality Benefit Building Society on 11 March 1876 and adopted its present name in 1913. It operates under the Building Societies Act 1986 (as amended) (the **Building Societies Act**) and the Rules and Memorandum of the Society. The Society has permission under Part IV of the FSMA to carry out all regulated activity as prescribed under the Building Societies Act and is registered (registered number 155998) as an authorised building society with the Prudential Regulation Authority, and regulated by the Financial Conduct Authority (**FCA**) and the Prudential Regulation Authority (**PRA**).

As a mutual organisation, both retail investors and borrowers have membership rights which include rights to vote at general meetings as prescribed by the Building Societies Act and the Society's rules and memorandum. Members are eligible to vote as an investor or borrower or both, but are only entitled to one vote except where there are separate shareholding members' and borrowing members' resolutions.

The Society is the parent of the Principality Group (defined below), with its registered office and customer contact centre located at Principality House, The Friary, Cardiff, CF10 3FA, and its telephone number is 0330 333 4000.

Subsidiaries

Details of the Society's investments in the Principality Group (as defined below) can be found at Note 21 to the audited consolidated accounts of Principality for the year ended 31 December 2023. The contents thereof do not form part of this Prospectus.

The subsidiary of Principality, Nemo Personal Finance Limited, a specialist provider of secured residential mortgage loans (see further below) accounts for the majority of the revenue obtained from subsidiaries within the Principality Group.

Board of Directors

The affairs of the Society are conducted and managed by a Board of Directors (the **Board**) who are elected by Principality members and serve in accordance with the Rules and Memorandum. The Board is responsible to the membership for the proper conduct of affairs of the Society.

The directors of the Society as at the date of this Prospectus are set out in the table below.

Director	Role
Sally Jones Evans BA (Hons) MBA FCIB	Chair

Julie Ann Haines MSC BA (Hons)	Chief Executive Officer
Iain Mansfield LLB (Hons) FCA	Chief Financial Officer

Director	Role
Jonathan Baum MBA MA	Senior Independent Director and Non-Executive Director
Claire Andree Hafner MA ACA	Non-Executive Director
Debra Evans-Williams	Non-Executive Director
Shimi Shah	Non-Executive Director
Simon Moore	Non-Executive Director

A list of each director's principal outside directorships can be found on the Principality Building Society website. These outside directorships cover all of the significant principal activities performed by the directors outside of Principality.

Simon Moore was appointed to the Board in January 2024.

There are no conflicts of interest between any duties of each of the directors as members of the Board of the Society and the other duties or private interests of those persons.

The business address of each of the directors is c/o Eversheds LLP, Reference PDV, 1 Callaghan Square, Cardiff CF10 5BT.

Business general

As prescribed by the Building Societies Act, the Society's core business is the making of mortgage advances to members secured on residential property, and is funded out of shares and deposits subscribed to by members and supplemented by funds raised in the wholesale and debt capital markets.

The Society's core purpose is founded on the three core pillars of providing Better Homes, Secure Futures and a Fairer Society. The strategy will be to continue to grow the prime residential mortgage book by using its strong broker network connections to gain a broad geographical distribution throughout the UK. The growth in commercial lending will align to its core purpose by predominantly lending secured against residential property. Nemo Personal Finance Limited is now closed to new business.

The growth in funding will leverage its strong branch and agency network in Wales and extend its strong franchise into the whole of the UK by offering a range of savings product online.

Mortgage lending activities – Residential

The Society competes in the UK residential mortgage market with a broad range of products targeted at different customer segments. The Society continually reviews its product offerings based on prudent underwriting standards and appropriate competitive risk-based pricing.

All underwriting decisions are made centrally in accordance with the Board-approved lending policy statement drawn up in compliance with FCA and PRA regulations. Within agreed policy parameters (including credit scoring), care, prudence and control are exercised by experienced underwriting staff to ensure that the quality of lending is maintained.

While competitive risk-based pricing is key to the Society's strategy its operational expertise lies in timely mortgage processing and arrears management. Principality and its subsidiaries (collectively, the **Principality Group**) continue to take all appropriate action to minimise losses on non-performing accounts and actively monitor the prudence of its lending policies, taking into account economic and other market conditions.

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

Mortgage lending activities – Nemo

Nemo Personal Finance Limited (**Nemo**) is a personal secured lending business operating in the broker and retail markets. It provides personal loans secured by a second charge over the equity value in a residential property or residential properties owned by the borrower. While there is an increased degree of risk with this type of financing, such increased risk is, the Society believes, properly reflected in the higher pricing which Nemo is able to demand for this product in the market place.

The Society carried out a strategic review of its business in 2015 and as a result in February 2016, the Board took the decision to cease new lending at Nemo Personal Finance Limited and focus the Group's investment on the Society's core business.

Mortgage lending activities – Commercial

The Society established its specialist commercial mortgage business as a separate operational area in 2002. The aim of this arm of the business is to align its lending to the core purpose of the Society by predominantly lending against residential property such as Welsh housing associations.

Retail funding

The Society continues to obtain the majority of its funding through retail member deposits. The Society competes in the UK savings market with a broad range of products targeted at different customer segments. Principality offers a range of investment products through e-savings, postal, commercial savings accounts and its branch network.

THE PORTFOLIO

THE LOANS

1. Introduction

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

2. Characteristics of the Loans

Origination of the Loans

The Loans included in the Provisional Portfolio are owner-occupied loans that were all made no earlier than 6 January 2016 and on or before 4 May 2023 and the Seller derived their mortgage lending business at the relevant times from the following sources:

- its branch networks throughout Wales and its bordering counties in England;
- a centralised telephone-based lending operation; and
- intermediaries that included mortgage brokers and independent financial advisers.

All sources use online systems to provide the mortgage applications to the Seller.

Interest Payments

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

- **Fixed Rate Loans:** Loans subject to a fixed interest rate for a specified period of time and which at the expiration of that period convert to the SVR, although the Seller may agree to further periods during which the rate is fixed by way of Product Switch during the life of the Loan. Fixed Rate Loans do not become Discount Rate Loans upon the expiration of the fixed rate period. An Early Repayment Charge may be payable in respect of these Loans for a set period of time, which generally corresponds with the term of the fixed interest rate. See "Early Repayment Charges" below.
- **Discount Rate Loans:** Loans which allow the Borrower, for a set period of time or for the life of the Loan, to pay interest at a specified discount to the SVR of the Seller and which rate of interest will not decrease below 2 per cent. (or, for the avoidance of doubt, where the initial rate of the Loan is less than 2 per cent., such initial rate) for a set period of time but more usually for the life of the Loan. At the end of the discounted period, generally the interest rate in respect of the Loans convert to the SVR of the Seller, although the Seller may agree to further periods during which a discounted rate is applied by way of Product Switch during the life of the Loan. An Early Repayment Charge may be payable in respect

of these Loans for a set period of time, which generally corresponds with the term of the discounted interest rate. See "Early Repayment Charges" below.

- **Stepped Reversion Loans:** Fixed Rate Loans or Discount Rate Loans that will subsequently become discounted SVR loans at the end of the fixed rate or discounted rate period. The reversionary period depends on the length of the fixed rate or discounted rate period. The Seller sets the applicable discount to SVR at the time that the mortgage is originated.
- **Variable Rate Loans:** Loans subject to a rate of interest linked to the SVR, for the life of the Loan or until an alternative product that the Borrower qualifies for is selected by the Borrower. The SVR is set by the Seller by reference to the general level of interest rates and competitor rates in the UK mortgage market. Variable Rate Loans will not usually have an Early Repayment Charge. See "Early Repayment Charges" below.

Repayment Terms

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

- **Repayment Loans:** the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the Borrower will have repaid the full amount of the principal of the Loan.
- **Interest Only Loans:** the Borrower makes monthly payments of interest but not of principal; when the Loan matures, the entire principal amount of the Loan is still outstanding and the Borrower must repay that amount in one lump sum. Where Loans are interest only, there must be plausible evidence (from the outset) that a suitable repayment mechanism is realistic and in place.
- **Part and Part Loans:** the Borrower is required to repay a portion of the principal amount of the Loan by making monthly payments of both interest and principal and to repay the remaining portion of the principal amount of the Loan in one lump sum when the Loan matures. For that portion of the Loan that is interest only there must be plausible evidence (from the outset) that a suitable repayment mechanism is realistic and in place.

Calculation of Current Balance

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

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

- (a) the original principal amount advanced to the relevant Borrower and any further amount (including any Further Advance) advanced on or before the given date to the relevant Borrower secured or intended to be secured by the related Mortgage; and
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or capitalised in accordance with the Seller's

normal charging practices and added to the amounts secured or intended to be secured by the related Mortgage; and

- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent or in accordance with the Seller's normal charging practices but which is secured or intended to be secured by the related Mortgage, as at the end of the Business Day immediately preceding that given date,

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

Advances committed to be made but not made by the end of the Business Day immediately preceding that given date.

Interest is charged on the Capital Balance of each Loan.

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

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 Day immediately preceding the relevant date to (but excluding) the relevant date.

Arrears of Interest means, as at any date in respect of any Loan, the aggregate of all interest (other than Capitalised Arrears or Accrued Interest) on that Loan which is currently due and payable and unpaid on that date.

Capital Balance means, in respect of a Loan at any date, the principal balance of that Loan to which the Servicer applies the relevant interest rate and on which interest on the Loan accrues.

Capitalised Arrears means, for any Loan at any date, amounts (other than amounts in respect of interest) which are overdue in respect of that Loan and which as at that date have been added to the Capital Balance of the Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower.

Capitalised Expenses means in relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding any Arrears of Interest) capitalised and added to the Capital Balance of that Loan in accordance with the Mortgage Conditions.

Capitalised Interest means, for any Loan at any date, interest which is overdue in respect of that Loan and which as at that date has been added to the Capital Balance of that Loan in accordance with the Mortgage Conditions or otherwise by arrangement with the relevant Borrower (excluding for the avoidance of doubt any Arrears of Interest which have not been so capitalised on that date).

Mortgaged Property or **Property** means a freehold or leasehold property which is subject to a Mortgage and together, the **Mortgaged Properties** or **Properties**.

Principal Receipts means: (i) principal repayments under the Loans (including payments of Capitalised Interest and Capitalised Expenses and Capitalised Arrears); (ii) recoveries of principal

from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property but excluding any recoveries of principal from defaulting Borrowers under loans in respect of which enforcement procedures have been completed); (iii) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio; and (iv) the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (excluding, for the avoidance of doubt, amounts attributable to Accrued Interest and Arrears of Interest thereon as at the relevant repurchase date).

Revenue Receipts means: (i) payments of interest (excluding Accrued Interest and Arrears of Interest which have been capitalised as at the relevant Cut-Off Date) and other fees due from time to time under the Loans and other amounts received by the Issuer in respect of the Loans other than the Principal Receipts; (ii) recoveries of interest from defaulting Borrowers under Loans being enforced; and (iii) recoveries of interest and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed.

Standard Variable Rate or SVR means the Seller's discretionary standard variable rate from time to time.

Early Repayment Charges

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

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

Cashback means, in relation to any Loan, the agreement by the Seller to pay an amount to the relevant Borrower upon completion of the relevant Loan.

Early Repayment Charge means any charge or fee which the Mortgage Conditions applicable to a Loan require the relevant Borrower to pay in the event that all or part of that Loan is repaid before a certain date, including without limitation repayment of any Cashback.

Flexible mortgages

The Seller originates loans which include certain flexible features, some of which are set out below. No Flexible Loans are included within the Portfolio.

Drawdown facility

The Borrower may borrow additional amounts, subject to a minimum of £1,000 and up to the borrowing limit the Seller will set which, taking into account all amounts owing, will not exceed 90% of the value of the Property and will be subject to an assessment of the Borrower's ability to

repay. The Seller can vary the borrowing limit to reflect a change in circumstances. All additional drawdown borrowing must be repaid by the end of the Loan term.

Payment holiday

A Flexible Loan Borrower can take a payment holiday of not more than a total of six months in any 12-month period, provided that the Flexible Loan is at least six months old, all payments are up to date with no arrears during the six months prior to the start of the payment holiday, the payment holiday does not cause the amount owed to the Seller to exceed the Borrower's maximum borrowing limit and the Borrower's written request signed by all Borrowers of the particular Flexible Loan is agreed by the Seller.

Overpayment

A Borrower can make additional payments or "overpayments" to reduce the Loan at any time. If there is an overpayment, or a lump sum repayment, the amount owed and the amount of interest payable is re-calculated and reduced immediately.

Underpayment

A Borrower may pay less than the monthly payment:

- (a) without the Seller's further agreement provided the underpayments do not exceed any overpayments already made and there have not been any drawings against the flexible mortgage account or a payment holiday taken; or
- (b) with the Seller's agreement provided that the underpayment will not cause the amount owed to the Seller to exceed the Borrower's maximum borrowing limit.

Further Advances

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

Product Switches

From time to time a Borrower may request, or the Seller or the Servicer (on behalf of the Seller) may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan. In addition, in order to promote the retention of Borrowers, the Seller may periodically contact certain Borrowers in respect of the Seller's total portfolio of outstanding residential mortgage loans in order to encourage a Borrower to review the Seller's other residential mortgage loans and to discuss moving that Borrower to an alternative mortgage product. Any such variation is a **Product Switch** (as defined in "Sale of the Portfolio under the Mortgage Sale Agreement - Mortgage Sale Agreement – Product Switches, Further Advances and Substitution" below).

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

Underwriting

The underwriting approach of the Seller has changed over time. Loans in the Portfolio may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination. The Seller has always adopted a rigorous manual underwriting assessment and, since 2002, supported that by an automated credit scoring system, thus providing a combined scoring and system-based approach to lending assessment. This assessment is made with reference to a number of components including:

- (a) credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data; and
- (b) affordability: calculation of an individualised lending amount that reflects the applicant's income and long-term commitments, the credit score and a debt-to-income percentage using a stressed interest rate and an overall income multiplier cap. All Loans are underwritten on an affordability principle and verified by reference to appropriate documentation. Affordability is calculated by reference to gross income and long-term commitments, loans, credit cards, etc.; and
- (c) valuations: A physical valuation will be carried out on all mortgage applications except for when the Society will allow a desk top valuation to be completed for residential applications as per the criteria listed below. Since November 2021, desk top valuations have been allowed on remortgage applications only, and since July 2023, desktop valuations have been allowed on residential purchases subject to certain criteria including (i) in cases where the LTV is less than 75%; (ii) the relevant property is greater than two years old; (iii) the relevant property has a value of less than £500,000; and (iv) the relevant loan amount is less than £400,000. In relation to mortgage applications, and as exceptions in circumstances where the Seller was not able to obtain a physical valuation as a result of restrictions arising from the UK government's response to the COVID-19 pandemic, desk top valuations were obtained in lieu of physical valuations, these desk top valuations ceased in August 2020. Valuations are updated quarterly using a house price index. The value is derived from the original physical valuation undertaken at the time the property was most recently inspected by the Society's Surveyors (usually the time of the original advance) which is then 'indexed' using Land Registry data supplied to us quarterly which reflects details of all house sales transacted in the preceding quarter at post code level. The indexation 'model' takes into account the property type, and the time elapsed between original valuation and the current period. For further advances a re-inspection of the property is required to ascertain the value of the property for all further lending applications. A physical valuation will be carried out on Further Lending applications except for when the Society will allow a desk top valuation to be completed as per the desktop valuation criteria.

The lending system is supported by a mandate structure within the processing up to offer stage, with authority limits varying according to seniority and experience. The mandate levels apply only to staff working within mortgage underwriting or those other individuals specifically identified in the Residential Mortgage Lending Panel. The sales and completion functions are a segregated function from the processing function.

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

Lending managers carry out sample checking at offer stage and file checking at completion stage to ensure adherence to the policy and underwriting process. Prior to April 2010, the Seller's mortgage indemnity guarantee insurers also carry out quarterly audit checks on higher loan-to-value (**LTV**) cases above 75% to ensure policy adherence.

Underwriting exceptions

On a case-by-case basis, the Seller may have determined that, based upon compensating factors, an applicant that did not strictly qualify under the lending criteria at that time warranted an underwriting exception. Any such exceptions would have been approved by a mandated underwriter or a senior manager of the Seller. Compensating factors which may be considered include, but are not limited to, a LTV ratio, overall affordability position and a proven borrowing history with the Seller.

Lending Criteria

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

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

In addition, Noteholders should be aware that the Lending Criteria apply to all mortgage loans, including those originated by the Seller which are not included in the Provisional Portfolio. For further information on the Loans to be sold to the Issuer, Noteholders should review the warranties made by the Seller as set out in the section headed "Sale of the Portfolio under the Mortgage Sale Agreement" below.

(a) *Property – location*

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

(b) *Property – Borrower's title*

Each Property is a freehold or leasehold residential property in England or Wales, the legal title to which is vested in the Borrower, and is good and marketable title.

(c) *Property – leasehold term*

In the case of a leasehold residential Property located in England or Wales, Principality Building Society requires an unexpired term of 85 years, at the beginning of the mortgage.

(d) *Property – valuation*

The valuation requirements of Principality Building Society are managed by Connells Survey & Valuations to whom the work is outsourced. All valuations must be undertaken by a qualified member of RICS (M/FRICS) with a normal requirement for a minimum of 2 years post qualification experience and be registered under the RICS Valuation Registration Scheme. Applications for valuations to be undertaken by Technical Members/Associate RICS of RICS (TechRICS/Assoc RICS) may be considered but only where the individual is a member of a larger firm with approved quality and training systems in place. The TechRICS/Assoc RICS qualification must be specific to Survey and Valuation and the requirement for 2 years post qualification experience remains. Since November 2021, desk top valuations have been allowed on remortgage applications only, subject to certain criteria and since July 2023, desktop valuations have been allowed on residential purchases subject to certain criteria. In relation to mortgage applications, and as exceptions in circumstances where the Seller was not able to obtain a physical valuation as a result of restrictions arising from the UK government's response to the COVID-19 pandemic, desk top valuations were obtained in lieu of physical valuations.

(e) *Property – construction*

The Property must be in a satisfactory condition and of a suitable type. If the property has been built or converted within the past 10 years, or is to be occupied for the first time, the Borrower must ensure that it was built or converted under a scheme acceptable to the Society. New build properties must be covered by an acceptable new home warranty scheme, detailed in the UK Finance Mortgage Lenders Handbook.

(f) *Property – occupiers*

All occupiers (defined as a person aged 17 and over who is ordinarily resident at the relevant security property who is not party to the mortgage) must be recorded at application and must sign the “Form of Consent” at completion of the mortgage.

(g) *Property – use*

A Loan will not be granted in relation to Property which is used for commercial purposes (other than on an informal basis e.g. use of a room as an office). The Property in relation to which the Loan was granted (whether for a purchase or a remortgage) must be the main residence of the Borrower.

(h) *Loan – loan-to-value ratio*

For purchases, the LTV is calculated by dividing the initial principal amount advanced at completion of the Loan (including any fees added to the loan) by the lesser of the surveyor's valuation or purchase price of the Property. For re mortgages the initial principal amount advanced at completion of the loan (including any fees to the loan) by the lesser of the surveyor's valuation or the applicant's estimated value irrespective of whether or not the

valuation takes the form a physical inspection, an automated valuation or a desk top surveyor checked valuation.

For the purpose of calculating the applicable LTV, any builder's deposit or incentives are accounted for in the relevant valuation or deducted from the relevant purchase price.

What is an acceptable LTV will depend on the nature of the product and the Borrower (e.g. first time buyers), the value of the Property and the credit rating of the Borrower.

(i) *Loan – repayment methods*

Loans may be capital and interest repayment loans, Part and Part Loans or interest only loans. Where or to the extent that Loans are interest only, there needs to be plausible evidence that a suitable repayment mechanism is realistic and in place.

(j) *Loan – term*

Loans usually have a term of up to 40 years (however, it should be noted that each Loan in the Portfolio will have a remaining term of less than 30 years).

(k) *Borrower – capacity and status*

Borrowers must all be private individuals. Borrowers must have a minimum age of 18 and must have been in employment for the last three months or with a single previous employer for at least 12 months or, where the Loan continues beyond intended retirement age, the Borrower must evidence sufficient income to service and repay the Loan during the term or at maturity in the case of interest only loans.

(l) *Borrower – credit history*

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

- (i) electoral register or other proof of occupancy;
- (ii) full credit search for the previous three years supplied by a credit reference agency;
- (iii) copy of the most recent pay slips, P60s, personal and/or business bank statements, employment contracts and/or confirmation of salary details from employer;
- (iv) historical business accounts (for example if self-employed and/or an owner of a limited company), audited by qualified accountants where applicable or, for sole traders where accounts are not available, copies of SA302 from HMRC; or
- (v) previous mortgage statements.

(m) *Borrower – income and affordability*

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

Lending decisions are based on an assessment of affordability for each individual application. Consideration is given to the lifestyle and spending pattern of applicants and to long-term affordability to allow for future rate increases. FCA guidelines on responsible lending require that lenders no longer rely on standard income multiples across the board. Prior to 2007, the Seller employed standard income multiples as part of its Lending Criteria.

Since 2007 the Seller uses a model incorporating the applicant's gross income and long-term commitments (loans, credit cards etc) plus a credit score, debt-to-income percentage, and a stressed interest rate are used to arrive at a bespoke maximum lending amount subject to an overall income multiplier cap.

Since 2017 the Society has introduced household expenditure data from the Office of National Statistics (ONS) to calculate a regional average in addition to the detailed expenditure captured from the customer. The Society will query large expenditure in spite of any reliance on the ONS data where considered necessary.

(n) *Borrower – Deposit*

Applicants should be able to demonstrate having saved a personal deposit. Deposits and other incentives, given by developers of new build property, and other vendors are acceptable provided these are fully disclosed and taken into account by the surveyor at valuation. Gifted deposits from family members are also accepted.

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

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

Changes to the underwriting policies and Lending Criteria

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

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

Interest Only Loans

In relation to Interest Only Loans, the Seller recommends, and will ask for evidence that the Borrower has a suitable and credible repayment mechanism in place and will only accept a limited range of such vehicles. The Seller will review the repayment mechanism in line with the size of the Loan, applicant's age and income and likelihood of the repayment mechanism accumulating sufficient value to repay the Loan and will decline the application if this repayment mechanism is deemed to be unacceptable or if the appropriate evidence is not available. The Seller does not take security over any investment policies taken out by Borrowers.

Insurance Policies

(a) *Borrower's Insurance*

It is a condition of each Loan that each Borrower is to effect and maintain (at their own expense) a property insurance policy (or, in the case of leasehold properties where the lease requires the insurance to be in the name of the landlord, arrange for the Seller's interest to be noted on the relevant insurance policy) in an amount sufficient to recover the reinstatement value of the Property (save in the case of leasehold properties where the lease requires the insurance to be in the name of the landlord in which case the Borrower is to use best efforts to ensure that the amount of the insurance is sufficient to recover the reinstatement value of the Property).

(b) *Contingency Insurance*

In addition to the requirement that each Borrower effects and maintains a property insurance policy in relation to any Property upon which a Loan is secured, the Seller has taken out two Insurance Policies separately, being the Repossessed Properties Insurance Policy and the Householders' Freedom of Agency Policy which are underwritten by Royal and Sun Alliance Insurance plc. However, there is no obligation in the Transaction Documents for the Seller to maintain any such Insurance Policy. Given that the Seller may decide not to renew any such policy at any point in the future, if, in relation to a particular Property, a Borrower fails to maintain such a property insurance policy in breach of their mortgage conditions, that Property may become uninsured and the Borrower may be exposed to any reinstatement costs in the event of loss or damage which may affect that Borrower's ability to repay.

Reposessed Properties Insurance Policy

This policy provides cover for reposessed or uninsured properties in the event that the Society takes possession of a property for which specific cover is not in place. The policy covers damage to the property during the period covered under the policy of up to £350,000.

Householders' Freedom of Agency Policy

This policy covers destruction of or damage to a Property where a Borrower has insured other than through the Seller and where the Borrower's insurance fails to answer for reasons not being the fault of the Seller.

Selection of the Portfolio

The Loans in the Provisional Portfolio were initially selected from the mortgage loans in the Seller's mortgage book which met the warranties set out in "Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Representations and Warranties" and subsequently such initial pool was further reduced using a random selection process.

The Loans in the Provisional Portfolio were not selected with the aim of rendering losses on the Loans sold to the Issuer, measured over a period of four years, higher than the losses over the same period on comparable assets held on the balance sheet of the Seller.

Confirmations of the Seller

For the purposes of Article 5 of the UK Securitisation Regulation and Article 5 of the EU Securitisation Regulation (and in the case of the EU Securitisation Regulation, as in force on the Closing Date), the Seller has made available the following information (or has procured that such information is made available):

- (a) confirmation that the Seller was a credit institution as defined in points (1) and (2) of Article 4(1) of Regulation (EU) No 575/2013 at the time of origination of the Loans in the Portfolio, as to which please see the warranty (b) in the section of this Prospectus headed "Sale of the Portfolio under the Mortgage Sale Agreement - Mortgage Sale Agreement – Representations and Warranties – Loans";
- (b) confirmation that the Seller (as originator) will retain on an ongoing basis a material net economic interest in accordance with Article 6 of the UK Securitisation Regulation and Article 6 of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and as in force on the Closing Date) and that the risk retention will be disclosed to investors in accordance with Article 7 of the UK Securitisation Regulation and Article 7 of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to the Issuer and Principality), as further detailed in the section of this Prospectus headed "Regulatory Requirements"; and
- (c) confirmation that the Seller (as originator) will make available the information required by Article 7 of the UK Securitisation Regulation in accordance with the frequency and modalities provided for in such article and Article 7 of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to the Issuer and Principality), as to which, please see the section of this Prospectus headed "Cashflows and Cash Management – Cash Management Agreement – Investor Reports and information".

Other Characteristics

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

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

Further information in respect of individual loan level data may be obtained by means of the Reporting Websites. The website and the contents thereof do not form part of this Prospectus.

SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT

Mortgage Sale Agreement

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

The Portfolio

Pursuant to the terms of the Mortgage Sale Agreement, on the Closing Date the Seller will sell its interest in a portfolio of residential mortgage loans (the **Loans**) and their associated mortgages (the **Mortgages** and, together with the other security for the Loans, the **Related Security**) and all monies derived therefrom from and including the Cut-Off Date and from time to time thereafter (collectively referred to herein as the **Portfolio**) to the Issuer. The sale by the Seller to the Issuer of the Loans in the Portfolio (including pursuant to a substitution, as described below) will be given effect to by an assignment. The consideration due to the Seller in respect of the Portfolio will be the aggregate of:

- (a) £706,520,773.09 as Initial Consideration; and
- (b) an obligation of the Issuer to pay, at a later date, the Deferred Consideration in respect of the sale of the Portfolio.

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

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 (n) inclusive of the Pre-Enforcement Revenue Priority of Payments; or
- (b) the items described in (a) to (l) inclusive of the Post-Enforcement Priority of Payments.

The Issuer shall purchase Further Advances made by the Seller under a Loan.

Perfection Trigger Events

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

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

- (a) a Seller Insolvency Event;
- (b) a Severe Deterioration Event; or

- (c) a breach by the Seller of its obligations under the Mortgage Sale Agreement where such breach remains unremedied after a period of 90 days following notification to the Seller of such breach.

Each of paragraphs (a) to (c) above is a **Perfection Trigger Event** *provided that* any event occurring for the purposes of or pursuant to a Permitted Transfer will not constitute a Perfection Trigger Event.

Permitted Transfer means:

- (a) an amalgamation of the Seller and one or more other building societies under section 93 of the Building Societies Act; or
- (b) a transfer by the Seller of all or substantially all of its engagements (being 90% or more of the Issuer's engagements) or (on terms which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders) any smaller part of its engagements, in both cases under section 94 of the Building Societies Act; or
- (c) a transfer by the Seller of its business to a company under sections 97 to 102D of the Building Societies Act (including any transfer of business to a subsidiary of another mutual society pursuant to section 97 of the Building Societies Act (as modified by the Mutual Societies (Transfers) Order 2009 made under section 3 of the Building Societies (Funding) and Mutual Societies (Transfers) Act 2007) (the **Funding and Mutual Societies Transfers Act**) or any other order made in the future by HM Treasury under section 3 of the Funding and Mutual Societies Transfers Act); or
- (d) an alteration in the status of the Seller by virtue of any statute or statutory provision which alters, or permits the alteration of, the status of building societies generally or building societies which meet specified criteria to that of an institution authorised under the FSMA or to a body which is regulated on a similar basis to an institution authorised under the FSMA; or
- (e) any other reconstruction or amalgamation or transfer, in each case the terms of which have previously been approved by an Extraordinary Resolution of the Most Senior Class of Noteholders.

A **Severe Deterioration Event** means all or any part having an aggregate value in excess of 10 per cent. of the property, business, undertakings, assets or revenues of the Seller having been attached as a result of any distress, execution or diligence being levied or any encumbrancer taking possession or similar attachment and such attachment having not been lifted within 30 days.

If the Seller ceases to be assigned a long-term counterparty risk assessment of at least Baa3(cr) or the long-term IDR from Fitch of at least BBB- (or such other long-term rating or risk assessment (or, in the case of Fitch, long-term IDR) which will not have an adverse effect on the ratings of the Class A Notes) (a **Seller Downgrade Event**), the Seller shall be obliged to prepare the documentation required to perfect legal title to the Loans and Related Security together with a list of outstanding Borrowers to whom the letter of notice should be sent, but shall not be required to give notice of the transfer of the equitable or beneficial interest in the Loans to the Borrowers nor complete any other step necessary to perfect legal title to the Loans or the Related Security to the Issuer.

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

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

A **Seller Insolvency Event** occurs if:

- (a) the Seller becomes insolvent or is deemed unable to pay its debts within the meaning of section 123(1)(a) of the Insolvency Act 1986 (as amended) (on the basis that the reference in such section to £750 was read as a reference to £10,000,000) or sections 1(b), (c), (d) or (e) of the Insolvency Act 1986 (as amended) (on the basis that the words "for a sum exceeding £10,000,000" were inserted after the words "extract registered bond" and "extract registered protest") or applies for, consents to or suffers the appointment of a liquidator, receiver, administrator, building society liquidator, building society special administrator or similar officer over the whole or any substantial part of its undertaking, property, assets or revenues or takes any proceeding under any law for a readjustment or deferment of its obligations or any part thereof or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors generally or a distress, execution or diligence or other process is enforced upon the whole or any substantial part of its undertaking or assets and is not discharged within 60 days; or
- (b) an order is made, an effective resolution is passed or the necessary consent of the Seller's members is given for the winding-up or dissolution of the Seller or the authorisation or registration of the Seller is or is proposed to be cancelled, suspended or revoked or anything analogous or similar to any of the foregoing occurs; or
- (c) the Seller ceases or threatens to cease to carry on its business or substantially the whole of its business.

(except in the case of events occurring for the purposes of, or pursuant to, a Permitted Transfer, as defined above).

Representations and Warranties

The Seller will represent and warrant to the Issuer and the 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 at the following times:

- (a) in respect of each Loan and its Related Security in the Portfolio, as at the Closing Date;
- (b) in relation to any Further Advance and Product Switch as at the relevant Advance Date or Switch Date, as applicable; and
- (c) in relation to any Substitute Loan, as at the relevant Substitution Date.

If any of the Loan Warranties are breached in respect of a Loan as at the Closing Date or if any of the Loan Warranties in respect of a Further Advance, Substitute Loan or Product Switch (as applicable) are breached in respect of a Further Advance, Substitute Loan or Product Switch (as applicable) as at the Testing Date following the relevant Advance Date, Substitution Date or Switch Date, such Loan will be repurchased or substituted 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 as at the Closing Date or, as applicable, the relevant Substitution Date (the **Loan Warranties**) will comprise the warranties set out below. A more limited set

of the Loan Warranties will be made as at the relevant Advance Date or Switch Date (as applicable) in relation to Further Advances and Product Switches. The Loan Warranties will be given in relation to substitute loans as at the Substitution Date in respect of the relevant Substitute Loan as if references to "Loan" in the Loan Warranties are to the relevant Substitute Loan.

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 was originated by the Seller and the Seller was, at the time of the origination of each loan, a credit institution as defined in the UK CRR;
- (c) each Loan was originated by the Seller in the ordinary course of business and was denominated in Sterling upon origination (and is still denominated in Sterling);
- (d) each Loan was originated by the Seller in the ordinary course of business no earlier than 6 January 2016 pursuant to underwriting standards that are no less stringent than those the Seller applied at the time of origination to similar exposures that are not included in the Portfolio;
- (e) no Loan has a Current Balance of more than £1,000,000 and each Loan has a positive net present value or outstanding principal balance;
- (f) prior to the making of each Initial Advance or Further Advance, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions and waivers as made on a case-by-case basis as would be acceptable to a Prudent Mortgage Lender;
- (g) each Loan and its Related Security satisfied in all material respects, subject only to such exceptions and waivers as made on a case-by-case basis as would be acceptable to a Prudent Mortgage Lender, the Seller's Lending Criteria in force at the time of its origination;
- (h) the Lending Criteria are consistent with the criteria that would be used by a Prudent Mortgage Lender;
- (i)
 - A. each Loan was made and its Related Security taken or received 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; and
 - B. the brochures, application forms, offers, offer conditions and marketing material distributed by the Seller to the Borrower when offering a Loan to a Borrower:
 - (i) do not conflict in any material respect with the terms applicable to the relevant Loan and its Related Security at the time that the Loan was entered into; and
 - (ii) do not conflict with and would not prohibit or otherwise limit the terms of the Transaction Documents or the matters contemplated thereby, including, for the avoidance of doubt and without limitation, the management of the Loans and their

Related Security by the Seller or a delegate of the Seller or the appointment of a new Servicer following the occurrence of a Seller Insolvency Event;

- (j) at least one monthly payment due in respect of each Loan has been paid by the relevant Borrower as at the Cut-Off Date;
- (k) the Current Balance on each Loan and its Related Security constitute a legal, valid, binding, enforceable debt due to the Seller from the relevant Borrower 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;
- (l) 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;
- (m) the rate of interest under each Loan is charged in accordance with the Standard Documentation;
- (n) no agreement for any Loan is in whole or in part a "regulated credit agreement" under Article 60B of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001;
- (o) all of the Borrowers are individuals and were aged 18 years or older at the date of entering into the relevant Loan and its Related Security and the identity of each Borrower has been verified by the Seller in accordance with procedures which would be acceptable to a Prudent Mortgage Lender;
- (p) each Loan has a remaining term of less than 40 years as at the Closing Date, Advance Date, Switch Date or Substitution Date, as relevant;
- (q) each Loan has a remaining term ending no later than three years prior to the Final Maturity Date of the Notes;
- (r) each Loan and its Related Security are legal, valid, binding, enforceable and are non-cancellable, and are subject only in certain appropriate cases to requisite applications for registrations at the Land Registry having been made and which are pending and, in relation to such cases, the Seller is not aware of any caution, notice, inhibition or any other matter that would prevent such registration 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;
- (s) all approvals, consents and other steps necessary to permit a legal, 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, there being no requirement in order for the transfer to be effective to obtain the consent of the 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 Trustee or any of their successors in title or assigns;
- (t) none of the property assigned under the Mortgage Sale Agreement or Related Security consists of "stock" or "marketable securities" within the meaning 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 or section 4 of the Welsh Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017;

- (u) save in respect for Product Switches 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, provided that the maturity date of such Loan falls three years before the Final Maturity Date of the Notes;
 - (iii) any variation imposed by statute or as a result of legally binding UK government policy changes or initiatives aimed at assisting home owners in meeting payments on their mortgage loans or any variation in the frequency with which the interest payable in respect of the Loan is charged;
 - (iv) any variation to the interest rate as a result of the Borrowers switching to a different rate;
 - (v) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan; or
 - (vi) any change in the repayment method of the Loan (including from an interest only loan to a repayment loan),

provided that any such waiver, alteration or modification does not in any material way adversely affect the enforceability or collectability of such Loan;

- (v) no Loan is a staff loan;
- (w) as at the Closing Date or on the date when any new Loans and their Related Security are included in the Portfolio, as applicable, each Loan has a standardised risk weight equal to or smaller than 40% on an exposure value-weighted average basis for the Portfolio as such terms are described in Article 243 of the UK CRR;
- (x) no agreement for any Loan, whether taken alone or with a related agreement, gives rise to an "unfair relationship" between the creditor and the debtor for the purposes of section 140A to 140C of the CCA;
- (y) no Loan is categorised as a Flexible Loan, self-certified, an equity release or a buy-to-let loan under the Seller's Lending Criteria;
- (z) no Loan was marketed and underwritten on the premise that the loan applicant or, as applicable, any intermediary, was made aware that the information provided might not be verified by the Seller;
- (aa) each Loan has been designated as a prime Loan under the Seller's Lending Criteria;
- (bb) 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 to the extent it would have a Material Adverse Effect on the Loans and their Related Security, and no steps have been taken by the Seller to enforce any Related Security as a result of any such breach;
- (cc) no Loan is more than one monthly payment in arrears;

- (dd) no Loan is considered by the Seller as being in default within the meaning of Article 178(1) of the UK CRR;
- (ee) no Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the UK LCR Regulation or paragraph 2(k) of Article 177 of UK Solvency II;
- (ff) to the best of the Seller's knowledge, no Borrower has been declared insolvent or had a court grant his creditors a final non-appealable right of enforcement or material damages as a result of a missed payment within six years prior to the date of origination or has undergone a debt-restructuring process with regard to his non-performing exposures within six years prior to the Closing Date;
- (gg) to the best of the Seller's knowledge, no Borrower has 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) to the best of the Seller's knowledge, at the time of origination of the relevant Loan, no Borrower either (i) appeared on a register available to the Seller of persons with an adverse credit history or (ii) had a credit assessment or a credit score indicating that the risk of contractually agreed payments not being made was significantly higher than for comparable exposures held by the Seller which are not included in the Portfolio;
- (ii) no Loan had a current LTV greater than 90% as at the Cut-Off Date; and
- (jj) the weighted average LTV as at origination of the Loans in the Portfolio was not greater than 85% as at the Cut-Off Date;
- (kk) no Loan had an LTV greater than 90% as at the date of origination of that Loan;
- (ll) no lien, right of set-off, counterclaim or other right of deduction has arisen between any Borrower and the Seller or any other party which would entitle such Borrower to reduce the amount of any payment otherwise due under the Loan;
- (mm) no Loan has been entered into as a consequence of any conduct constituting fraud of the Seller and, to the best of the Seller's knowledge, no Loan has been entered into fraudulently by the relevant Borrower;
- (nn) the Seller has full recourse to the Borrower and any guarantor of the Borrower under the relevant Loans;
- (oo) the Loans and their Related Security are not subject, either totally or partially, to any lien, assignment, charge or pledge to any third parties or are otherwise in a condition that could be foreseen to adversely affect the enforceability of the sale to the Issuer;
- (pp) each Loan is governed by English law;
- (qq) the fixed rate period applicable to each Loan that is a Fixed Rate Loan or a Stepped Reversion Loan will not be longer than five years and six months; and
- (rr) the discount rate period applicable to each Loan that is a Discount Rate Loan or a Stepped Reversion Loan will not be longer than five years and six months.

Mortgages

- (a) subject in certain appropriate cases to the completion of an application for registration which is pending at the Land Registry, the whole of the Current Balance on each Loan is secured by a Mortgage over a residential Property and each Mortgage constitutes a valid and subsisting first charge by way of legal mortgage 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 Loan and its related Mortgage are substantially in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed;
- (c) each Mortgage has first priority (where a second or subsequent mortgage exists) for the whole of the Current Balance on the Loan and all future interest, fees, costs and expenses payable under or in respect of such Mortgage; and
- (d) the Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title.

The Properties

- (a) each Property is in either England or Wales;
- (b) each Property is either freehold or leasehold and if a Mortgaged Property is leasehold, written notice has been given to the landlord of the creation of the relevant Mortgage; and
- (c) all occupiers (defined as a person aged 17 and over who is ordinarily resident at the relevant security property who is not party to the mortgage) must be recorded at application and must sign the "Form of Consent" at completion of the mortgage.

Valuers' and Solicitors' Reports

- (a) not more than 12 months (or a longer period as may be acceptable to a Prudent Mortgage Lender) prior to the granting of each Mortgage, the Seller received a Valuation Report on the relevant Property (or another form of report concerning the valuation of the relevant Property as would be acceptable to a Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Prudent Mortgage Lender; and
- (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 case of Loans, in the UK Finance Lenders' Handbook for England and Wales (or, for Mortgages taken before the UK Finance Lenders' Handbook for England and Wales was adopted in 1999, the Seller's standard form instructions to solicitors) or other comparable or successor instructions and/or guidelines as may for the time being be in place, subject only to those variations as would be acceptable to a Prudent Mortgage Lender; and

- (ii) received a certificate of title from the solicitor or licensed conveyancer referred to in paragraph (i) above relating to such Property, the contents of which were such as would have been acceptable to a Prudent Mortgage Lender at that time.

Buildings Insurance

At origination, it was a condition of the mortgage that each Property was insured to an amount not less than the full reinstatement cost as determined by the relevant valuer under:

- (a) a buildings insurance policy arranged by the Borrower in accordance with the relevant Mortgage Conditions; or
- (b) 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 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 by the Seller to the Issuer pursuant to the Mortgage Sale Agreement free and clear of all **Security Interests**, claims and equities (including, without limitation, rights of set-off or counterclaim and overriding interests within the meaning of either section 3(xvi) of the Land Registration Act 2002), subject only to the Mortgage Sale Agreement and the Borrower's equity of redemption and so long as the Seller is not in breach of any covenant implied by reason of its selling the relevant Portfolio with full title guarantee (or which would be implied if the relevant Land Registry Transfers in the form set out in the Mortgage Sale Agreement were completed and registered or recorded, as appropriate);
- (b) all steps necessary to perfect the Seller's title to 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) 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; and

- (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 Prudent Mortgage Lender might make on a case-by-case basis.

Interest Rates payable under the Loans

Each Loan is either a Variable Rate Loan, Discount Rate Loan, Fixed Rate Loan or Stepped Reversion Loan.

Regulation

- (a) in respect of any Loans entered into on or after 31 October 2004, the Seller was authorised by and had permission from the UK Regulator for entering into Regulated Mortgage Contracts as lender at the time that it entered into each such Loan and continues to be so authorised and hold such permission;
- (b) the Seller is authorised by and had permission (and, insofar as applicable, any intermediary or mortgage broker is authorised by and had permission) from the UK Regulator for conducting any other regulated activities (as defined in the FSMA) carried on by the Seller (or any such intermediary) in respect of each Loan;
- (c) the Seller has complied with all Regulatory Directions in respect of the Loans, 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 UK Regulator's Rules) 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 UK Regulator's Rules;
- (e) the Seller has created and maintained all records in respect of the Loans in accordance with the UK Regulator's Rules and any other Regulatory Direction;
- (f) to the extent that any of the Loans qualify as "distance contracts" (as defined by Article 2 of the Financial Services (Distance Marketing) Regulations 2004) the Seller had complied with the relevant provisions of the Financial Services (Distance Marketing) Regulations 2004;
- (g) all fees and commissions payable to brokers and intermediaries by the Seller were fully disclosed to the relevant Borrowers;
- (h) no Loan is the subject of a complaint referred to the Financial Ombudsman Service; and
- (i) to the best of the Seller's knowledge, no Loan is the subject of any claim for damages under FSMA in respect of a breach of any requirement of MCOB.

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 and all such accounts, books, and records are up to date in the possession the Seller or held to its order;

- (b) neither the Seller, nor as far as the Seller is aware after having made all reasonable enquiries, any of its agents has received written notice of any litigation, claim, dispute or complaint (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Loan, Related Security or Insurance Policy; and
- (c) there are no authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or perform its obligations under the Mortgage Sale Agreement to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence and, with the exception of sending notification of assignment to the Borrowers, all formal approvals, consents and other steps necessary to permit a legal transfer of the Loan and the Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken.

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

FSA means the Financial Services Authority, which, for the period up to 1 April 2013, was the United Kingdom competent authority.

Governmental Authority means any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

Insurance Policies means the Householders' Freedom of Agency Insurance and the Repossessed Properties Insurance Policy, and **Insurance Policy** shall be construed accordingly.

Loan Files means all correspondence, documentation and other paperwork held by the Seller in relation to a Loan.

Losses means any losses arising in relation to a Loan in the Portfolio which could cause a shortfall in the amount available to pay principal on the Notes.

Modified Following means such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Portfolio Notice means a notice delivered pursuant to the Mortgage Sale Agreement setting out certain data in respect to the Loans in the Portfolio.

Regulated Mortgage Contract means a mortgage contract which falls within the definition of "regulated mortgage contract", under the FSMA (as applicable at the relevant time).

Regulatory Direction means, in relation to any person, a direction or requirement of any Governmental Authority with whose directions or requirements such person is accustomed to comply.

Security Interest means any mortgage, sub-mortgage, charge, sub-charge, pledge, lien (other than a lien arising in the ordinary course of business or by operation of law), assignation, encumbrance or security interest however created or arising.

Standard Documentation means the Standard Documentation, a list of which is set out in Part 2 of Appendix A to the Mortgage Sale Agreement and copies of which have been initialled on behalf of the parties thereto for the purposes of identification, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Prudent Mortgage Lender.

UK Regulator means:

- (a) in respect of the period before 1 April 2013, the FSA; and
- (b) in respect of the period on or after 1 April 2013:
 - (i) the FCA; or
 - (ii) the PRA and the FCA.

UK Regulator's Rules means the rules made by the appropriate UK Regulator under the FSMA.

UK Solvency II means Regulation (EU) No.2015/35 as it forms part of domestic law by virtue of the EUWA.

Repurchase by the Seller

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

If any of the Loan Warranties given by the Seller is materially breached in respect of any Loan and/or its Related Security or any representation or warranty proves to be materially untrue as at the Closing Date or, in respect of a Further Advance, Product Switch or Substitution as at the Testing Date (as defined below), the Seller will serve a notice promptly, but in any event no later than five Business Days following the date on which it discovers the breach on the Issuer in relation thereto. If such breach (where capable of remedy) has not been remedied within 30 days of receipt by the Issuer of such notice from the Seller, the Issuer will serve a repurchase notice on the Seller. The Seller will repurchase such Loan and its Related Security from the Issuer within 30 days of such repurchase notice being received (or such other date as the Issuer may direct in the repurchase notice, provided that the date so specified by the Issuer shall not be later than 30 days after receipt by the Seller of such repurchase notice). Consideration for such repurchase shall be provided by payment in cash and/or the substitution of equivalent Loan(s) (the **Substitute Loans**) such that the aggregate of the Current Balance(s) of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the Current Balance(s) of the Loan(s) subject to repurchase.

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

The Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and the Trustee of any breach of a Loan Warranty as soon as the Seller becomes aware of such breach.

No active portfolio management

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

Centre of main interests

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

Product Switches, Further Advances and Substitution

(a) **Further Advances**

Under the Mortgage Sale Agreement, the Issuer has agreed that the Seller or the Servicer may make an offer to any Borrower for a Further Advance. If a Borrower requests, or the Seller or the Servicer (on behalf of the Seller) offers, a Further Advance under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering, documenting and funding that Further Advance. Any Further Advance made to a Borrower shall be purchased by the Issuer on the date that the Further Advance is made by the Seller to the relevant Borrower (the **Advance Date**). A notice shall be given by the Seller to the Issuer in respect of a Further Advance promptly, but in any event no later than the date falling five Business Days following the Testing Date, if it is determined that any of the Further Advance Conditions is not satisfied as at the Testing Date (a **Notice of Non-Satisfaction of Further Advance Conditions**).

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

- (i) the Advance Date falls before the Step-Up Date;
- (ii) no Event of Default has occurred and is continuing;
- (iii) no Seller Insolvency Event has occurred;
- (iv) if the Seller's short-term counterparty risk assessment has fallen below P-2(cr) by Moody's or below the short-term IDR of F2 by Fitch (or such other lower short-term rating or risk assessment acceptable to the relevant Rating Agency) and remains below such ratings, the Seller has provided to the Issuer and the Trustee a valid solvency certificate signed by an authorised signatory of the Seller;
- (v) the purchase of the Further Advance will not result in the aggregate principal balance outstanding of all Further Advances purchased by the Issuer exceeding 5% of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date;
- (vi) the aggregate 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% of the aggregate Current Balance of the Loans comprising the Portfolio;
- (vii) each Loan and its Related Security which is the subject of the Further Advance complies, as at the Testing Date, with the representations contained in the Mortgage Sale Agreement required to be given on each Advance Date;

- (viii) the Class A 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 original weighted average LTV ratio (calculated as the ratio of (A) to (B) below) does not exceed 72.5% where:
 - (A) is the aggregate sum of (a) multiplied by (b) for each of the Loans in the Portfolio where:
 - I. (a) is the original LTV ratio calculated by dividing debt previously advanced (including any Further Advances made) by the Original Valuation of a Loan in the Portfolio; and
 - II. (b) is the Current Balance of such Loan in the Portfolio; and
 - (B) is the aggregate Current Balances of all the Loans in the Portfolio;
- (x) the current LTV ratio of the Loan subject to the Further Advance (as measured by the Current Balance of such Loan plus the relevant Further Advance divided by the latest valuation) is less than 90%;
- (xi) the aggregate Current Balance of any Loans in the Portfolio (including any Further Advance) with an interest only part does not exceed 20% of the aggregate Current Balance of the Loans in the Portfolio; and
- (xii) each Fixed Rate Loan which is the subject of a Further Advance will be included in the calculation of the notional amount in respect of the Interest Rate Swap Transaction in respect of the calculation period for the Interest Rate Swap Transaction which begins in the calendar month immediately following the calendar month in which such Further Advance is made.

A solvency certificate shall be valid for three months following the date on which it is issued.

The Seller must, in relation to the Loan which is subject to the Further Advance, give the representations and warranties in respect of Further Advances set out in the Mortgage Sale Agreement as at the relevant Advance Date. If no Notice of Non-Satisfaction of Further Advance Conditions has been given by the Seller to the Issuer, or has been so given and subsequently revoked by the Seller, then the Issuer must pay the Further Advance Purchase Price in respect of such Further Advance to the Seller. The purchase price for the relevant Further Advance shall be an amount equal to the Current Balance of the Further Advance (the **Further Advance Purchase Price**) and will be paid from Principal Receipts on or prior to the last day of the calendar month following the month in which the relevant Advance Date falls to the extent that the Issuer has sufficient Principal Receipts on such date to make such payment, and otherwise on each succeeding Business Day until and to the extent that such Further Advance Purchase Price is paid in full.

If a Notice of Non-Satisfaction of Further Advance Conditions is served in respect of the Loan subject to such Further Advance, then the Seller will have an obligation to remedy such breach within 30 days after receiving such Notice of Non-Satisfaction of Further Advance Conditions. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 day period, the Issuer will serve a repurchase notice on the Seller. The Seller must then repurchase the Loan within 30 days of receipt of such repurchase notice (or such other date as the Issuer may direct in the repurchase

notice, provided that the date so specified by the Issuer shall not be later than 30 days after receipt by the Seller of such repurchase notice). Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the Current Balance(s) of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the Current Balance(s) of the Loan(s) excluding the amount of the Further Advance which has not yet been paid for by the Issuer subject to repurchase.

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

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

Initial Advance means, in relation to a Loan, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, and it may include any fees (if capitalised).

Further Advance means, in relation to a Loan, any advance of further money after the Closing Date following a request from an existing Borrower following the making of the Loan which is secured by the same Property as the Loan where the Seller has a discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage.

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

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

Mortgage Terms means all the terms and conditions applicable to a Loan and/or its Related Security including the applicable Mortgage Conditions and Offer Conditions.

Original Valuation means the valuation figure contained in the Valuation Report issued prior to the original advance of the relevant Loan or, with respect to a Further Advance, the Valuation Report issued prior to the making of such Further Advance.

Payment Holiday means a period during which a Borrower may suspend payments under a Flexible Loan where the Borrower is permitted under the relevant Mortgage Conditions to do so and will not therefore be in breach of the relevant Mortgage Conditions.

Testing Date means, in respect of a Further Advance, Product Switch or Substitute Loan, the last day of the calendar month in which such Further Advance, Product Switch or Substitute Loan, as applicable, has been made.

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

(b) **Product Switches**

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

- (i) any variation agreed with a Borrower to control or manage arrears on the Loan;
- (ii) any variation in the maturity date of a Loan;
- (iii) any variation imposed by statute or by regulation or any variation in the frequency with which the interest payable in respect of the Loan is charged;
- (iv) any variation to the interest rate as a result of the Borrowers switching to a different rate other than where the Borrower is switching to another product;
- (v) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan;
or
- (vi) any change in the repayment method of the Loan (including from an Interest Only Loan to a Repayment Loan).

Any variation to the terms of a Loan in accordance with paragraphs (i) to (vi) above is a **Permitted Variation**.

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

If a Borrower requests, or the Seller or the Servicer (on behalf of the Seller) offers, a Product Switch under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering and documenting that Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio after the date that the Product Switch is made (the **Switch Date**). A notice shall be given by the Seller to the Issuer in respect of such Product Switch promptly, but in any event no later than the date falling five Business Days following the Testing Date, if it is determined that any of the Product Switch Conditions is not satisfied as at the Testing Date (a **Notice of Non-Satisfaction of Product Switch Conditions**).

A Notice of Non-Satisfaction of Product Switch Conditions shall be given by the Seller to the Issuer if the Seller has identified beyond a reasonable doubt that any of the following conditions (the **Product Switch Conditions**) is not satisfied:

- (i) the Switch Date falls before the Step-Up Date;
- (ii) no Event of Default has occurred and is continuing;
- (iii) no Seller Insolvency Event has occurred;
- (iv) if the Seller's short-term counterparty risk assessment has fallen below P-2(cr) by Moody's or the short-term IDR has fallen below F2 by Fitch (or such other lower short-term rating or risk assessment acceptable to the relevant Rating Agency) and remains below such ratings, the Seller has provided to the Issuer and the Trustee a valid solvency certificate signed by an authorised signatory of the Seller;

- (v) the Product Switch will be effected by such means as would be adopted by the Seller, for the purpose of ensuring the validity and priority of the Loan, were such switch in respect of a loan advanced by the Seller which is not part of the Portfolio;
- (vi) the Product Switch will be similar to switches offered to the Seller's mortgage borrowers whose mortgage loans do not form part of the Portfolio;
- (vii) the aggregate 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% of the aggregate Current Balance of the Loans comprising the Portfolio;
- (viii) each Loan and its Related Security which is the subject of a Product Switch complies with the representations contained in the Mortgage Sale Agreement required to be given on each Switch Date;
- (ix) the Class A 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;
- (x) the aggregate Current Balance of any Loans in the Portfolio (including any Product Switch) with an interest only part does not exceed 20% of the aggregate Current Balance of the Loans in the Portfolio; and
- (xi) each Loan which is the subject of a Product Switch and as a result is subject to a fixed interest rate will be included in the calculation of the notional amount for the Interest Rate Swap Transaction in respect of the calculation period for the Interest Rate Swap Transaction which begins in the calendar month immediately following the calendar month in which such Product Switch is made.

A solvency certificate shall be valid for three months following the date on which it is issued.

The Seller must, in relation to the relevant Loan, give the representations and warranties in respect of Product Switches set out in the Mortgage Sale Agreement as at the relevant Switch Date.

If a Notice of Non-Satisfaction of Product Switch Conditions is served in respect of the Loan subject to such Product Switch, then the Seller will have an obligation to remedy such breach within 30 days after receiving such Notice of Non-Satisfaction of Product Switch Conditions. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 30 day period, the Issuer will serve a repurchase notice on the Seller. The Seller must then repurchase the Loan within 30 days of receipt of such repurchase notice (or such other date as the Issuer may direct in the repurchase notice, provided that the date so specified by the Issuer shall not be later than 30 days after receipt by the Seller of such repurchase notice). Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the Current Balance(s) of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the Current Balance(s) of the Loans subject to repurchase.

Where in relation to a proposed Further Advance or Product Switch, the Seller or the Servicer (on behalf of the Seller) proposes making a Further Advance or Product Switch (as applicable), the Seller may, despite the Seller not having given (in the case of the Further Advance) a Notice of Non-Satisfaction of Further Advance Conditions or (in the case of the Product Switch) a Notice of Non-Satisfaction of Product Switch Conditions (as applicable) to the Issuer, as alternatives to selling the

Further Advance to the Issuer or the Loan which is the subject of a Product Switch remaining in the Portfolio (as applicable), elect to repurchase the relevant Loan and its Related Security from the Issuer on or prior to the last day of the calendar month following the calendar month in which the Advance Date or the Switch Date (as applicable) falls for a consideration equal to its Current Balance. Any such election must be made prior to the Testing Date following the relevant Advance Date or Switch Date (as applicable). The Seller must pay to the Issuer the consideration for the relevant Loan and its Related Security which is the subject of a Further Advance or a Product Switch (as applicable) on the last day of the calendar month following the calendar month in which such Further Advance or Product Switch is made.

(c) **Substitute Loans**

The Seller may offer the Issuer (and the Issuer shall accept) a Substitute Loan as consideration for the repurchase of a Loan which was in breach of any representation or warranty or in respect of which an unrevoked Notice of Non-Satisfaction of Further Advance Conditions or unrevoked Notice of Non-Satisfaction of Product Switch Conditions has been given by the Seller to the Issuer. Any Substitute Loan will be assigned to the Issuer unless the Seller has given notice to the Issuer no later than one Business Day prior to the Substitution Date that any of the Substitution Conditions is not satisfied and would not be satisfied as at the relevant Testing Date (a **Notice of Non-Satisfaction of Substitution Conditions**) and such notice has not been revoked by the Seller.

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

- (i) the Substitution Date falls before the Step-Up Date;
- (ii) no Event of Default has occurred and is continuing;
- (iii) no Seller Insolvency Event has occurred;
- (iv) if the Seller's short-term counterparty risk assessment has fallen below P-2(cr) by Moody's or the short-term IDR has fallen below F2 by Fitch (or such other lower short-term rating or risk assessment acceptable to the relevant Rating Agency) and remains below such ratings, the Seller has provided to the Issuer and the Trustee a valid solvency certificate signed by an authorised signatory of the Seller;
- (v) the Substitute Loan and Related Security constitutes the same ranking and priority security over a Property as the security provided in respect of the relevant repurchased Loan; and
- (vi) each Substitute Loan, which is subject to a fixed interest rate, will be included in the calculation of the notional amount in respect of the Interest Rate Swap Transaction in respect of the calculation period for the Interest Rate Swap Transaction which begins in the calendar month immediately following the calendar month in which such Substitute Loan is added to the Portfolio; and
- (vii) no Loan, so far as the Seller is aware, is a Loan to a Borrower who is a "credit-impaired obligor" as described in Article 13(2)(j) of the UK LCR Regulation or the UK CRR.

A solvency certificate shall be valid for three months following the date on which it is issued.

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 12pm 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 Loan Warranties as at the relevant Substitution Date in respect of the Substitute Loans as if references to "Loan" in the Loan Warranties are to the relevant Substitute Loan.

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

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

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

The Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and the Trustee of any breach of warranty in respect of any of the relevant Loans subject to Further Advances, Product Switches or Substitution as soon as it has identified such breach.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out of or in connection with the Mortgage Sale Agreement will be governed by English law.

STATISTICAL INFORMATION ON THE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Provisional Portfolio as at 29 February 2024 (the **Portfolio Cut-Off Date**). The Portfolio has been randomly selected from the Provisional Portfolio. A Loan will be removed from the Provisional Portfolio if in the period from (and including) the Portfolio Cut-Off Date to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not or would not comply with the representations and warranties given by the Seller in the Mortgage Sale Agreement on the Closing Date. The Portfolio of £706,520,773.09 as at 30 April 2024 was determined on or prior to such date by the Seller in accordance with the procedures as described in "The Portfolio - The Loans - Selection of the Portfolio" above.

Further information in respect of individual loan level data may be obtained by means of the Reporting Websites. For the avoidance of doubt, these websites 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, cashflow models, commentary and other materials). Such third-party websites and the contents thereof do not form part of this Prospectus.

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

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

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

Summary Statistics

Total outstanding current balance (£)	787,627,238.84
Number of mortgage accounts	6,079
Number of sub-accounts	6,494
Average current borrower balance (£)	129,565.26
Weighted average original LTV (%)	67.87%
Weighted average indexed current LTV (%)	57.79%
Weighted average current interest rate (%)	3.55%
Weighted average current seasoning (months)	31.38
Weighted average remaining term (years)	23.50

The Portfolio Cut-Off Date is 29 February 2024 (as defined above) and is distinct from the Cut-Off Date which is 30 April 2024.

As at the Cut-Off Date, no Loan in the Provisional Portfolio was made to a Borrower where one or more borrowers resided outside England and Wales.

1. Current Balances as at the Portfolio Cut-Off Date

The following table shows the range of outstanding Current Balances of mortgage accounts in the Provisional Portfolio as at the Portfolio Cut-Off Date and the date of origination.

Borrower Current Balance (GBP)

	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50,000	23,429,533.16	2.97	721	11.86
50,001 to 100,000	150,298,536.03	19.08	1,943	31.96
100,001 to 150,000	196,676,362.14	24.97	1,597	26.27
150,001 to 200,000	153,790,535.55	19.53	891	14.66
200,001 to 250,000	100,857,673.34	12.81	454	7.47
250,001 to 300,000	53,926,568.15	6.85	197	3.24
300,001 to 350,000	34,917,550.38	4.43	109	1.79
350,001 to 400,000	27,900,952.23	3.54	75	1.23
400,001 >=	45,829,527.86	5.82	92	1.51
Total	787,627,238.84	100.00	6,079	100.00
Min:	283			
Max:	851,271			
Average:	129,565			

Borrower Original Balance (GBP)

	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50,000	12,593,134.06	1.60	429	7.06
50,001 to 100,000	118,271,444.95	15.02	1,726	28.39
100,001 to 150,000	197,508,583.44	25.08	1,789	29.43
150,001 to 200,000	158,988,500.90	20.19	1,004	16.52
200,001 to 250,000	112,832,198.65	14.33	547	9.00
250,001 to 300,000	60,821,617.23	7.72	242	3.98
300,001 to 350,000	43,345,190.52	5.50	145	2.39
350,001 to 400,000	26,517,765.47	3.37	76	1.25
400,001 >=	56,748,803.62	7.21	121	1.99
Total	787,627,238.84	100.00	6,079	100.00
Min:	5,000			
Max:	884,339			
Average:	143,319			

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

The following table shows the range of LTV ratios, which express the Current Balance of the aggregate of Loans in a mortgage account in the Provisional Portfolio as at the Portfolio Cut-Off Date or the date of origination of the Loan, as applicable, divided by the valuation as at origination of the Loan or divided by the latest valuation of that Property increased or decreased as appropriate by the increase or decrease in the UK House Price Index since the date of that latest valuation (see "The Portfolio - The Loans – Lending Criteria" for more information). For the avoidance of doubt, there have been no full revaluations for the purposes of the issuance of the Notes and the Original Valuation is the valuation quoted as at the date of the origination of the Loan.

Indexed Current LTV (%)

	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50%	250,389,000.89	31.79	2,642	43.46
50% < x <= 55%	68,810,431.71	8.74	502	8.26
55% < x <= 60%	78,398,724.72	9.95	551	9.06
60% < x <= 65%	80,710,050.72	10.25	547	9.00
65% < x <= 70%	79,377,156.76	10.08	503	8.27
70% < x <= 75%	70,435,676.74	8.94	425	6.99
75% < x <= 80%	62,512,136.96	7.94	364	5.99
80% < x <= 85%	58,533,092.86	7.43	328	5.40
85% < x <= 90%	38,460,967.48	4.88	217	3.57
90% < x <= 95%	0.00	0.00	0	0.00
95% < x <= 100%	0.00	0.00	0	0.00
Total	787,627,238.84	100.00	6,079	100.00
Min:	0.13%			
Max:	89.95%			
Weighted Average:	57.79%			

Original LTV (%)

	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
<= 50%	149,809,158.84	19.02	1,572	25.86
50% < x <= 55%	29,620,986.57	3.76	240	3.95
55% < x <= 60%	47,447,598.39	6.02	367	6.04
60% < x <= 65%	70,589,753.89	8.96	523	8.60
65% < x <= 70%	56,866,790.10	7.22	400	6.58
70% < x <= 75%	84,567,094.17	10.74	602	9.90
75% < x <= 80%	113,618,449.14	14.43	770	12.67
80% < x <= 85%	87,356,800.41	11.09	600	9.87
85% < x <= 90%	147,750,607.33	18.76	1,005	16.53
90% < x <= 95%	0.00	0	0	0
95% < x <= 100%	0.00	0	0	0
Total	787,627,238.84	100.00	6,079	100.00
Min:	1.33%			

Max: 90.00%
Weighted Average: 67.87%

3. Repayment Type

The following table shows the repayment terms for the Loans in the Provisional Portfolio as at the Portfolio Cut-Off Date. For a description of the various repayment terms the Seller offers, see "The Portfolio - The Loans – Characteristics of the Loans – Repayment Terms".

Repayment Type

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
Interest Only	57,250,155.42	7.27	435	6.70
Repayment	725,497,701.89	92.11	6,020	92.70
Part & Part	4,879,381.53	0.62	39	0.60
Total	787,627,238.84	100.00	6,494	100.00

4. Months in Arrears

The following table shows the months in arrears of Loans in the Provisional Portfolio as at the Portfolio Cut-Off Date.

Months in Arrears

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
0 Month in Arrears	787,627,238.84	100.00	6,494	100.00
Total	787,627,238.84	100.00	6,494	100.00

5. Geographical Distribution of Properties

The following table shows the distribution of Properties securing the Loans in the Provisional Portfolio throughout England and Wales as at the Portfolio Cut-Off Date. No such Properties are situated outside England or Wales. The Seller's lending criteria and current credit scoring tests do not take into account the geographical location of the Property securing a Loan.

Geographical Distribution of Properties

	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
East Anglia	56,200,949.01	7.14	318	5.23
East Midlands	60,038,777.55	7.62	459	7.55
Greater London	57,459,684.26	7.30	222	3.65
North East	37,406,736.66	4.75	368	6.05
North West	117,011,680.60	14.86	973	16.01
South East	66,206,407.19	8.41	368	6.05
South West	58,430,586.99	7.42	428	7.04
Wales	174,371,661.50	22.14	1,568	25.79
West Midlands	85,156,422.52	10.81	700	11.52
Yorkshire/Humberside	75,344,332.56	9.57	675	11.10
Total	787,627,238.84	100.00	6,079	100.00

6. Interest Rate Type

The following table shows the distribution of Loan products in the Provisional Portfolio as at the Portfolio Cut-Off Date.

Interest Rate Type

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
Floating Rate for Life	8,671,855.39	1.10	130	2.00
SVR for Life	0.00	0.00	0	0.00
Fixed Rate to SVR	714,325,753.11	90.69	5,864	90.30
Discount Rate	64,629,630.34	8.21	500	7.70
Total	787,627,238.84	100.00	6,494	100.00

7. Seasoning of Loans

The following table shows the number of months since the date of origination of the initial advance in respect of a Loan in the Provisional Portfolio as at the Portfolio Cut-Off Date.

Seasoning (months)

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 12	234,290,068.62	29.75	1,644	25.32
12 to 24	191,685,771.33	24.34	1,427	21.97
24 to 36	98,729,161.82	12.54	773	11.90
36 to 48	77,083,725.86	9.79	676	10.41
48 to 60	87,203,259.85	11.07	778	11.98
60 to 72	8,072,866.05	1.02	84	1.29
72 to 84	29,454,231.01	3.74	361	5.56
84 to 96	59,780,832.24	7.59	734	11.30
96 to 108	1,327,322.06	0.17	17	0.26
108 to 120	0.00	0.00	0	0.00
120 >	0.00	0.00	0	0.00
Total	787,627,238.84	100.00	6,494	100.00
Min:	3.00			
Max:	97.00			
Weighted Average:	31.38			

8. Remaining Term

The following table shows the remaining term until the maturity of the Loans in the Provisional Portfolio.

Remaining term (years)

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 5	14,051,119.67	1.78	307	4.73
5 to 10	44,395,479.45	5.64	654	10.07
10 to 15	81,270,726.58	10.32	848	13.06
15 to 20	128,646,789.55	16.33	1,124	17.31
20 to 25	175,903,451.70	22.33	1,295	19.94
25 to 30	166,027,894.96	21.08	1,132	17.43
30 to 35	139,970,453.50	17.77	884	13.61
35 to 40	37,361,323.43	4.74	250	3.85
40 >	0.00	0.00	0	0.00
Total	787,627,238.84	100.00	6,494	100.00
Min:	0.00			
Max:	39.00			
Weighted Average:	23.50			

9. Loan Purpose

The following table shows the purpose of the Loans in the Provisional Portfolio.

Loan Purpose

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
Purchase	516,597,570.35	65.59	4,192	64.55
Remortgage	271,029,668.49	34.41	2,302	35.45
Other	0.00	0.00	0	0.00
Total	787,627,238.84	100.00	6,494	100.00

10. Interest Rate

The following table shows the current interest rates in respect of the Loans in the Provisional Portfolio.

Current Interest Rate

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 1.5%	22,269,448.89	2.83	157	2.42
1.5% to 2.0%	119,619,432.64	15.19	1,142	17.59
2.0% to 2.5%	130,787,150.19	16.61	1,131	17.42
2.5% to 3.0%	87,244,502.38	11.08	691	10.64
3.0% to 3.5%	20,737,577.42	2.63	170	2.62
3.5% to 4.0%	56,668,492.15	7.19	369	5.68
4.0% to 4.5%	84,316,320.21	10.71	696	10.72
4.5% >	265,984,314.96	33.77	2,138	32.92
Total	787,627,238.84	100.00	6,494	100.00
Min:	1.25%			
Max:	7.60%			
Weighted Average:	3.55%			

11. Property Type

The following table shows property types in respect of the Loans in the Provisional Portfolio.

Property Type

	Aggregate Current Balance (£)	% of Total	Number of mortgage accounts	% of Total
Residential (House, Detached or Semi- detached)	512,595,897.34	65.08%	3,772	62.05%
Residential (Flat/Apartment)	76,944,912.67	9.77%	608	10.00%
Residential (Bungalow)	29,402,678.15	3.73%	247	4.06%
Residential (Terraced House)	168,683,750.68	21.42%	1,452	23.89%
Total	787,627,238.84	100.00	6,079	100.00

12. Fixed Rate Loans

The following table shows the current interest rates in respect of the Fixed Rate Loans in the Provisional Portfolio.

Fixed Rate Loans – Current Interest Rate

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 1.5%	22,269,448.89	3.12	157	2.68
1.5% to 2.0%	119,619,432.64	16.75	1,142	19.47
2.0% to 2.5%	130,787,150.19	18.31	1,131	19.29
2.5% to 3.0%	87,244,502.38	12.21	691	11.78
3.0% to 3.5%	20,737,577.42	2.90	170	2.90
3.5% to 4.0%	55,143,192.77	7.72	358	6.11
4.0% to 4.5%	82,822,502.75	11.59	682	11.63
4.5% >	195,701,946.07	27.40	1,533	26.14
Total	714,325,753.11	100.00	5,864	100.00
Min:	1.25%			
Max:	6.80%			
Weighted Average:	3.35%			

The following table shows the years in which the Fixed Rate Loans in the Provisional Portfolio revert to Variable Rate Loans. Fixed Rate Loans that do not revert are categorised by their maturity date.

Fixed Rate Loans – Reversion Date

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 2022	0.00	0.00	0	0.00
2022 to 2023	0.00	0.00	0	0.00
2023 to 2024	136,353,649.57	19.09	1,150	19.61
2024 to 2025	241,992,004.36	33.88	1,893	32.28
2025 to 2026	110,261,712.94	15.44	996	16.98
2026 to 2027	120,226,531.52	16.83	1,021	17.41
2027 to 2028	97,120,424.18	13.60	719	12.26
2029 >=	8,371,430.54	1.17	85	1.45
Total	714,325,753.11	100.00	5,864	100.00
Min:	2024			
Max:	2029			

13. Variable Rate Loans

The following table shows the current interest rates in respect of the Variable Rate Loans in the Provisional Portfolio.

Variable Rate Loans – Current Interest Rate

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 5.0%	0.00	0.00	0	0.00
5.00% to 5.50%	0.00	0.00	0	0.00
5.50% to 6.00%	0.00	0.00	0	0.00
6.00% to 6.50%	0.00	0.00	0	0.00
6.50% to 7.00%	0.00	0.00	0	0.00
7.00% to 7.50%	0.00	0.00	0	0.00
7.50% to 8.00%	8,671,855.39	100.00	130	100.00
8.00% >	0.00	0.00	0	0.00
Total	8,671,855.39	100.00	130	100.00
Min:	7.60%			
Max:	7.60%			
Weighted Average:	7.60%			

The following table shows the years in which the Variable Rate Loans in the Provisional Portfolio revert to Variable Rate Loans. Variable Rate Loans that do not revert are categorised by their maturity date.

Variable Rate Loans – Reversion Date

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 2022	0.00	0.00	0	0.00
2022 to 2023	0.00	0.00	0	0.00
2023 to 2024	20,464.61	0.24	3	2.31
2024 to 2025	150,719.38	1.74	6	4.62
2025 to 2026	28,097.86	0.32	3	2.31
2026 to 2027	63,729.42	0.73	3	2.31
2027 to 2028	31,244.71	0.36	6	4.62
2029 >=	8,377,599.41	96.61	109	83.85
Total	8,671,855.39	100.00	130	100.00
Min:	2024			
Max:	2060			

14. Discount Rate Loans

The following table shows the current interest rates in respect of the Discount Rate Loans in the Provisional Portfolio.

Discount Rate Loans – Current Interest Rate

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 2.5%	0.00	0.00	0	0.00
2.5% to 3.0%	0.00	0.00	0	0.00
3.0% to 3.5%	0.00	0.00	0	0.00
3.5% to 4.0%	1,525,299.38	2.36	11	2.20
4.0% to 4.5%	1,493,817.46	2.31	14	2.80
4.5% to 5.0%	16,399,519.52	25.37	115	23.00
5.0% to 5.5%	29,727,098.75	46.00	232	46.40
5.5% >	15,483,895.23	23.96	128	25.60
Total	64,629,630.34	100.00	500	100.00
Min:	4.00%			
Max:	6.85%			
Weighted Average:	5.24%			

The following table shows the years in which the Discount Rate Loans in the Provisional Portfolio revert to Variable Rate Loans. Discount Rate Loans that do not revert are categorised by their maturity date.

Discount Rate Loans – Reversion Date

	Aggregate Current Balance (£)	% of Total	Number of sub-accounts	% of Total
<= 2022	0.00	0.00	0	0.00
2022 to 2023	0.00	0.00	0	0.00
2023 to 2024	17,913,779.62	27.72	127	25.40
2024 to 2025	35,375,610.51	54.74	275	55.00
2025 to 2026	4,262,079.09	6.59	40	8.00
2026 to 2027	470,248.93	0.73	5	1.00
2027 to 2028	1,302,362.41	2.02	14	2.80
2029 >=	5,305,549.78	8.21	39	7.80
Total	64,629,630.34	100.00	500	100.00
Min:	2024			
Max:	2029			

15. Environmental Performance

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

**HISTORICAL AMORTISATION RATES OF PRINCIPALITY BUILDING SOCIETY PRIME
MORTGAGE LOANS**

Month	Annualised Monthly Amortisation Rate	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Jan 06	16.2%		
Feb 06	20.2%		
Mar 06	18.8%		
Apr 06	21.7%		
May 06	23.7%		
Jun 06	21.4%		
Jul 06	24.3%		
Aug 06	23.1%		
Sep 06	23.9%		
Oct 06	26.0%		
Nov 06	27.5%		
Dec 06	30.4%	2006	23.1%
Jan 07	19.8%		
Feb 07	25.0%		
Mar 07	22.3%		
Apr 07	24.6%		
May 07	22.5%		
Jun 07	23.1%		
Jul 07	27.2%		
Aug 07	22.4%		
Sep 07	21.5%		
Oct 07	27.5%		
Nov 07	20.1%		
Dec 07	16.5%	2007	22.7%
Jan 08	11.5%		
Feb 08	19.1%		
Mar 08	15.7%		
Apr 08	16.4%		
May 08	14.1%		
Jun 08	17.4%		
Jul 08	21.3%		
Aug 08	13.5%		
Sep 08	12.7%		
Oct 08	14.7%		
Nov 08	13.1%		
Dec 08	15.9%	2008	15.5%
Jan 09	10.2%		
Feb 09	15.6%		
Mar 09	13.2%		
Apr 09	12.6%		
May 09	12.8%		
Jun 09	13.5%		
Jul 09	16.7%		
Aug 09	15.0%		

Month	Annualised Monthly Amortisation Rate	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Sep 09	14.2%		
Oct 09	19.6%		
Nov 09	18.8%		
Dec 09	23.9%	2009	15.5%
Jan 10	15.5%		
Feb 10	19.5%		
Mar 10	17.8%		
Apr 10	17.6%		
May 10	13.6%		
Jun 10	15.1%		
Jul 10	13.9%		
Aug 10	14.7%		
Sep 10	12.6%		
Oct 10	14.9%		
Nov 10	14.9%		
Dec 10	14.8%	2010	15.4%
Jan 11	11.2%		
Feb 11	14.5%		
Mar 11	13.7%		
Apr 11	13.7%		
May 11	14.0%		
Jun 11	14.2%		
Jul 11	12.4%		
Aug 11	12.7%		
Sep 11	12.1%		
Oct 11	11.9%		
Nov 11	13.7%		
Dec 11	12.3%	2011	13.0%
Jan 12	12.4%		
Feb 12	13.7%		
Mar 12	11.4%		
Apr 12	16.1%		
May 12	13.7%		
Jun 12	15.1%		
Jul 12	15.6%		
Aug 12	13.7%		
Sep 12	12.8%		
Oct 12	14.8%		
Nov 12	13.6%		
Dec 12	13.7%	2012	13.9%
Jan 13	14.2%		
Feb 13	14.1%		
Mar 13	10.9%		
Apr 13	19.0%		
May 13	18.7%		
Jun 13	16.0%		
Jul 13	16.1%		

Month	Annualised Monthly Amortisation Rate	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Aug 13	15.8%		
Sep 13	13.4%		
Oct 13	20.9%		
Nov 13	14.5%		
Dec 13	12.8%	2013	15.5%
Jan 14	18.7%		
Feb 14	40.7%		
Mar 14	11.7%		
Apr 14	16.9%		
May 14	13.5%		
Jun 14	16.8%		
Jul 14	13.5%		
Aug 14	13.5%		
Sep 14	13.2%		
Oct 14	17.6%		
Nov 14	12.7%		
Dec 14	13.4%	2014	16.9%
Jan 15	12.5%		
Feb 15	12.8%		
Mar 15	12.4%		
Apr 15	12.4%		
May 15	11.3%		
Jun 15	13.0%		
Jul 15	14.4%		
Aug 15	11.3%		
Sep 15	15.3%		
Oct 15	18.4%		
Nov 15	14.4%		
Dec 15	20.0%	2015	14.0%
Jan 16	13.9%		
Feb 16	18.6%		
Mar 16	17.7%		
Apr 16	15.0%		
May 16	13.2%		
Jun 16	13.2%		
Jul 16	14.7%		
Aug 16	16.9%		
Sep 16	16.1%		
Oct 16	15.6%		
Nov 16	13.7%		
Dec 16	12.3%	2016	15.1%
Jan 17	15.4%		
Feb 17	16.5%		
Mar 17	12.0%		
Apr 17	12.0%		
May 17	15.1%		
Jun 17	14.3%		

Month	Annualised Monthly Amortisation Rate	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Jul 17	12.0%		
Aug 17	19.2%		
Sep 17	14.2%		
Oct 17	15.5%		
Nov 17	16.3%		
Dec 17	12.3%	2017	14.6%
Jan 18	19.2%		
Feb 18	16.0%		
Mar 18	15.7%		
Apr 18	12.2%		
May 18	16.8%		
Jun 18	12.1%		
Jul 18	19.2%		
Aug 18	12.4%		
Sep 18	13.3%		
Oct 18	15.8%		
Nov 18	13.0%		
Dec 18	15.0%	2018	15.1%
Jan 19	10.7%		
Feb 19	11.5%		
Mar 19	15.4%		
Apr 19	11.5%		
May 19	15.3%		
Jun 19	10.2%		
Jul 19	16.5%		
Aug 19	11.7%		
Sep 19	15.4%		
Oct 19	13.5%		
Nov 19	15.8%		
Dec 19	11.9%	2019	13.3%
Jan 20	10.2%		
Feb 20	11.5%		
Mar 20	11.1%		
Apr 20	8.4%		
May 20	11.6%		
Jun 20	12.4%		
Jul 20	10.8%		
Aug 20	10.9%		
Sep 20	14.6%		
Oct 20	13.0%		
Nov 20	14.4%		
Dec 20	15.4%	2020	12.0%
Jan 21	11.8%		
Feb 21	14.3%		
Mar 21	18.5%		
Apr 21	13.2%		
May 21	12.3%		

Month	Annualised Monthly Amortisation Rate	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Jun 21	15.3%		
Jul 21	13.8%		
Aug 21	12.7%		
Sep 21	15.1%		
Oct 21	15.1%		
Nov 21	15.5%		
Dec 21	14.2%	2021	14.3%
Jan 22	13.1%		
Feb 22	15.0%		
Mar 22	14.4%		
Apr 22	14.3%		
May 22	16.3%		
Jun 22	13.8%		
Jul 22	16.4%		
Aug 22	12.6%		
Sep 22	17.4%		
Oct 22	14.0%		
Nov 22	18.8%		
Dec 22	17.3%	2022	15.3%
Jan 23	10.5%		
Feb 23	13.7%		
Mar 23	11.2%		
Apr 23	10.5%		
May 23	12.7%		
Jun 23	13.0%		
Jul 23	11.3%		
Aug 23	13.1%		
Sep 23	12.7%		
Oct 23	10.9%		
Nov 23	11.9%		
Dec 23	12.2%	2023	12.0%
Jan 24	8.0%		
Feb 24	11.0%		

Note: the monthly amortisation rate above has been calculated by the following formula $1 - (1 - D)^{\frac{365}{\text{number of days in the month}}}$ where $D = \frac{A - (B - C)}{A}$ where A = Seller prime mortgage balance at previous month end. B = Seller prime mortgage balance at relevant month end and C = volume of new Seller prime mortgage originations (including additional loan advances).

Static and dynamic historical performance data in relation to loans originated by Principality will be made available on the Reporting Websites. Such information will cover the period from January 2012. The loans which are included in such data are originated under and serviced in accordance with the same policies and procedures as the Loans comprising the Portfolio and, as such, it is expected that the performance of such loans, over a period of four years, would not be significantly different to the performance of the Loans in the Portfolio.

STATIC POOL INFORMATION

The tables in the following pages set out, to the extent material, static pool information with respect to all mortgage loans originated by the Seller. The tables show the distribution of loans designated as prime by the Seller by delinquency category as at each year end.

The information in the following tables has been sourced and extracted from the systems of the Seller/Servicer. The loans which are included in the tables below are originated under and serviced in accordance with substantially the same policies and procedures as the Loans in the Portfolio. In the following tables, delinquency category corresponds to the number of monthly contractual repayment amounts in arrears. Delinquency rates represent the closing balances of loans in a particular category as a percentage of aggregate closing balances.

Arrears Overview – Principality Building Society

	31-Dec-18			
	Balance (£)	Count	% of Balance	% of Count
<2 Months	5,508,052,417.40	53,942	99.20	99.01
>=2 Months & 3 Months	14,375,549.63	175	0.26	0.32
>=3 Months & 6 Months	16,262,644.02	197	0.29	0.36
>=6 Months & 9 Months	6,197,358.86	73	0.11	0.13
>=9 Months & 12 Months	2,501,295.74	32	0.05	0.06
>= 12 Months	3,846,110.24	48	0.07	0.09
Of which in Possession	1,376,927.67	12	0.02	0.02
Total	<u>5,552,612,303.56</u>	<u>54,479</u>	<u>100</u>	<u>100</u>

	31-Dec-19			
	Balance (£)	Count	% of Balance	% of Count
<2 Months	5,791,654,289.90	55,520	99.31	99.11
>=2 Months & 3 Months	13,580,952.69	178	0.23	0.32
>=3 Months & 6 Months	14,357,374.03	171	0.25	0.31
>=6 Months & 9 Months	5,150,804.28	60	0.09	0.11
>=9 Months & 12 Months	1,953,815.93	26	0.03	0.05
>= 12 Months	4,408,553.85	55	0.08	0.10
Of which in Possession	820,844.85	11	0.01	0.02
Total	<u>5,831,926,635.53</u>	<u>56,021</u>	<u>100</u>	<u>100</u>

	31-Dec-20			
	Balance (£)	Count	% of Balance	% of Count
<2 Months	5,861,741,505.50	55,656	99.34	99.16
>=2 Months & 3 Months	11,465,637.94	143	0.19	0.25
>=3 Months & 6 Months	12,570,076.08	143	0.21	0.25
>=6 Months & 9 Months	5,006,346.57	60	0.08	0.11
>=9 Months & 12 Months	3,527,970.47	45	0.06	0.08
>= 12 Months	5,817,431.35	74	0.10	0.13
Of which in Possession	443,092.92	8	0.01	0.01
Total	5,900,572,060.83	56,129	100	100

	31-Dec-21			
	Balance (£)	Count	% of Balance	% of Count
<2 Months	5,719,094,865.10	53,321	99.33	99.08
>=2 Months & 3 Months	9,406,191.68	123	0.16	0.23
>=3 Months & 6 Months	12,452,438.36	163	0.22	0.30
>=6 Months & 9 Months	6,452,222.44	76	0.11	0.14
>=9 Months & 12 Months	3,544,905.48	45	0.06	0.08
>= 12 Months	6,277,412.23	82	0.11	0.15
Of which in Possession	625,054.98	8	0.01	0.01
Total	5,757,853,090.27	53,818	100	100

	31-Dec-22			
	Balance (£)	Count	% of Balance	% of Count
<2 Months	5,947,116,152.40	53,337	99.24	99.01
>=2 Months & 3 Months	12,312,551.63	141	0.21	0.26
>=3 Months & 6 Months	17,078,548.33	194	0.28	0.36
>=6 Months & 9 Months	7,124,272.77	85	0.12	0.16
>=9 Months & 12 Months	3,405,944.95	37	0.06	0.07
>= 12 Months	5,574,589.17	74	0.09	0.14
Of which in Possession	279,550.98	3	0.00	0.01
Total	5,992,891,610.23	53,871	100	100

	31-Dec-23			
	Balance (£)	Count	% of Balance	% of Count
<2 Months	6,876,173,201.20	58,305	99.19	98.94
>=2 Months & 3 Months	14,452,534.89	168	0.21	0.29
>=3 Months & 6 Months	19,327,360.81	221	0.28	0.38
>=6 Months & 9 Months	7,723,169.72	90	0.11	0.15
>=9 Months & 12 Months	7,251,159.59	61	0.10	0.10
>= 12 Months	7,127,545.47	82	0.10	0.14
Of which in Possession	276,329.25	3	0.00	0.01
Total	6,932,331,300.93	58,930	100	100

INFORMATION ON THE PRINCIPALITY STANDARD VARIABLE RATE

The below table provides information on how the Seller's standard variable rate has changed each month since 2 January 2019, as compared to each of the SONIA Reference Rate and the Bank of England Base Rate at the relevant time, in order to allow an assessment of the Seller's standard variable rate in relation to other market rates.

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 such authorised distributors of the rate as of 9am London time and then published on the Screen or, if the Screen is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day).

Bank of England Base Rate means the base rate quoted by the Bank of England at the relevant date.

Date	SONIA (%)	Bank of England Base Rate (%)	Principality SVR (%)
02/01/2019	0.70	0.75	5.05
01/02/2019	0.70	0.75	5.05
01/03/2019	0.71	0.75	5.05
01/04/2019	0.71	0.75	5.05
01/05/2019	0.71	0.75	5.05
03/06/2019	0.71	0.75	5.05
01/07/2019	0.71	0.75	5.05
01/08/2019	0.71	0.75	5.05
02/09/2019	0.71	0.75	5.05
01/10/2019	0.71	0.75	5.05
01/11/2019	0.71	0.75	5.05
02/12/2019	0.71	0.75	5.05
02/01/2020	0.71	0.75	5.05
03/02/2020	0.71	0.75	5.05
02/03/2020	0.71	0.75	5.05
01/04/2020	0.07	0.10	5.05
01/05/2020	0.07	0.10	4.40
01/06/2020	0.07	0.10	4.40
01/07/2020	0.06	0.10	4.40
03/08/2020	0.06	0.10	4.40
01/09/2020	0.06	0.10	4.40
01/10/2020	0.05	0.10	4.40
02/11/2020	0.05	0.10	4.40
01/12/2020	0.05	0.10	4.40
04/01/2021	0.05	0.10	4.40
01/02/2021	0.05	0.10	4.40
01/03/2021	0.05	0.10	4.40
01/04/2021	0.05	0.10	4.40
04/05/2021	0.05	0.10	4.40
01/06/2021	0.05	0.10	4.40
01/07/2021	0.05	0.10	4.40
02/08/2021	0.05	0.10	4.40
01/09/2021	0.05	0.10	4.40
01/10/2021	0.05	0.10	4.40
01/11/2021	0.05	0.10	4.40
01/12/2021	0.05	0.10	4.40
04/01/2022	0.19	0.25	4.40
01/02/2022	0.20	0.25	4.40
01/03/2022	0.45	0.50	4.65

Date	SONIA (%)	Bank of England Base Rate (%)	Principality SVR (%)
01/04/2022	0.69	0.75	4.65
03/05/2022	0.69	0.75	4.65
01/06/2022	0.94	1.00	4.65
01/07/2022	1.19	1.25	4.65
01/08/2022	1.19	1.25	4.65
01/09/2022	1.69	1.75	4.65
03/10/2022	2.19	2.25	5.15
01/11/2022	2.19	2.25	5.15
01/12/2022	2.93	3.00	5.65
03/01/2023	3.43	3.50	5.65
01/02/2023	3.43	3.50	6.45
01/03/2023	3.93	4.00	6.45
03/04/2023	4.18	4.25	6.45
02/05/2023	4.18	4.25	6.45
01/06/2023	4.43	4.50	6.95
03/07/2023	4.93	5.00	6.95
01/08/2023	4.93	5.00	7.45
01/09/2023	5.19	5.25	7.45
02/10/2023	5.19	5.25	7.6
01/11/2023	5.19	5.25	7.6
01/12/2023	5.19	5.25	7.6
02/01/2024	5.19	5.25	7.6
01/02/2024	5.19	5.25	7.6
01/03/2024	5.19	5.25	7.6

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 PPR Rates

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

Year	Quarter	Industry PPR Rate for the Quarter	12-month rolling average
2007	Q1	21.36%	22.38%
	Q2	22.51%	22.46%
	Q3	22.72%	22.36%
	Q4	20.63%	21.81%
2008	Q1	18.73%	21.15%
	Q2	19.21%	20.32%
	Q3	17.31%	18.97%
	Q4	13.82%	17.27%
2009	Q1	11.08%	15.36%
	Q2	10.34%	13.14%
	Q3	11.29%	11.63%
	Q4	11.20%	10.98%
2010	Q1	9.70%	10.63%
	Q2	10.70%	10.72%
	Q3	11.17%	10.69%
	Q4	10.85%	10.60%
2011	Q1	9.88%	10.65%
	Q2	10.49%	10.60%
	Q3	11.80%	10.75%
	Q4	11.26%	10.86%
2012	Q1	10.41%	10.99%
	Q2	10.66%	11.03%
	Q3	11.00%	10.83%
	Q4	11.25%	10.83%
2013	Q1	10.89%	10.95%
	Q2	12.50%	11.41%
	Q3	14.11%	12.19%
	Q4	14.50%	13.00%
2014	Q1	13.20%	13.58%
	Q2	13.92%	13.93%
	Q3	14.85%	14.12%
	Q4	14.52%	14.12%
2015	Q1	13.20%	14.12%
	Q2	14.27%	14.21%
	Q3	15.48%	14.37%

Year	Quarter	Industry PPR Rate for the Quarter	12-month rolling average
2016	Q4	15.71%	14.67%
	Q1	15.44%	15.23%
	Q2	15.13%	15.44%
	Q3	15.95%	15.56%
2017	Q4	15.47%	15.50%
	Q1	14.99%	15.39%
	Q2	14.89%	15.33%
	Q3	16.15%	15.38%
2018	Q4	16.42%	15.61%
	Q1	15.25%	15.68%
	Q2	15.39%	15.80%
	Q3	16.85%	15.98%
2019	Q4	16.39%	15.97%
	Q1	14.80%	15.86%
	Q2	14.64%	15.67%
	Q3	15.36%	15.30%
2020	Q4	15.59%	15.09%
	Q1	14.46%	15.01%
	Q2	11.19%	14.15%
	Q3	12.95%	13.55%
2021	Q4	14.62%	13.31%
	Q1	15.54%	13.58%
	Q2	15.57%	14.67%
	Q3	14.38%	15.03%
2022	Q4	14.68%	15.04%
	Q1	14.48%	14.78%
	Q2	15.07%	14.65%
	Q3	15.93%	15.04%
2023	Q4	16.93%	15.60%
	Q1	14.20%	15.53%
	Q2	12.96%	15.00%
	Q3	14.40%	14.62%
	Q4	13.16%	13.68%

Source: Bank of England via Haver Analytics; Prudential Regulation Authority (PRA)/Financial Conduct Authority (FCA) – formerly FSA, via Haver Analytics; UK Finance

Repossession Rate

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

Year	Repossessions: (%)
1985	0.25
1986	0.30
1987	0.32
1988	0.22
1989	0.17
1990	0.17
1991	0.45
1992	0.76

Year	Repossessions: (%)
1993	0.68
1994	0.56
1995	0.47
1996	0.46
1997	0.40
1998	0.30
1999	0.27
2000	0.20
2001	0.16
2002	0.11
2003	0.07
2004	0.07
2005	0.12
2006	0.18
2007	0.22
2008	0.34
2009	0.43
2010	0.34
2011	0.33
2012	0.30
2013	0.26
2014	0.19
2015	0.09
2016	0.07
2017	0.07
2018	0.06
2019	0.07
2020	0.02
2021	0.02
2022	0.04
2023	0.04

Source: UK Finance

HOUSE PRICE INDEX

UK residential property prices are based on data from the Land Registry that incorporates property data for England and Wales (the **Housing Index**).

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Index occurring from the mid-1990s through to early 2008 and decreases occurring since then until mid-2009, following which the Housing Index has fluctuated.

Year	Month	Index	% annual change
2006	Jan	83.90	6.20
	Feb	84.04	6.47
	Mar	84.72	6.46

Year	Month	Index	% annual change
2007	Apr	86.56	7.25
	May	87.38	7.12
	Jun	88.21	7.29
	Jul	89.48	7.44
	Aug	90.23	7.90
	Sep	90.60	8.52
	Oct	91.13	9.37
	Nov	91.60	9.61
	Dec	92.74	10.37
	Jan	92.71	10.50
	Feb	92.97	10.63
	Mar	93.69	10.59
2008	Apr	95.58	10.42
	May	96.68	10.64
	Jun	97.74	10.80
	Jul	98.96	10.59
	Aug	99.54	10.32
	Sep	99.67	10.01
	Oct	99.44	9.12
	Nov	99.38	8.49
	Dec	99.23	7.00
	Jan	97.44	5.10
	Feb	96.60	3.90
	Mar	95.90	2.36
2009	Apr	96.06	0.50
	May	96.64	-0.04
	Jun	95.37	-2.42
	Jul	94.33	-4.68
	Aug	92.36	-7.21
	Sep	90.03	-9.67
	Oct	88.21	-11.29
	Nov	85.72	-13.75
	Dec	84.42	-14.92
	Jan	82.47	-15.36
	Feb	81.51	-15.62
	Mar	81.01	-15.53
2010	Apr	81.74	-14.91
	May	82.87	-14.25
	Jun	83.69	-12.25
	Jul	85.19	-9.69
	Aug	86.03	-6.85
	Sep	86.70	-3.70
	Oct	87.29	-1.04
	Nov	87.58	2.17
	Dec	88.16	4.43
	Jan	87.83	6.50
	Feb	88.05	8.02

Year	Month	Index	% annual change
2011	Mar	88.05	8.69
	Apr	89.18	9.10
	May	89.61	8.13
	Jun	90.05	7.60
	Jul	90.96	6.77
	Aug	90.95	5.72
	Sep	90.72	4.64
	Oct	89.71	2.77
	Nov	88.64	1.21
	Dec	88.48	0.36
	Jan	87.75	-0.09
	Feb	87.28	-0.87
2012	Mar	86.88	-1.33
	Apr	88.23	-1.07
	May	87.83	-1.99
	Jun	87.98	-2.30
	Jul	89.09	-2.06
	Aug	89.14	-1.99
	Sep	88.92	-1.98
	Oct	87.94	-1.97
	Nov	87.99	-0.73
	Dec	87.61	-0.98
	Jan	87.02	-0.83
	Feb	86.78	-0.57
2013	Mar	87.04	0.18
	Apr	88.04	-0.22
	May	88.32	0.56
	Jun	89.19	1.38
	Jul	89.53	0.49
	Aug	89.63	0.55
	Sep	89.32	0.45
	Oct	88.68	0.84
	Nov	88.76	0.88
	Dec	88.55	1.07
	Jan	87.96	1.08
	Feb	87.95	1.35
Mar	88.47	1.64	
Apr	89.34	1.48	
May	89.81	1.69	
Jun	90.55	1.52	
Jul	91.57	2.28	
Aug	92.30	2.98	
Sep	92.36	3.40	
Oct	91.98	3.72	
Nov	92.49	4.20	
Dec	93.34	5.41	

Year	Month	Index	% annual change
2014	Jan	93.45	6.24
	Feb	93.84	6.70
	Mar	94.16	6.43
	Apr	96.26	7.75
	May	97.28	8.32
	Jun	98.12	8.36
	Jul	99.50	8.66
	Aug	100.66	9.06
	Sep	100.77	9.11
	Oct	100.62	9.39
	Nov	100.29	8.43
	Dec	100.53	7.70
2015	Jan	100.00	7.01
	Feb	100.09	6.66
	Mar	100.46	6.69
	Apr	101.34	5.28
	May	102.44	5.30
	Jun	103.22	5.20
	Jul	104.97	5.50
	Aug	105.93	5.24
	Sep	106.15	5.34
	Oct	106.29	5.64
	Nov	107.11	6.80
	Dec	107.48	6.91
2016	Jan	107.76	7.76
	Feb	107.81	7.71
	Mar	108.92	8.42
	Apr	109.32	7.87
	May	110.60	7.97
	Jun	111.65	8.17
	Jul	112.83	7.49
	Aug	112.84	6.52
	Sep	112.67	6.14
	Oct	112.29	5.64
	Nov	112.82	5.33
	Dec	113.03	5.16
2017	Jan	112.89	4.76
	Feb	113.13	4.93
	Mar	112.89	3.64
	Apr	114.67	4.89
	May	115.36	4.30
	Jun	116.35	4.21
	Jul	117.86	4.46
	Aug	118.40	4.93
	Sep	117.95	4.69
	Oct	118.06	5.14

Year	Month	Index	% annual change
2018	Nov	117.72	4.34
	Dec	118.18	4.56
	Jan	117.77	4.32
	Feb	118.08	4.38
	Mar	117.36	3.96
	Apr	118.49	3.33
	May	118.97	3.13
	Jun	119.77	2.94
	Jul	121.25	2.88
	Aug	121.63	2.73
	Sep	121.39	2.92
	Oct	121.27	2.72
2019	Nov	120.75	2.57
	Dec	120.49	1.95
	Jan	119.75	1.68
	Feb	119.44	1.15
	Mar	119.11	1.49
	Apr	119.97	1.25
	May	120.14	0.98
	Jun	120.66	0.74
	Jul	122.00	0.62
	Aug	122.40	0.63
	Sep	122.49	0.91
	Oct	122.16	0.73
2020	Nov	121.73	0.81
	Dec	121.57	0.90
	Jan	121.65	1.59
	Feb	120.95	1.26
	Mar	122.04	2.46
	Apr	120.80	0.69
	May	121.42	1.07
	Jun	123.10	2.02
	Jul	124.14	1.75
	Aug	125.35	2.41
	Sep	126.68	3.42
	Oct	127.75	4.58
2021	Nov	129.06	6.02
	Dec	130.06	6.98
	Jan	130.96	7.65
	Feb	130.90	8.23
	Mar	132.96	8.95
	Apr	131.23	8.63
	May	131.79	8.54
	Jun	139.34	13.19
Jul	132.67	6.87	
Aug	136.59	8.97	

Year	Month	Index	% annual change
2022	Sep	141.09	11.38
	Oct	138.11	8.11
	Nov	140.23	8.65
	Dec	140.62	8.12
	Jan	143.05	9.23
	Feb	142.90	9.17
	Mar	143.60	8.00
	Apr	145.20	10.65
	May	147.10	11.62
	Jun	148.30	6.43
	Jul	151.10	13.89
	Aug	152.40	11.57
2023	Sep	153.00	8.44
	Oct	152.70	10.56
	Nov	152.70	8.89
	Dec	151.40	7.67
	Jan	149.70	4.65
	Feb	148.60	3.99
	Mar	146.90	2.30
	Apr	147.20	1.38
	May	147.80	0.48
	Jun	148.70	0.27
	Jul	150.20	-0.60
	Aug	151.80	-0.39
Sep	150.90	-1.37	
Oct	150.80	-1.24	
Nov	149.10	-2.36	
Dec	149.30	-1.39	

Source: HM Land Registry Open Data

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THE SERVICER

THE SERVICER

Under the Servicing Agreement, Principality will be appointed as the Servicer of the Loans together with their Related Security.

This section describes Principality's servicing procedures based on the current Principality mortgage servicing policies. Principality will service the Loans and their Related Security in the Portfolio in accordance with its policies applicable from time to time, but subject to the terms of the Servicing Agreement. For a description of the Servicer's obligations under the Servicing Agreement, see "The Servicing Agreement".

Principality is an entity which is subject to prudential, capital and liquidity regulation in the United Kingdom and it has regulatory authorisation and permissions which are relevant to the provision of servicing in relation to the loans comprising the Portfolio and other loans originated by Principality which are not sold to the Issuer. Principality has significantly more than five years of experience in the servicing of loans similar to those included in the Portfolio.

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

SERVICING PROCEDURES

Servicing procedures include:

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

Payment of Interest and Principal

Pursuant to the terms and conditions of the Loans, Borrowers must pay the monthly amount required under the terms and conditions of the Loans on or before each monthly instalment due date, within the month they

are due. Interest accrues in accordance with the terms and conditions of each Loan and is collected from Borrowers monthly.

Collections

Payments by Borrowers in respect of amounts due under the Loans will be paid to the Seller. Amounts received by the Seller in respect of the Loans from (and including) the Cut-Off Date that relate to the Loans will be identified on a daily basis (each such aggregate daily amount, a Daily Loan Amount) and the Seller will transfer an amount equal to the Daily Loan Amount into the Transaction Account by the next Business Day after that Daily Loan Amount is identified as received by the Seller or, in respect of the period from and including the Cut-Off Date to and including the Closing Date on the next Business Day after the Closing Date.

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

In each case, the Servicer will be permitted to reclaim from the Transaction Account the corresponding amounts previously credited. If a direct debit is returned unpaid in these circumstances, the usual arrears procedures described in this section. "Servicing Procedures" and section "The Servicer – Arrears and Default Procedures" below will be followed.

Arrears and Default Procedures

Delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies and actions are defined in accordance with Principality's procedures and servicing and enforcement policies as they apply to the Loans from time to time. A Loan is considered delinquent when 2 months in arrears and in default when 6 months in arrears.

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

Early Arrears

At this stage:

- (a) telephone contact is attempted during the day and early evening either at the Borrower's home or workplace;
- (b) should such telephone contact prove unsuccessful or details be unavailable, the Borrower is contacted by letter;
- (c) automated arrears letters are issued provided arrears remain outstanding two days after the "profile date" and no diary notes have been set or other automated letters issued within the last 14 days; and
- (d) if no proactive contact or agreement has been achieved after two months, a field agent is instructed to visit the Borrower to attempt resolution.

Arrangement Management

At this stage:

- (a) the system identifies further defaults;
- (b) further action is taken in the form of telephone, letters and texts; and
- (c) serious arrears are given notice of intention to take legal proceedings.

Serious Arrears and litigation

A Borrower will move to this stage if they have three full monthly payments outstanding. At this stage:

- (a) solicitors are instructed to commence proceedings;
- (b) a possession order is obtained; and
- (c) the possession order is enforced when further default occurs.

Approach to Arrears Management

When a borrower is facing financial difficulty, their individual circumstances will be taken into consideration to enable the complete recovery of the mortgage through the full repayment of arrears using short-term or long-term rehabilitation tools which may be offered.

Risk Rating

The Servicer collects and analyses information about our portfolio of mortgage borrowers, which includes data submitted by credit reference agencies. This enables us to calculate a 'behavioural' credit score for all borrowers every month.

Forbearance and Arrears handling

The arrears handling process will consider the number of months a borrower is in arrears, calculated by the current arrears on due date divided by the average of the last six months' monthly due payments together with the risk rating. These two factors will determine when and how frequently contact should be made to the borrower, as well as the type of contact.

All forbearance practices will be subject to a review and follow up process to support the recovery of the mortgage in the long term. This may require completion of formal documentation from all borrowers should the concession involve a contractual change and/or an account restructure. These can include:

- (a) arrangement to underpay;
- (b) arrangement to overpay;
- (c) product switches (new rates);
- (d) switch to interest only (temporary);
- (e) term extension (temporary);

- (f) assisted sale;
- (g) payment holidays;
- (h) interest waivers.

If a customer breaks an arrangement, the Servicer will notify that borrower as soon as possible (dependent upon payment method) in an attempt to establish the reasons why the arrangements have not been kept to. The Servicer will establish if there has been a change in financial circumstances and whether the arrangements can be renegotiated. The consequences of not keeping to an arrangement will be explained in writing to the borrower.

Litigation Proceedings

The Servicer will only begin legal proceedings to take possession of a property as a last resort and if all alternatives have been considered and the customer has been given time to improve their position.

Litigation may proceed where:

- (a) all attempts to contact the customer have failed;
- (b) it has not been possible to agree an arrangement;
- (c) the customer has not been able to sustain the payments agree under the arrangement; or
- (d) the property has been abandoned.

Repossession

Prior to commencement of repossession the Servicer will provide the customer with a written update of all the arrears information, ensure the customer is informed of the need to contact the local authority to establish if they are eligible for local authority housing after their property is repossessed and then clearly state the action that will be taken with regard to repossession.

Once in possession the property will be marketed as soon as reasonably possible. Advice will be taken from the Servicer's assigned asset manager to assess the best price by obtaining:

- (a) two valuations to include at least one RICS qualified surveyor; and
- (b) advice from the asset manager as to whether it is appropriate to market the property by private treaty or by public auction.

The borrower will be provided with a completion statement once a sale has been completed, setting out how all final figures have been calculated. If there is a shortfall the Servicer will comply with the UK Finance voluntary shortfall agreement and will only pursue the borrower for 6 years from the date of the last payment on the account.

If there is a surplus the Servicer will make payments to other charge holders before issuing funds to the customer. All reasonable efforts to contact the borrower to pay the surplus will be carried out or the funds will be retained in interest-bearing account until contact is made.

The Servicer considers write-offs to include the loss that materialises post repossession (i.e. the shortfall from recovery proceeds from the sale of the property in relation to the debt plus costs).

Non-Forbearance Solutions

There are a number of other actions the Servicer will utilise to assist the customer with any financial difficulty:

- (a) Change of repayment date; or
- (b) Change of payment method.

THE SERVICING AGREEMENT

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

Introduction

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

On the Closing Date, Principality (in such capacity, the **Servicer**) will be appointed by the Issuer under the Servicing Agreement as its agent to administer the Loans and their Related Security that it will sell to the Issuer in its capacity as Seller. The Servicer will undertake to comply with any proper directions and instructions that the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement. The Servicer will be required to administer the Loans and their Related Security in the following manner:

- (a) in accordance with the Servicing Agreement; and
- (b) as if the Loans and Mortgages had not been sold to the Issuer but remained with the Seller and in accordance with the Seller's procedures and servicing and enforcement policies as they apply to the Loans from time to time.

The Servicer's actions in the servicing of the Loans in accordance with its procedures and the Servicing Agreement will be binding on the Issuer. The Servicer will also be appointed by the Seller under the Servicing Agreement to be its agent to service the Loans and their Related Security in the making of any Further Advances and/or Product Switches. For instance, the Servicer shall, on behalf of the Seller, make offers to Borrowers and accept applications from Borrowers.

The Servicer may, in some circumstances, delegate or subcontract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer will remain liable at all times for the servicing of the Loans and for the acts or omissions of any delegate or subcontractor.

Powers

Subject to the guidelines for servicing set forth above, each Servicer will have the power, inter alia:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer will undertake, in relation to the Loans and their Related Security that the Seller has sold to the Issuer, among other things, that it will:

- (a) administer and service the relevant Loans and their Related Security as if the same had not been sold to the Issuer but had remained on the books of the Seller and in accordance with the Seller's procedures and servicing and enforcement policies as they apply to the Loans from time to time;
- (b) provide the services to be undertaken by it under the Servicing Agreement in such manner and with the same level of skill, care and diligence as would a Prudent Mortgage Lender;
- (c) comply with any proper directions, orders and instructions which the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) maintain all approvals, authorisations, permissions, consents and licences required for itself in connection with the performance of its duties under the Servicing Agreement, and prepare and submit on a timely basis all necessary applications and requests for any further approvals, authorisations, permissions, consents and licences required for itself in connection with the performance of its duties under the Servicing Agreement;
- (e) save as otherwise agreed with the Issuer, provide free of charge to the Issuer and the Seller, office space, facilities, equipment and staff sufficient to fulfil the obligations of the Issuer and the Seller under the Servicing Agreement;
- (f) not knowingly fail to comply with any legal requirements in the performance of its duties under the Servicing Agreement;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions required by law;
- (h) use reasonable endeavours to procure that the Seller makes payments in respect of the Loans into the Transaction Account not later than one Business Day following receipt of the same by the Seller;
- (i) not without the prior written consent of the Trustee amend or terminate any of the Transaction Documents in any material respect except in accordance with their terms;
- (j) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan pursuant to the Mortgage Sale Agreement, notify the Issuer and the Seller in writing of such event; and
- (k) ensure that at all times the relevant Loans comply with the material terms of the CCA (to the extent that such relevant Loans are regulated by that Act).

Compensation of the Servicer

The Servicer will receive a servicing fee for servicing the Loans. The Issuer will pay the Servicer its servicing fee (inclusive of any applicable VAT) of £1,200 per annum (or such other amount as may be

agreed between the Issuer and the Servicer). The servicing fees are payable quarterly in arrears on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Pre-Enforcement Revenue Priority of Payments to pay them. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Final Maturity Date or on any earlier date on which an Enforcement Notice is served by the Trustee on the Issuer.

Removal or Resignation of a Servicer

The Issuer (prior to delivery of an Enforcement Notice) with the written consent of the Trustee, or the Trustee itself (following delivery of an Enforcement Notice), (in the case of paragraph (a) or (b) below) may at any time and (in the case of paragraph (c) below) the Issuer shall at once, upon written notice to the Servicer and the Issuer or the Trustee (if applicable), terminate the Servicer's rights and obligations on the date specified in the notice if any of the following events (each, a **Servicer Termination Event**) occurs:

- (a) the Servicer defaults in the payment of any amount due under the Servicing Agreement or any other Transaction Documents to which it is party and fails to remedy that default for a period of 30 Business Days after the earlier of becoming aware of the default and receipt of written notice from the Issuer or the Trustee (following delivery of an Enforcement Notice) requiring the default to be remedied; or
- (b) default is made by the Servicer in the performance or observance of any of its other covenants or obligations under the Servicing Agreement or any other Transaction Document which (i) in the opinion of the Issuer, following consultation with the Trustee (prior to the delivery of an Enforcement Notice) or the opinion of the Trustee (following the delivery of an Enforcement Notice) is materially prejudicial to the interests of the Noteholders (which determinations shall be conclusive and binding on all other Secured Creditors) or (ii) if there are no Notes then outstanding, all the other Secured Creditors confirm in writing to the Trustee, that such event is materially prejudicial to their interests, and such default continues unremedied for a period of 30 Business Days after the earlier of the Servicer becoming aware of the default and receipt of written notice from (prior to the delivery of an Enforcement Notice) the Issuer or (following delivery of an Enforcement Notice) the Trustee requiring the failure to be remedied provided, however, that where the relevant default and receipt of notice of such default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of 30 Business Days, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as (prior to the delivery of an Enforcement Notice) the Issuer or (following service of an Enforcement Notice) the Trustee may in its discretion specify to remedy such default or to indemnify the Issuer and/or the Trustee against the consequences of such default; or
- (c) a Servicer Insolvency Event occurs in relation to the Servicer. (In this context where the Seller is the Servicer, **Servicer Insolvency Event** has the same meaning as Seller Insolvency Event (as defined in "Sale of the Portfolio under the Mortgage Sale Agreement" above) but any reference to the Seller shall be deemed to be replaced with a reference to the Servicer).

Subject to the fulfilment of a number of conditions (including the appointment of a substitute servicer), a Servicer may voluntarily resign by giving not less than 12 months' notice to the Issuer and the Trustee. The substitute servicer is required to have experience of servicing mortgage loans in the United Kingdom and to enter into a servicing agreement with the Issuer and the Trustee substantially on the same terms as the relevant provisions of the Servicing Agreement.

If the appointment of the Servicer is terminated, the Servicer must deliver the title information documents and customer files relating to the Loans and Related Security to, or at the direction of, the Issuer.

Where a substitute servicer is appointed following the occurrence of a Servicer Termination Event, or the voluntary resignation by the Servicer, the Issuer's costs and expenses associated with the transfer of servicing to the substitute servicer (the **Transfer Costs**) will be paid by the Seller. Where the Seller fails to pay such Transfer Costs, the Issuer shall pay such Transfer Costs in accordance with the Pre-Enforcement Revenue Priority of Payments.

The servicing fee payable to any substitute servicer will be agreed by the Issuer and the substitute servicer prior to its appointment and may be higher than is currently payable and/or other terms may differ materially from those on which the Servicer agreed to act.

Right of Delegation by a Servicer

The Servicer may subcontract or delegate the performance of its duties under the Servicing Agreement, provided that it meets particular conditions, including that:

- (a) the Issuer consents to the proposed subcontracting or delegation;
- (b) written notification has been given to each of the Rating Agencies;
- (c) where the arrangements involve the custody or control of any customer files and/or title information documents, the subcontractor or delegate has executed a written acknowledgement that those customer files and/or title information documents are and will be held to the order of the Issuer (prior to the delivery of an Enforcement Notice) and the Trustee (following the delivery of an Enforcement Notice);
- (d) where the arrangements involve or may involve the receipt by the subcontractor or delegate of monies belonging to the Issuer which are to be paid into the Transaction Account, the subcontractor or delegate has executed a declaration that any such monies are held on trust for the Issuer and will be paid forthwith into the Transaction Account in accordance with the terms of the Servicing Agreement;
- (e) the subcontractor or delegate has executed a written waiver of any security interest arising in connection with the delegated services;
- (f) the Issuer and the Trustee have no liability for any costs, charges or expenses in relation to the proposed subcontracting or delegation; and
- (g) the subcontractor or delegate has confirmed that it has and will maintain all approvals required for itself in connection with the fulfilment of its obligations under the agreement with the Servicer.

The conditions set out in paragraphs (a) to (d) above will not be required in respect of any delegation to (i) Principality, (ii) a wholly owned subsidiary of Principality from time to time or (iii) persons such as receivers, lawyers or other relevant professionals.

Liability of the Servicer

The Servicer has agreed to indemnify each of the Issuer and the Trustee on an after-tax basis against all losses, liabilities, claims, expenses or damages incurred as a result of negligence, fraud or wilful default by the Servicer in carrying out its functions as servicer under the Servicing Agreement or the other Transaction

Documents to which it is party or as a result of a breach by the Servicer of the terms of the Servicing Agreement or the other Transaction Documents to which it is party (in such capacity).

Back-Up Servicer Facilitator

Under the Servicing Agreement in the event that the Servicer has ceased to be assigned (i) a long-term counterparty risk assessment of at least Baa3(cr) by Moody's or (ii) a long-term issuer default rating of at least BBB- by Fitch (or (A) such other lower risk assessment/rating which is consistent with the then current methodology of the relevant Rating Agency, or (B) such other lower risk assessment/rating that the Cash Manager certifies in writing to the Trustee would not have an adverse effect on the ratings of the Class A Notes, the Servicer, with the assistance of the Back-Up Servicer Facilitator, shall, within 60 days of the date on which it has ceased to be so rated, use reasonable endeavours to enter into a back-up servicing agreement with a back-up servicer with suitable experience and credentials in such form as the Issuer and the Trustee shall reasonably require, subject to and in accordance with the provisions of the Servicing Agreement.

Governing law

The Servicing Agreement and any non-contractual obligations arising out of or in connection with the Servicing Agreement are governed by English law.

INTEREST RATE SWAP PROVIDER

NatWest Markets Plc (**NWM Plc**) is a wholly-owned subsidiary of NatWest Group plc (the "**holding company**").

The "**NWM Group**" comprises NWM Plc and its subsidiary and associated undertakings. The "**NatWest Group**" comprises the holding company and its subsidiary and associated undertakings, including the NWM Group.

As part of NatWest Group, NWM Plc supports NatWest Group's corporate and institutional customers. NWM Plc works in close collaboration with teams across NatWest Group to provide capital markets and risk management solutions to its customers.

Further information relating to the NWM Group can be found in the NWM Plc 2023 Annual Report and Accounts and any relevant NWM Group Registration Document, including any updates or supplements thereto and other relevant filings or announcements, which can be found at <https://investors.natwestgroup.com/regulatory-news/company-announcements>.

The most recent ratings of NWM Plc and the respective entities can be found on <https://investors.natwestgroup.com/fixed-income-investors/credit-ratings>.

The contents of those websites do not form part of this Prospectus and are not incorporated by reference into this Prospectus.

**ACCOUNT BANK, AGENT BANK, PRINCIPAL PAYING AGENT, REGISTRAR AND
CUSTODIAN**

Citibank, N.A. is a national banking association formed through its Articles of Association obtained with its Charter 1461, 17 July 1865 and governed by the laws of the United States of America 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 bank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world.

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 Prudential Regulation Authority.

The short term unsecured obligations of Citibank, N.A. are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long term unsecured unsubordinated obligations of the Bank are rated A+ by Standard & Poor's Credit Market Services Europe Limited, Aa3 by Moody's Investors Service Ltd. and A+ by Fitch Ratings Limited.

THE TRUSTEE

Citicorp Trustee Company Limited 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 UK's Financial Conduct Authority.

STRUCTURAL FEATURES

CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT

The Notes are obligations of the Issuer only and will not be the obligations of, or the responsibility of, or guaranteed by, any other party. However, there are a number of features of the transaction which enhance the likelihood of timely receipt of payments by the Noteholders, as follows:

- Available Revenue Receipts are expected to exceed interest due and payable on the Class A Notes and senior costs and expenses of the Issuer (including retaining the Issuer Profit Amount).
- An Income Deficit on any Interest Payment Date may be funded by applying amounts standing to the credit of the General Reserve Fund and a Remaining Income Deficit on any Interest Payment Date may be funded by applying Principal Receipts.
- The payments of interest and principal on the Classes of Notes in Sequential Order and the deferral of interest payments on the Class B Notes where the Issuer has insufficient proceeds.
- Losses allocable to the Classes of Notes in the Principal Deficiency Ledger (firstly to the Class B Principal Deficiency Sub-Ledger and secondly to the Class A Principal Deficiency Sub-Ledger).
- The Transaction Account earns interest at a specified rate and amounts credited to the Transaction Account may be invested in Authorised Investments.
- A Subordinated Loan is provided by the Subordinated Loan Provider to fund the General Reserve Fund on the Closing Date. Repayment of the Subordinated Loan is subordinated to payments of interest on the Notes.
- The Issuer will enter into the Interest Rate Swap Agreement to hedge against the possible variance between the fixed interest rates due and payable by Borrowers on the Fixed Rate Loans and the floating rate interest payments in respect of the Notes.

For the purposes of this paragraph and where used elsewhere in this Prospectus, **Sequential Order** means in respect of payments of interest and principal to be made to the Class A Notes and Class B Notes, firstly, to the Class A Notes and secondly, to the Class B Notes.

Each of these factors is considered in more detail below.

Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be available to pay the amounts payable under items (a) to (e) of the Pre-Enforcement Revenue Priority of Payments. The actual amount of any excess will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see the section entitled "Structural Features – Credit Enhancement and Liquidity Support") and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency Ledger entries (which may arise from (i) Losses on the Portfolio or (ii) the application of Principal Receipts to cover previous Remaining Income Deficits).

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met in priority to item (g) of the Pre-Enforcement Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

Liquidity support provided by use of General Reserve Fund and Principal Receipts to fund Income Deficit and Remaining Income Deficit

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of items (a) to (f) of the Pre-Enforcement Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose, the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Income Deficit by applying amounts standing to the credit of the General Reserve Fund.

If following application of Available Revenue Receipts and amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a Remaining Income Deficit, the Cash Manager will, on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Income Deficit by applying Principal Receipts (if any).

Payment of the Notes in Sequential Order and deferral of payments on the Notes

Payments of interest on the Classes of Notes will be paid in Sequential Order (so that payments on the Class B Notes will be subordinated to payments on the Class A Notes) in accordance with the applicable Priority of Payments.

Any shortfall in payments of interest on any Class of Notes (other than the Most Senior Class of Notes) will be deferred until the next Interest Payment Date or such earlier date as interest in respect of such Class of Notes becomes immediately due and repayable in accordance with the Conditions and this will not constitute an Event of Default. On the next Interest Payment Date, the amount of interest scheduled to be paid on a Class of Notes will be increased to take account of any deferral of such amounts for such Class of Notes. The deferral process will continue until the Final Maturity Date of the Notes, at which point, all such deferred amounts (including interest thereon) will become due and payable. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes, then the relevant Noteholders may not receive all interest amounts.

It is not intended that any surplus will be accumulated in the Issuer, other than, for the avoidance of doubt, the Issuer Profit Amount and amounts standing to the credit of the General Reserve Ledger up to the General Reserve Required Amount.

Losses allocated to the Principal Deficiency Ledger

On each Calculation Date, the Servicer will determine and notify the Cash Manager of the amount of Losses on the Portfolio which are allocable to the Notes.

A Principal Deficiency Ledger, comprising two sub-ledgers (one relating to each Class of Notes), will be established on the Closing Date in order to record any Losses on the Portfolio and the application of any Principal Receipts to meet any Income Deficit.

Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B Notes.

Losses and the amount of any Principal Receipts applied to fund a Remaining Income Deficit will be recorded as a debit to the Principal Deficiency Ledger as follows:

- (a) *first*, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes; and
- (b) *second*, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class A Notes.

Amounts allocated to the Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Enforcement Revenue Priority of Payments as follows:

- (a) *first*, to the Class A Principal Deficiency Sub-Ledger to reduce the debit balance to zero; and
- (b) *second*, to the Class B Principal Deficiency Sub-Ledger to reduce the debit balance to zero.

Available Revenue Receipts allocated as described above will be applied in or towards redemption of the Notes as Available Principal Receipts in accordance with the Pre-Enforcement Principal Priority of Payments.

On each Interest Payment Date, the Issuer shall also apply any amount standing to the credit of the General Reserve Fund to extinguish or reduce any balance on the Class A Principal Deficiency Sub-Ledger and such amounts will be applied as Available Principal Receipts (see "Liquidity support provided by use of General Reserve Fund and Principal Receipts to fund Income Deficit and Remaining Income Deficit" above).

Transaction Account

If at any time the rating of the Account Bank falls below the Account Bank Rating, there are various remedial actions which may be taken in accordance with the provisions of the Account Bank Agreement. Such actions must be taken within 60 calendar days (but not earlier than 33 calendar days) of the rating of the Account Bank falling below the Account Bank Rating and include (i) closing the Transaction Account and any other account held with the Account Bank and transferring such accounts to an appropriately rated bank or financial institution on substantially similar terms to the Account Bank Agreement, (ii) taking necessary steps in relation to the Transaction Account and any additional account(s) held with the Account Bank in order to avoid the current ratings of any Class of the Notes from being downgraded, withdrawn or qualified by any of the Rating Agencies or (iii) taking any steps necessary in relation to the Transaction Account and any relevant additional account(s) held with the Account Bank as may be directed by an Extraordinary Resolution of the Class A Noteholders.

If, where taking into account the then prevailing market conditions, the Issuer or the Cash Manager determines it is not practical to agree terms substantially similar to those set out in the Account Bank Agreement and the Issuer certifies in writing to the Trustee, that the terms upon which it is proposed the replacement bank or financial institution will be appointed are reasonable commercial terms taking into account the then prevailing current market conditions, a replacement agreement may be entered into on such reasonable commercial terms and the Trustee shall be entitled to rely absolutely on such certification without any liability to any person for so doing (notwithstanding that the fee payable to the replacement account bank may be higher than is currently payable and/or other terms may differ materially from those on which the previously appointed bank or financial institution agreed to act).

All monies held by the Issuer will be deposited in the Transaction Account. The Transaction Account is maintained with the Account Bank. The Account Bank has agreed to pay interest on any cleared credit balances on the Transaction Account as agreed from time to time between the Issuer and the Account Bank. In the event of the Issuer and the Account Bank failing to agree a rate of interest, the Account Bank shall be entitled to change the rate of interest accruing on the Transaction Account to such rate of interest as is then offered or charged by the Account Bank on similar accounts provided that notice is given in respect of such change in accordance with the Account Bank Agreement. The Issuer (or the Cash Manager on its behalf) may invest sums standing to the credit of the Transaction Account in Authorised Investments.

Account Bank Rating means a short-term IDR by Fitch of at least F1 or deposit rating, or if this has not been assigned to such entity, a long-term IDR of at least A by Fitch and a long-term deposit rating of at least A3 by Moody's (or such other short term or long-term rating (or, in the case of Fitch, short-term rating or deposit rating or long-term IDR) which will not have an adverse effect on the then current ratings of the Class A Notes).

Authorised Investments means Sterling gilt-edged securities and/or Sterling treasury bills, Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper other than asset-backed commercial paper or asset-backed securities), provided that in each case such investments are scheduled to mature before the next Interest Payment Date subject to:

- (a) investments with remaining maturities which are greater than or equal to three months, having a short-term rating of at least F1+ by Fitch and P-1 by Moody's and a long-term rating of AA- by Fitch and Aa3 by Moody's (or such other short-term or long-term rating which would not affect the then current rating of the Class A Notes); or
- (b) investments with remaining maturities which are greater than or equal to 30 days but less than three months, having a short-term rating of at least F1+ by Fitch and P-1 by Moody's and a long-term rating of AA- by Fitch and A2 by Moody's (or such other short-term or long-term rating which would not affect the then current rating of the Class A Notes); or
- (c) investments with remaining maturities which are less than 30 days, having a short-term rating of at least F1 by Fitch and P-1 by Moody's and a long-term rating of A by Fitch and A2 by Moody's (or such other short-term or long-term rating which would not affect the then current rating of the Class A Notes).

Subordinated Loan

The Issuer will enter into the Subordinated Loan Agreement with the Subordinated Loan Provider on or about the Closing Date. Pursuant to the Subordinated Loan Agreement, the Subordinated Loan Provider will agree to make available to the Issuer the Subordinated Loan on the Closing Date. The Subordinated Loan will be a subordinate ranking loan which will be used by the Issuer to fund the General Reserve Fund on the Closing Date (the **General Reserve Fund Advance**). The amount of the Subordinated Loan on the Closing Date will be £14,130,415.46.

The Subordinated Loan will bear interest until repaid at a rate of Compounded Daily SONIA (calculated in the same manner and at the same frequency as under the Notes) plus 0.5% per annum. Any unpaid interest will not fall due but will instead be due and payable on the next following Interest Payment Date on which sufficient funds are available to pay the unpaid amount and, pending such payment, will itself bear interest. Interest in respect of the Subordinated Loan will be payable by the Issuer on each Interest Payment Date. The Issuer will repay the General Reserve Fund Advance on each Interest Payment Date to the extent that it has Available Revenue Receipts to make such payment in accordance with the applicable Priority of

Payments or on the Final Maturity Date, and on such other date on which the Class A Notes are redeemed in full from amounts standing to the credit of the General Reserve Fund.

The Subordinated Loan Provider will have the right to assign or novate its rights and/or obligations under the Subordinated Loan to a third party at any time.

The Subordinated Loan Agreement and any non-contractual obligations arising out of or in connection with the Subordinated Loan Agreement will be governed by English law.

Interest Rate Swap Agreement

The interest rate on the Loans in the Portfolio is payable by reference, or linked, to the SVR and certain fixed rates. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Compounded Daily SONIA.

To hedge against the possible variance between:

- (a) the various fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and
- (b) the floating rate of interest payable on the Notes,

the Issuer will, on or about the Closing Date, enter into an Interest Rate Swap Agreement with the Interest Rate Swap Provider. It is not intended that variances between the interest rate on Fixed Rate Loans in the Portfolio payable by reference to the SVR will be hedged under the Interest Rate Swap Agreement, or any other swap agreement. The Interest Rate Swap Transaction is not designed to provide a perfect hedge for the Loans included in the Portfolio or eliminate all risks associated with the mismatch between rates payable in respect of such Loans and interest rates in respect of the Notes. However, the Interest Rate Swap Transaction covers a major share of the interest rate risk present in the context of the Notes.

Cashflows under the Interest Rate Swap Transaction

The Interest Rate Swap Agreement will govern the terms of the interest rate swap transaction relating to the Fixed Rate Loans (the **Interest Rate Swap Transaction**).

Under the Interest Rate Swap Transaction, the following amounts will be calculated in respect of each Interest Payment Date:

- (a) the aggregate of the amounts produced by applying, for each of the monthly calculation periods (or in the case of the calculation period starting on the Closing Date, the relevant portion of such monthly calculation period) in the relevant Interest Period which ends on the last day of such Interest Period, the sum of Compounded Daily SONIA as determined on the Interest Determination Date for the relevant Interest Period and a margin of 1.15 per cent. to the Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the Interest Rate Swap Agreement and in each case for the relevant monthly calculation period (the **Fixed Interest Period Swap Provider Amount**); and
- (b) the aggregate of the amounts (the **Fixed Interest Period Issuer Amount**) produced by applying, for each of the monthly calculation periods (or in the case of the calculation period starting on the Closing Date, the relevant portion of such monthly calculation period) in the relevant Interest Period which ends on the last day of such Interest Period, the weighted average of the rates of interest charged to borrowers of the Fixed Rate Loans as of the last calendar day (determined on an

unadjusted basis) of the preceding calculation period, to the Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the Interest Rate Swap Agreement and in each case for the relevant monthly calculation period.

Payment of the Fixed Interest Period Swap Provider Amount and the Fixed Interest Period Issuer Amount will be made in respect of each Interest Period.

The notional amount of the Interest Rate Swap Transaction (the **Notional Amount**) in respect of each calculation period thereunder will be equal to the product of (i) the Performance Ratio (as defined below) on the last calendar day of such calculation period and (ii) the Relevant Fixed Notional Amount (as defined below) on the last calendar day of such calculation period.

Performance Ratio means in respect of a calculation period, the lesser of: (i) (A) the greater of (x) zero; and (y) the sum of all payments due in respect of each Fixed Rate Loan in the Portfolio during that calculation period less the increase in arrears (being the amount by which a Fixed Rate Loan is in arrears for the current calculation period less the amount by which it was in arrears in the previous calculation period) for each Fixed Rate Loan in the Portfolio during that calculation period, divided by (B) the sum of all payments due in respect of each Fixed Rate Loan in the Portfolio during the calculation period; and (ii) 1.

Relevant Fixed Notional Amount means on any day the aggregate Capital Balance of the Fixed Rate Loans in the Portfolio on such day, as notified by the Servicer to the Interest Rate Swap Provider.

After these amounts are calculated in respect of the Interest Rate Swap Agreement and in relation to an Interest Payment Date, the following payments will be made on or in respect of that Interest Payment Date: (i) if the Fixed Interest Period Issuer Amount is greater than the relevant Fixed Interest Period Swap Provider Amount, then the Issuer will pay the difference to the Interest Rate Swap Provider; and (ii) if the Fixed Interest Period Swap Provider Amount is greater than the Fixed Interest Period Issuer Amount, then the Interest Rate Swap Provider will pay the difference to the Issuer, and (iii) if the Fixed Interest Period Issuer Amount and Fixed Interest Period Swap Provider Amount are equal, neither party will make a payment to the other.

If a payment is to be made by the Interest Rate Swap Provider (other than payments to be credited to the relevant Swap Collateral Account), that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the applicable Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the applicable Priority of Payments.

Estimations and Reconciliations

Where no Servicer Report or other relevant information on the basis of which the Notional Amount of the Interest Rate Swap Transaction would ordinarily be determined has been received, in respect of any monthly calculation period immediately preceding an Interest Payment Date, the applicable Notional Amount under the Interest Rate Swap Transaction shall be estimated by reference to the change in the Notional Amount of the Interest Rate Swap Transaction over the three most recent calculation periods thereunder (or, where there are not at least three previous calculation periods, fewer than three calculation periods) or other relevant available information.

If a Servicer Report or such other relevant information is delivered in respect of the monthly calculation periods immediately preceding any subsequent Collection Period, then (i) the applicable Notional Amount under the Interest Rate Swap Transaction will be calculated on the basis of the information in such Servicer Report or such other relevant information and (ii) one or more reconciliation payments may be required to be made, either by the Issuer or by the Interest Rate Swap Provider in respect of the Interest Rate Swap

Transaction, in order to account for any overpayment(s) or underpayment(s) made in respect of such Interest Rate Swap Transaction during the relevant period of estimations.

Termination of the Interest Rate Swap Transaction

The Interest Rate Swap Transaction may be terminated early in, inter alia, the following circumstances (each, a **Swap Early Termination Event**):

- (a) if there is a failure by a party to pay amounts due under the 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 Issuer or 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;
- (e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under the Interest Rate Swap Agreement;
- (f) if the Interest Rate Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Interest Rate Swap Agreement and described below in "Ratings Downgrade of Interest Rate Swap Provider";
- (g) if the Trustee serves an Enforcement Notice on the Issuer pursuant to Condition 13 (Events of Default) of the Notes;
- (h) if there is a redemption of the Notes pursuant to Condition 9.3 (Optional Redemption in whole) and Condition 9.4 (Optional Redemption in whole for taxation reasons) of the Notes; and
- (i) with respect to the Interest Rate Swap Agreement, if any amendment is made to any of the Transaction Documents without the prior written consent of the Interest Rate Swap Provider such that (a) the Interest Rate Swap Provider would have to pay more, or receive less if it were to replace itself as the Interest Rate Swap Provider than would otherwise be the case prior to the amendment, or (b) the Issuer's obligations to the Interest Rate Swap Provider under the Interest Rate Swap Agreement are further contractually subordinated to the Issuer's obligations to any other Secured Creditor (such consent to be given at the Interest Rate Swap Provider's sole discretion).

Upon the occurrence of a Swap Early Termination Event either the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other party. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the terminated swap based on market quotations of the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties or otherwise determined using commercially reasonable procedures to produce a commercially reasonable result. Any termination payment due from the Issuer to the Interest Rate Swap Provider will be made first out of amounts standing to the credit of the relevant Swap Collateral Account in accordance with the relevant Swap Collateral Account Priority of Payments and then, to the extent that there are insufficient funds standing to the credit of the relevant Swap Collateral Account for this purpose in accordance with the Pre-Enforcement Revenue Priority of Payments or the Post-Enforcement Priority of Payments, as

applicable. Any such termination payment could be substantial. For the avoidance of doubt, any such termination payment shall be calculated net of the value of the balance of the Swap Collateral Accounts.

The Issuer will apply any termination payment it receives from a termination of the Interest Rate Swap Agreement first to purchase a replacement swap in accordance with the Swap Collateral Account Priority of Payments. To the extent that the Issuer receives a premium under any replacement swap, it shall apply such premium first to make any termination payment due under the related terminated swap(s). Other than a Swap Collateral Account Surplus (if any), any such termination payment or premium received by the Issuer will not be available to meet the Issuer's obligations on the Notes or under the Transaction Documents.

Ratings Downgrade of Interest Rate Swap Provider

If, at any time following the Closing Date, the counterparty risk assessment or the short-term or long-term, unsecured and unsubordinated debt obligation ratings of the Interest Rate Swap Provider (or its guarantor), as applicable, are downgraded by a Rating Agency below the required ratings specified in the Interest Rate Swap Agreement for the Interest Rate Swap Provider, such Interest Rate Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations, arranging for its obligations to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with ratings required by the relevant Rating Agency to become co-obligor or guarantor in respect of its obligations, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the Issuer to terminate the Interest Rate Swap Agreement.

Taxation

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 tax is imposed on payments made under the relevant Interest Rate Swap Agreement.

The **Interest Rate Swap Provider** is always 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 to the Issuer under the Interest Rate Swap Agreement. The imposition of a withholding or deduction for or on account of tax on payments made by the Interest Rate Swap Provider or the Issuer under the Interest Rate Swap Agreement will constitute a Tax Event (as defined in the Interest Rate Swap Agreement) and will give the relevant Interest Rate Swap Provider a right to terminate the Interest Rate Swap Agreement subject to the terms thereof.

The Issuer shall pay an amount equal to any Swap Tax Credits in relation to the Interest Rate Swap Agreement directly to the Interest Rate Swap Provider and not in accordance with any Priority of Payments.

Governing Law

The Interest Rate Swap Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

Replacement of the Interest Rate Swap Agreement

Replacement upon early termination

If on or prior to the date of the earlier of either (a) the reduction of the aggregate Principal Amount Outstanding of the Notes being equal to zero; or (b) the service of an Enforcement Notice, the Interest Rate

Swap Transaction is terminated, then the Cash Manager (on behalf of the Issuer) shall (subject to the Issuer having sufficient funds to purchase the requisite replacement swap transaction as set out below) procure that the Issuer enters into a replacement Interest Rate Swap Transaction with a replacement Interest Rate Swap Provider against the possible variance between (i) certain fixed rates payable on the Fixed Rate Loans in the Portfolio and (ii) Compounded Daily SONIA, on terms acceptable to the Issuer and in compliance with any requirement set out in the Interest Rate Swap Transaction to be replaced. The Cash Manager shall, at the relevant time, apply amounts credited or to be credited to the Swap Collateral Account(s) relating to the Interest Rate Swap Transaction for such purpose in accordance with the relevant Swap Collateral Account Priority of Payments. Depending on the circumstances prevailing in the market at the time, the Issuer or the replacement swap provider may be liable to make a payment to the other in order to enter into a replacement swap agreement (such payment, a **Replacement Swap Premium**). If a Replacement Swap Premium is payable by the replacement swap provider to the Issuer, any such amount received by the Issuer will be credited to the relevant Swap Collateral Account and applied in accordance with the relevant Swap Collateral Account Priority of Payments. If a Replacement Swap Premium is payable by the Issuer to the replacement swap provider, the Issuer may not have sufficient funds standing to the credit of the relevant Swap Collateral Account in order to make such payment in accordance with the relevant Swap Collateral Account Priority of Payments and therefore may be unable to enter into a replacement swap agreement.

Swap Credit Support Annex

On or around the Closing Date, the Interest Rate Swap Provider will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) with the Issuer (each, a **Swap Credit Support Annex**) in support of the obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement. Pursuant to the terms of the Swap Credit Support Annex, if at any time the Interest Rate Swap Provider is required to provide collateral in respect of any of its obligations under the Interest Rate Swap Agreement, such Swap Credit Support Annex will provide that, from time to time, subject to the conditions specified in the Swap Credit Support Annex and the Interest Rate Swap Agreement, the Interest Rate Swap Provider will make transfers of collateral to the Issuer in respect of its obligations under the Interest Rate Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Credit Support Annex.

Swap Collateral

In the event that the Interest Rate Swap Provider is required to transfer collateral to the Issuer in respect of its obligations under the Interest Rate Swap Agreement in accordance with the terms of the Swap Credit Support Annex, that collateral (and any interest and/or distributions earned thereon) will be credited to a separate Swap Collateral Account. In addition, upon any early termination of the Interest Rate Swap Agreement or novation of the Interest Rate Swap Provider's obligations under the Interest Rate Swap Agreement to a replacement Interest Rate Swap Provider, (i) any Replacement Swap Premium received by the Issuer from a replacement Interest Rate Swap Provider and/or (ii) any termination payment received by the Issuer from the outgoing Interest Rate Swap Provider will be credited to the relevant Swap Collateral Account.

Amounts and securities standing to the credit of each Swap Collateral Account (including interest, distributions and redemption or sale proceeds thereon or thereof) will not be available for the Issuer or the Trustee to make payments to the Secured Creditors generally, but may be applied only in accordance with the following provisions (the **Swap Collateral Account Priority of Payments**):

- (a) prior to the designation of an Early Termination Date in respect of the Interest Rate Swap Agreement, solely in or towards payment of any Return Amounts, Interest Amounts and Distributions (each as defined in the relevant Swap Credit Support Annex), on any day, directly to the Interest Rate Swap Provider in accordance with the terms of the relevant Swap Credit Support Annex;

- (b) following the designation of an Early Termination Date in respect of the Interest Rate Swap Agreement where (A) such Early Termination Date has been designated following an Event of Default in respect of which the Interest Rate Swap Provider is the Defaulting Party or an Additional Termination Event (as defined in the Interest Rate Swap Agreement) resulting from a ratings downgrade of the Interest Rate Swap Provider and (B) the Issuer enters into a replacement swap agreement in respect of such Interest Rate Swap Agreement on or around the Early Termination Date of such Interest Rate Swap Agreement, on the later of the day on which such replacement swap agreement is entered into and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
- (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Interest Rate Swap Agreement being terminated or novated;
 - (ii) *second*, in or towards payment of any termination payment due to the outgoing Interest Rate Swap Provider; and
 - (iii) *third*, the surplus (if any) (a **Swap Collateral Account Surplus**) on such day to be transferred to the Transaction Account;
- (c) following (i) the designation of an Early Termination Date in respect of the Interest Rate Swap Agreement where (A) such Early Termination Date has been designated otherwise than as a result of one of the events specified at item (b)(A) above and (B) the Issuer enters into a replacement swap agreement on or around the Early Termination Date or (ii) any novation of the Interest Rate Swap Provider's obligations to a replacement Interest Rate Swap Provider, on the later of the day on which such replacement swap agreement is entered into and the day on which a Replacement Swap Premium (if any) payable to the Issuer has been received, in the following order of priority:
- (i) *first*, in or towards payment of any termination payment due to the outgoing Interest Rate Swap Provider;
 - (ii) *second*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with the Issuer with respect to the Interest Rate Swap Agreement being terminated or novated; and
 - (iii) *third*, the surplus (if any) (a **Swap Collateral Account Surplus**) on such day to be transferred to the Transaction Account;
- (d) following the designation of an Early Termination Date in respect of the Interest Rate Swap Agreement for any reason where the Issuer does not enter into a replacement swap agreement on or around the Early Termination Date on any day, in or towards payment of any termination payment due to the outgoing Interest Rate Swap Provider;
- (e) following payments of amounts due pursuant to paragraph (d) above, if amounts remain standing to the credit of a Swap Collateral Account, such amounts may be applied only in accordance with the following provisions:
- (i) *first*, in or towards payment of a Replacement Swap Premium (if any) payable by the Issuer to a replacement swap provider in order to enter into a replacement swap agreement with

the Issuer with respect to the Interest Rate Swap Agreement to which such Swap Collateral Account relates; and

- (ii) *second*, the surplus (if any) (a **Swap Collateral Account Surplus**) remaining after payment of such Replacement Swap Premium to be transferred to the Transaction Account,

provided that if the Issuer does not enter into a replacement swap agreement with respect to the Interest Rate Swap Agreement to which such Swap Collateral Account relates on or prior to the earlier of:

- (A) the day that is 14 days prior to the date on which the Principal Amount Outstanding of all Classes of Notes is reduced to zero (other than following the occurrence of an Event of Default pursuant to Condition 13 (Events of Default)); or
- (B) the day on which an Enforcement Notice is given pursuant to Condition 13 (Events of Default),

then the amount standing to the credit of such Swap Collateral Account on such day shall be a **Swap Collateral Account Surplus** and shall be transferred to the Transaction Account as soon as reasonably practicable thereafter.

The Cash Manager may invest amounts standing to the credit of the Swap Collateral Cash Account in certain sterling, euro or U.S. dollar demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper and money market fund investments), provided that in all cases such investments satisfy the conditions set out in the Interest Rate Swap Agreement.

The Swap Collateral Cash Account will be opened on or prior to the Closing Date in the name of the Issuer and will be held with the Account Bank. The Swap Collateral Securities Account will be opened prior to or promptly following the Closing Date in the name of the Issuer and will be held with the Custodian. As security for the payment of all monies payable in respect of the Notes and the other Secured Amounts, the Issuer will grant a first fixed charge over the Issuer's interest in the Swap Collateral Cash Account and the Swap Collateral Securities Account and the debts represented thereby (which may, however, take effect as a floating charge and therefore rank behind the claims of any preferential creditors of the Issuer).

CASHFLOWS AND CASH MANAGEMENT

APPLICATION OF REVENUE RECEIPTS PRIOR TO SERVICE OF AN ENFORCEMENT NOTICE

Application of General Reserve Fund Amounts and Principal Receipts to cover income deficits

On each Calculation Date, the Cash Manager shall calculate whether the Available Revenue Receipts will be sufficient to pay on the relevant Interest Payment Date items (a) to (f) of the Pre-Enforcement Revenue Priority of Payments. **Calculation Date** means in relation to an Interest Payment Date, the fourth Business Day prior to such Interest Payment Date.

If the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Income Deficit by applying amounts standing to the credit of the General Reserve Fund.

If, following application of amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a Remaining Income Deficit, then the Issuer shall pay or provide for such Remaining Income Deficit by applying Principal Receipts (if any) and the Cash Manager shall make a corresponding entry in the Principal Deficiency Ledger as described in "Structural Features" above.

General Reserve Fund and General Reserve Ledger

The **General Reserve Required Amount** will be an amount equal to £14,130,415.46 on the Closing Date (being an amount at least equal to 2.00% of the Current Balance of the Portfolio as at the Cut-Off Date) (the **Initial General Reserve Required Amount**) and thereafter shall on each Interest Payment Date be an amount equal to 2.00% of the Current Balance of the Portfolio as at the Cut-Off Date, provided that if on such date the General Reserve Amortisation Conditions (as defined below) are met, the General Reserve Required Amount shall be an amount equal to 2.50% of the Principal Amount Outstanding of the Class A Notes on such Interest Payment Date (taking into account any redemptions of the Class A Notes on such Interest Payment Date), subject to a maximum of the Initial General Reserve Required Amount and a minimum of 1.75% of the Current Balance of the Portfolio as at the Cut-Off Date. If on any Calculation Date any of the General Reserve Amortisation Conditions are not met, the General Reserve Required Amount shall be equal to the General Reserve Required Amount for the preceding Interest Payment Date.

The **General Reserve Amortisation Conditions** means each of the following conditions:

- (a) no Event of Default has occurred and is continuing;
- (b) the Class A Principal Deficiency Sub-Ledger will not have a debit balance on that Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (c) the Current Balance of the Loans comprising part of 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% of the aggregate Current Balance of the Loans comprising the Portfolio as at such relevant date; and
- (d) cumulative Losses on the Portfolio as at such relevant date represent less than 1% of the aggregate Current Balance of the Loans comprising the Portfolio as at the Cut-Off Date.

The General Reserve Fund will be credited to the Transaction Account (with a corresponding credit to the **General Reserve Ledger**). The Issuer may invest the amounts standing to the credit of the Transaction

Account in Authorised Investments. See "Structural Features" above. To the extent any amounts are required on an Interest Payment Date to be withdrawn from the General Reserve Fund to pay or provide for any Income Deficit, or if there is any General Reserve Fund Excess on any Interest Payment Date, such amounts will be applied in accordance with the applicable Priority of Payments.

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund (the **General Reserve Ledger**).

After the Closing Date, the General Reserve Fund will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Enforcement Revenue Priority of Payments up to the General Reserve Required Amount.

General Reserve Fund means the reserve fund established on the Closing Date which will be initially funded by the Subordinated Loan up to the General Reserve Required Amount and which will subsequently be funded from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments.

General Reserve Fund Excess means, on any Interest Payment Date, the amount by which the funds standing to the credit of the General Reserve Fund (after deducting any amounts to be applied to eliminate any Income Deficit) exceed the General Reserve Required Amount.

Following repayment in full of the Class A Notes, the Issuer shall not be required to maintain the General Reserve Fund and the General Reserve Required Amount shall be zero, in which case, such amounts standing to the credit of the General Reserve Fund shall be used first, to repay the Subordinated Loan in full and second, any remainder shall be used as Available Revenue Receipts.

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

On each Interest Payment Date prior to the service of an Enforcement Notice by the Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for the Available Revenue Receipts together with (in the case of any Income Deficit) any amount standing to the credit of the General Reserve Fund and (in the case of any Remaining Income Deficit) any amounts referred to in paragraph (e) of the definition of Available Principal Receipts to the extent required to cover any Remaining Income Deficits in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Pre-Enforcement Revenue Priority of Payments**):

- (a) *first*, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of any fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due and payable or to become due and payable in the immediately succeeding Interest Period to the Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Transaction Documents, together with (if payable) VAT thereon as provided therein;

- (ii) any costs, charges, liabilities, expenses and other amounts then due and payable to the Account Bank, the Custodian and any bank at which a Swap Collateral Account or other account in the name of the Issuer is held, and any amount to become due and payable to the Account Bank, the Custodian and any bank at which a Swap Collateral Account or other account in the name of the Issuer is held, as applicable, in the immediately succeeding Interest Period under the provisions of the Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due and payable to the Servicer, and any costs, charges, liabilities and expenses then due and payable to the Servicer, or any such amount to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts due and payable to any back-up servicer, and any costs, charges, liabilities and expenses then due and payable to such back-up servicer, or any such amount to become due and payable to such back-up servicer in the immediately succeeding Interest Period under the provisions of any back-up servicing agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts due and payable to the Back-Up Servicer Facilitator, and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator, or any such amount to become due and payable to the Back-Up Servicer Facilitator in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager or any such amount to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein;
 - (v) any amounts then due and payable to any back-up cash manager and any costs, charges, liabilities and expenses then due and payable to such back-up cash manager or any such amount to become due and payable to such back-up cash manager in the immediately succeeding Interest Period under the provisions of any back-up cash management agreement, together with (if payable) VAT thereon as provided therein;
 - (vi) 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), any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer and any amounts required to pay or

discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained by the Issuer as profit under item (h) below); and

- (vii) any Transfer Costs which the Seller has failed to pay;
- (d) *fourth*, to pay according to the amount thereof and in accordance with the terms of the Interest Rate Swap Agreement amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer to the extent not satisfied out of amounts standing to the credit of the relevant Swap Collateral Account and applied in accordance with the relevant Swap Collateral Account Priority of Payments, but excluding any related Swap Subordinated Amounts and Swap Tax Credits and any Return Amounts, Interest Amounts and Distributions payable under a Swap Credit Support Annex (each as defined in the relevant Swap Credit Support Annex));
- (e) *fifth*, in or towards payment pro rata and *pari passu* of interest due and payable on the Class A Notes;
- (f) *sixth*, to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
- (g) *seventh*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (h) *eighth*, to retain the Issuer Profit Amount;
- (i) *ninth*, to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;
- (j) *tenth*, to pay according to the amount thereof and in accordance with the terms of the Interest Rate Swap Agreement, to the Interest Rate Swap Provider any Swap Subordinated Amount;
- (k) *eleventh*, to pay interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);
- (l) *twelfth*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (m) *thirteenth*, to pay the principal amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (n) *fourteenth*, (so long as any Class A Notes will remain outstanding following such Interest Payment Date) if such Interest Payment Date falls immediately after a Determination Period, then the excess (if any) to be retained in the Transaction Account to be applied as Available Revenue Receipts on the next following Interest Payment Date; and
- (o) *fifteenth*, to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

APPLICATION OF PRINCIPAL RECEIPTS PRIOR TO SERVICE OF AN ENFORCEMENT NOTICE

The Issuer shall pay or provide for amounts due under the Pre-Enforcement Revenue Priority of Payments before paying amounts due under the Pre-Enforcement Principal Priority of Payments.

Prior to the service of an Enforcement Notice on the Issuer by the Trustee, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Enforcement Principal Priority of Payments**):

- (a) *first*, pro rata and *pari passu*, to redeem the Class A Notes until the Class A Notes have been redeemed in full;
- (b) *second*, pro rata and *pari passu*, to redeem the Class B Notes until the Class B Notes have been redeemed in full; and
- (c) *third*, the excess (if any) to be applied as Available Revenue Receipts.

APPLICATION OF AVAILABLE REVENUE RECEIPTS, AVAILABLE PRINCIPAL RECEIPTS AND OTHER MONIES OF THE ISSUER FOLLOWING THE SERVICE OF AN ENFORCEMENT NOTICE

Following the service of an Enforcement Notice by the Trustee on the Issuer, the Trustee (or the Cash Manager on its behalf or a Receiver) will apply amounts (other than (i) amounts standing to the credit of the Swap Collateral Accounts, except for any Swap Collateral Account Surplus, and (ii) any amount received by the Issuer in respect of Swap Tax Credits received or recovered following the service of an Enforcement Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security)) in the following order of priority (the **Post-Enforcement Priority of Payments** and, together with the Pre-Enforcement Revenue Priority of Payments, the Pre-Enforcement Principal Priority of Payments and the Swap Collateral Account 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, indemnity payments and all other amounts then due and payable to the Trustee or any Appointee, under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses, indemnity payments and all other amounts then due and payable to any Receiver appointed by the Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Transaction Documents, together with (if payable) VAT thereon as provided therein; and

- (ii) any costs, charges, liabilities, expenses and other amounts then due and payable to the Account Bank, the Custodian and any bank at which a Swap Collateral Account or other account in the name of the Issuer is held, as applicable, under the provisions of the Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (iii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction pro rata and *pari passu* according to the respective amounts thereof of:
- (i) any amounts due and payable to the Servicer, and any 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 due and payable to any back-up servicer, and any costs, charges, liabilities and expenses then due and payable to such back-up servicer under the provisions of any back-up servicing agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts due and payable to the Back-Up Servicer Facilitator, and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (v) any amounts then due and payable to any back-up cash manager and any costs, charges, liabilities and expenses then due and payable to such back-up cash manager under the provisions of any back-up cash management agreement, together with (if payable) VAT thereon as provided therein;
- (d) *fourth*, to pay according to the amount thereof and in accordance with the terms of the Interest Rate Swap Agreement amounts due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (in each case, including any termination payment due and payable by the Issuer to the extent not satisfied out of amounts standing to the credit of the relevant Swap Collateral Account and applied in accordance with the relevant Swap Collateral Account Priority of Payments, but excluding any Swap Subordinated Amounts and Swap Tax Credits and any Return Amounts, Interest Amounts and Distributions payable under a Swap Credit Support Annex (as defined in the relevant Swap Credit Support Annex));
- (e) *fifth*, to pay interest due and payable on the Class A Notes;
- (f) *sixth*, to pay pro rata and *pari passu* principal due and payable on the Class A Notes;
- (g) *seventh*, to pay interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);

- (h) *eighth*, to pay pro rata and *pari passu* principal due and payable on the Class B Notes;
- (i) *ninth*, to pay according to the amount thereof and in accordance with the terms of the Interest Rate Swap Agreement, to the Interest Rate Swap Provider any Swap Subordinated Amount;
- (j) *tenth*, to pay all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (k) *eleventh*, to pay to the Issuer, the Issuer Profit Amount;
- (l) *twelfth*, to pay any amounts required by the Issuer in order to pay or discharge any liability of the Issuer to corporation tax (which cannot be made out of amounts retained by the Issuer as profit including amounts under item (k) above); and
- (m) *thirteenth*, to pay Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

DISCLOSURE OF MODIFICATIONS TO THE PRIORITY OF PAYMENTS

Any events which trigger changes in any Priority of Payments and any change in any Priority of Payments which will materially adversely affect the repayment of the Notes shall be disclosed without undue delay to the extent required under Article 21(9) of the UK Securitisation Regulation.

CASH MANAGEMENT AGREEMENT

Compensation of the Cash Manager

The Cash Manager will receive a cash management fee for providing certain cash management services. The Issuer will pay the Cash Manager its cash management fee (inclusive of any applicable VAT) of £1,200 per annum (or such other amount as may be agreed between the Issuer and the Cash Manager). The cash management fees are payable quarterly in arrears on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Pre-Enforcement Revenue Priority of Payments to pay them. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Final Maturity Date or on any earlier date on which an Enforcement Notice is served by the Trustee on the Issuer.

The fee payable to any replacement cash manager may be higher than is currently payable and/or other terms may differ materially from those on which the Cash Manager agreed to act.

Investor Reports and information

Bank of England Reporting

Principality (as originator) and the Issuer will procure that the Cash Manager will publish a monthly investor report detailing, inter alia, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework. In addition, the Cash Manager will produce loan-by-loan information on a monthly basis in a format required by the Bank of England.

Such reports will be published on Principality's website and by means of the Reporting Websites. For the avoidance of doubt, these websites and the contents thereof do not form part of this Prospectus. Any documents provided in draft form are subject to amendment and completion without notice. The information referred to above will be made available to the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes.

Reporting under the UK Securitisation Regulation and EU Securitisation Regulation

Principality (as originator) will procure that the Cash Manager will:

- (a) publish a quarterly investor report in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation and a quarterly investor report in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(e) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) (subject to, in the event of any amendments or changes to the EU Reporting Requirements taking effect after the Closing Date, the ability of Principality to elect not to comply with the EU Reporting Requirements as so amended or changed);

- (b) publish on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation and certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance Article 7(1)(a) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) (subject to, in the event of any amendments or changes to the EU Reporting Requirements taking effect after the Closing Date, the ability of Principality to elect not to comply with the EU Reporting Requirements as so amended or changed);
- (c) publish any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the UK Securitisation Regulation and Articles 7(1)(f) or 7(1)(g) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) without delay (subject to, in the event of any amendments or changes to the EU Reporting Requirements taking effect after the Closing Date, the ability of Principality to elect not to comply with the EU Reporting Requirements as so amended or changed). Such information will also be made available, on request, to potential holders of the Notes; and
- (d) within 15 days of the issuance of the Notes, make available via the Reporting Websites, copies of the Transaction Documents, the UK STS Notification and this Prospectus.

The obligation of Principality to comply with the EU Reporting Requirements is strictly contractual. If, after the Closing Date, there are any amendments or changes to the EU Reporting Requirements, Principality may elect, at its sole discretion, not to comply with the EU Reporting Requirements following any such amendments or changes thereto. If Principality elects not to comply with the EU Reporting Requirements following any amendments or changes thereto, the Cash Manager shall, without delay, procure the publication of an inside information and significant event report in accordance with Article 7(1)(f) or (g) of the UK Securitisation Regulation and Article 7(1)(f) or (g) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and the Issuer) notifying that Principality shall no longer comply with the EU Reporting Requirements.

Such reports and information shall be published by means of the Reporting Websites.

The Cash Manager will make the information referred to in this section headed "Reporting under the UK Securitisation Regulation and EU Securitisation Regulation" available to the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes. The information referred to in paragraphs (a) and (b) above shall be made available simultaneously not later than one month after the relevant Interest Payment Date.

Cashflow model

Principality (as originator) will procure that the Cash Manager will make available to the holders of the Notes a cashflow model, either directly or indirectly through one or more entities which provide such cashflow models to investors generally. Principality in its capacity as originator shall procure that such cashflow model precisely represents the contractual relationship between the Loans and the payments flowing between the Seller, investors in the Notes, other third parties and the Issuer to investors in the Notes and to potential investors in the Notes upon request. The Cashflow Model shall be made available via the Reporting Websites: (i) prior to the pricing of the Notes to potential investors and (ii) on an ongoing basis.

Removal or Resignation of the Cash Manager

If any of the following events (each a **Cash Manager Termination Event**) shall occur:

- (a) Non-payment: default is made by the Cash Manager in the payment, on the due date, of any payment due and payable by it under the Cash Management Agreement and such default (where capable of remedy) continues unremedied for a period of ten Business Days after the earlier of the Cash Manager becoming aware of such default and receipt by the Cash Manager of written notice from the Issuer or, following service of an Enforcement Notice, the Trustee, as the case may be, requiring the same to be remedied; or
- (b) Breach of other obligations: default is made by the Cash Manager in the performance or observance of any of its other covenants and obligations under the Cash Management Agreement, which in the opinion of the Issuer, following consultation with the Trustee, (prior to the delivery of an Enforcement Notice) or (following the delivery of an Enforcement Notice) the Trustee, is materially prejudicial to the interests of the Noteholders and such default continues unremedied for a period of 20 Business Days after the earlier of the Cash Manager becoming aware of such default (where capable of remedy) and receipt by the Cash Manager of written notice from the Issuer or the Trustee (following the service of an Enforcement Notice), as applicable, requiring the same to be remedied (where capable of remedy); or
- (c) Unlawfulness: it is or will become unlawful for the Cash Manager to perform or comply with any of its obligations under the Cash Management Agreement; or
- (d) Insolvency Event: an Insolvency Event occurs in relation to the Cash Manager,

then the Issuer (with the prior consent of the Trustee) and/or (following the service of an Enforcement Notice) the Trustee may upon becoming aware of such default and while such default continues, deliver a notice (a **Cash Manager Termination Notice**) within seven Business Days of such Cash Manager Termination Event to the Cash Manager (with a copy to the Issuer or the Trustee, as applicable), to terminate its appointment as Cash Manager under the Cash Management Agreement with effect from the date specified in such Cash Manager Termination Notice (which shall be no earlier than 14 Business Days from the date of receipt of the Cash Manager Termination Notice by the back-up or replacement cash manager).

Appointment of a back-up Cash Manager

The Cash Management Agreement provides that on the Cash Manager ceasing to be assigned a long-term counterparty risk assessment by Moody's of at least Baa3(cr) or a long-term issuer default rating of at least BBB- by Fitch (or (A) such other lower risk assessment which is consistent with the then current methodology of the relevant Rating Agency or (B) such other lower risk assessment/rating that the Cash Manager certifies in writing to the Trustee would not have an adverse effect on the ratings of the Class A Notes, the Issuer shall require the Cash Manager, within 60 days, to use best efforts to appoint a back-up cash manager which meets the requirements for a substitute cash manager provided for by the Cash Management Agreement.

CERTAIN OTHER TRANSACTION DOCUMENTS

DEED OF CHARGE

On the Closing Date, the Issuer will enter into the Deed of Charge with, inter alios, the Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the 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) a charge by way of first fixed charge (subject to the subsisting rights of redemption of the relevant Borrowers) of the Benefit of the Issuer in the Loans and their Related Security comprised in the Portfolio;
- (b) a charge by way of first fixed charge, without prejudice to paragraph (a) above and to the extent that no charge created by paragraph (a) above is (if the Trustee were so to require) capable of registration at the Land Registry as a sub-charge, in exercise of the power conferred by section 23(2)(b) of the Land Registration Act 2002, of all indebtedness comprising an obligation or liability to pay money secured by each registered charge of which it is registered as proprietor at the Land Registry including, without limitation, those registered against the title numbers set out in the relevant annexures to the Mortgage Sale Agreement;
- (c) a charge by way of first fixed charge of the Benefit of each Authorised Investment;
- (d) a charge by way of first fixed charge of the Benefit of each Issuer Account, each Swap Collateral Account and any other bank accounts in which the Issuer may at any time have or acquire any Benefit and (to the extent of its interest) all balances now or in the future standing to the credit of or accrued or accruing on such accounts;
- (e) an assignment by way of security of the Benefit under each relevant Transaction Document (other than the Trust Documents) except that the assignment by way of security of the Benefit of the Issuer under the Interest Rate Swap Agreement shall be subject to any rights of set-off or netting provided for thereunder; and
- (f) a first floating charge over the whole of the Issuer's undertaking and all its property, assets, rights and revenues, whatsoever and wheresoever present and future including its uncalled capital (including assets expected to be subject to a fixed charge or assignment by way of security or absolute assignment as described above),

where **Benefit** means in respect of any asset, agreement, property or right (each a **Right** for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

- (i) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Right and all ancillary rights, accretions and supplements to such Right, including any guarantees or indemnities in respect of such Right (**Ancillary Rights**);

- (ii) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Right or its Ancillary Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;
- (iii) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Right or its Ancillary Rights;
- (iv) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Right or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Right or its Ancillary Rights; and
- (v) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach.

The floating charge created by the Deed of Charge shall be postponed to any valid fixed charges which remain outstanding under or pursuant to the Deed of Charge from time to time and any rights of the Issuer to deal with the assets subject to the floating charge shall be expressly subject to any restrictions placed on dealing with those assets contained in any fixed charge over the same.

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.

Payments prior to Enforcement

Prior to the Trustee serving a notice in, or substantially in, the form of the document so named set out in the Deed of Charge (a **Security Protection Notice**) (which shall result in the floating charge granted by the Issuer under the Deed of Charge crystallising into a fixed charge or charges over the assets specified in the Security Protection Notice and the Issuer being required to execute further fixed charges as requested by the Trustee) or an Enforcement Notice (which shall result in the Security granted in favour of the Trustee becoming enforceable) on the Issuer pursuant to Clause 13 (Security Protection Notice) of the Deed of Charge and Condition 13 (Events of Default) of the Notes respectively:

- (a) payments becoming due to the Issuer under any of the Transaction Documents, together with all other monies payable to the Issuer pursuant to any other documents or arrangements to which it is a party, may be made to the Issuer in accordance with the provisions of the relevant Transaction Documents or (as the case may be) the documents or arrangements concerned;
- (b) the Issuer may, subject to paragraph (c) below, exercise its rights, powers and discretions and perform its obligations in relation to the Charged Property and under the Transaction Documents in accordance with the provisions of the Transaction Documents or (as the case may be) such other documents or arrangements; and
- (c) monies standing to the credit of the Charged Accounts (being the Issuer Accounts, Swap Collateral Accounts and any bank or other account in which the Issuer may at any time acquire a Benefit and

over which the Issuer has created an Encumbrance in favour of the Trustee pursuant to the Deed of Charge) from time to time may be withdrawn therefrom by the Issuer but only in accordance with the provisions of the Cash Management Agreement, Account Bank Agreement, Swap Collateral Securities Account Agreement and Interest Rate Swap Agreement,

where **Encumbrance** means:

- (i) a mortgage, charge, pledge, lien or other encumbrance securing any obligation of any person;
- (ii) any arrangement under which money or claims to money, or the benefit of, a bank or other account may be applied, set-off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or
- (iii) any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

Post-Enforcement Priority of Payments

After the Trustee has served an Enforcement Notice (which has not been withdrawn) on the Issuer pursuant to Condition 13 (Events of Default) of the Notes, declaring the Notes to be immediately due and payable, the Trustee shall apply the monies available in accordance with Clause 17 (Post-Enforcement Priority of Payments) of the Deed of Charge.

The whole of the Security shall become enforceable:

- (a) upon the delivery of an Enforcement Notice on the Issuer pursuant to Condition 13 (Events of Default) of the Notes, except where the Enforcement Notice has been delivered as a result of an Issuer Insolvency Event occurring solely due to the Issuer obtaining or taking steps to obtain a moratorium pursuant to section 1A of the Insolvency Act 1986; and
- (b) if any person who is entitled to do so presents a petition or an application for the appointment of an administrator of the Issuer, gives notice of intention to appoint an administrator of the Issuer or files such notice with the court the occurrence of which shall have been notified in writing to the Trustee.

For the purposes of Article 21(4)(d) of the UK Securitisation Regulation, no provision of the Deed of Charge requires automatic liquidation upon default of the Issuer.

Issuer Insolvency Event means, in respect of the Issuer:

- (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or
- (b) a moratorium is declared in respect of any indebtedness of such company; or
- (c) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or
- (d) any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or
 - (ii) an encumbrancer (excluding the Trustee or any Receiver) taking possession of the whole or (in the opinion of the Trustee) any substantial part of the undertaking or assets of such company; or
 - (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or
 - (iv) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding by the Trustee or any Receiver); or
- (e) any procedure or step is taken, or any event occurs, analogous to those set out in (a) to (d) above, in any jurisdiction.

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 and the Trustee will enter into the Trust Deed pursuant to which the Issuer and the Trustee will agree that the Notes are subject to the provisions in the Trust Documents. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Trustee will agree to hold the benefit of, among other things, 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 Trustee for its services under the Trust Deed at the rate agreed between the Issuer and the Trustee. The Issuer shall also pay or discharge all costs, charges and expenses incurred by the Trustee and the receiver in relation to the performance of its obligations under and in relation to the Trust Documents and the other Transaction Documents.

Retirement of Trustee

Any Trustee for the time being of the Trust Documents may retire at any time upon giving not less than three calendar months' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any Liabilities occasioned by such retirement. The retirement of any Trustee shall not become effective unless there remains a trustee thereof (being a corporation entitled by the rules made under the Public Trustee Act 1906 to act as a custodian trustee or entitled pursuant to any other legislation

applicable to a trustee in any jurisdiction other than England and Wales to act as trustee and carry on trust business under the laws of the country of its incorporation, a **Trust Corporation**) in office after such retirement. The Issuer covenants that, in the event of the sole trustee or the only trustee thereof which is a Trust Corporation giving notice under clause 30 (Retirement of Trustees) of the Trust Deed, it shall use all reasonable endeavours to procure a new trustee, being a Trust Corporation, to be appointed. If the Issuer has not appointed a new trustee prior to the expiry of the notice period given by the Trustee, the Trustee shall be entitled to nominate a replacement, being a Trust Corporation.

Governing Law

The Trust Deed and any non-contractual obligations arising out of or in connection with it will be governed by English law.

ACCOUNT BANK AGREEMENT

Pursuant to the terms of the Account Bank Agreement entered into on the Closing Date between, among others, the Issuer, the Account Bank, the Cash Manager and the Trustee, the Issuer will maintain with the Account Bank a transaction account (the **Transaction Account**) and a swap collateral cash account (the **Swap Collateral Cash Account**) providing a rate of interest agreed from time to time between the Issuer and the Account Bank on any cleared credit balances thereof, which will be operated in accordance with the Account Bank Agreement, the Cash Management Agreement and the Deed of Charge.

If at any time the rating of the Account Bank falls below the Account Bank Rating, there are various remedial actions which may be taken in accordance with the provisions of the Account Bank Agreement. Such actions must be taken within 60 calendar days of the rating of the Account Bank falling below the Account Bank Rating (but shall not occur earlier than 33 calendar days following such downgrade) and include (i) closing the Transaction Account and any other account held with the Account Bank and transferring such accounts to an appropriately rated bank or financial institution on substantially similar terms to the Account Bank Agreement, (ii) taking necessary steps in relation to the Transaction Account and any additional account(s) held with the Account Bank in order to avoid the current ratings of any Class of the Notes from being downgraded, withdrawn or qualified by any of the Rating Agencies or (iii) taking any steps necessary in relation to the Transaction Account and any relevant additional account(s) held with the Account Bank as may be directed by an Extraordinary Resolution of the Class A Noteholders.

The Account Bank Agreement may be terminated in other circumstances by the Cash Manager (so long as the Seller is the Cash Manager and with the prior written approval of the Trustee), the Issuer (with the prior written approval of the Trustee) or (following the delivery of an Enforcement Notice) the Trustee. The Account Bank may also terminate the Account Bank Agreement in accordance with the provisions set out in the Account Bank Agreement.

The Issuer will deposit any collateral in the form of cash which is required to be paid to the Issuer by an Interest Rate Swap Provider in accordance with the terms of an Interest Rate Swap Agreement in the relevant Swap Collateral Cash Account.

The Account Bank Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

COLLECTION ACCOUNT DECLARATION OF TRUST

The Seller has declared a trust (the **Collection Account Declaration of Trust**) over its principal collection account in favour of, among others, (i) itself, (ii) the Issuer, (iii) Friary No.6 plc, Friary No.7 plc and Friary

No.8 plc (in their capacities as previous issuers) and (iii) certain future issuers and beneficiaries who may accede to the terms of the Collection Account Declaration of Trust. The Issuer will accede to the terms of the Collection Account Declaration of Trust by entering into an accession agreement in respect of the Collection Account Declaration of Trust. The Collection Account Declaration of Trust and any non-contractual obligations arising out of or in connection with it will be governed by English law.

SWAP COLLATERAL SECURITIES ACCOUNT AGREEMENT

Pursuant to the terms of the Swap Collateral Securities Account Agreement entered into on the Closing Date between, among others, the Issuer, the Trustee and the Custodian, the Issuer will open the Swap Collateral Securities Account with the Custodian.

The Issuer will deposit any collateral in the form of securities which is required to be paid to the Issuer by an Interest Rate Swap Provider in accordance with the terms of an Interest Rate Swap Agreement in the Swap Collateral Securities Account.

The Swap Collateral Securities Account Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

AGENCY AGREEMENT

Pursuant to the Agency Agreement entered into on or before the Closing Date between the Issuer, the Trustee, the Registrar, the Principal Paying Agent and the Agent Bank, provision has been made for, among other things, payment of principal and interest in respect of the Notes and the maintenance of a register of the holders of the Notes. The Agency Agreement and any non-contractual obligations arising out of it are governed by English law.

INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK

Regulated Mortgage Contracts

In the UK, regulation of residential mortgage business under the 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 FCA (known before 1 April 2013 as the FSA). Entering into as a lender, arranging or advising in respect of and administering regulated mortgage contracts and agreeing to do any of those activities are (subject to applicable exemptions) 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.

The original definition of a Regulated Mortgage Contract was such that 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 at the time it is entered into: (i) the lender provided credit to an individual or to trustees, (ii) the obligation of the borrower to repay was secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom, and (iii) at least 40% of the land was used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. A related person (in relation to a borrower, or in the case of credit provided to trustees, a beneficiary of the trust) means: (i) that person's spouse or civil partner, (ii) a person (whether or not of the opposite sex) whose relationship with that person has the characteristics of the relationship between husband and wife, or (iii) that person's parent, brother, sister, child, grandparent or grandchild (a **Related Person**).

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 and the subsequent retraction of that extension.

The current definition of a Regulated Mortgage Contract is such that if the mortgage contract was entered into on or after 21 March 2016, it will be a regulated mortgage contract (**Regulated Mortgage Contract**) if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions): (a) the borrower is an individual or trustee, (b) the obligation of the borrower to repay is secured by a mortgage on land, and (c) at least 40% of which is used, or is intended to be used, (i) in the case of credit provided to an individual, as or in connection with a dwelling; or (ii) in the case of credit provided to a trustee which is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a Related Person. In relation to a contract entered into before 23:00 on 31 December 2020, 'land' means land in the United Kingdom or within the territory of an EEA State and in relation to a contract entered into on or after 23:00 on 31 December 2020, 'land' means land in the United Kingdom.

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 taking necessary steps for the purposes of 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 the Seller) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court.

The Seller is required to hold, and holds, authorisation and permission to enter into and to administer, to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts.

The Issuer is not and does not propose to be an authorised person under the FSMA with respect to Regulated Mortgage Contracts and related activities. 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 or a regulated credit agreement. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FCA authorisation and permission under the FSMA. If such administration agreement terminates, however, the Issuer will have a period of not more than one month in which to arrange for mortgage administration to be carried out by a replacement administrator having the required authorisation and permission under the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity.

Pursuant to the Servicing Agreement, the Servicer administers the loans and the Servicer has the requisite FSMA authorisation and permission to enable it to undertake such activities. 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, inter alia, certain pre-origination matters such as financial promotion and pre-application illustrations, pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions. 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.

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court. In addition, a borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FCA rule, 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 that authorised person.

Any regulated activities carried on by an entity which is not authorised under the FSMA would be in breach of the general prohibition on conducting unauthorised regulated activities in Section 19 FSMA and would be a criminal offence. In addition to criminal offences the FCA may take civil action against a firm which breaches Section 19 FSMA with, potentially, the imposition of unlimited fines. Therefore, to the extent that the Issuer or Servicer does not ensure that it acts with the necessary authorisation under the FSMA, such action may result in criminal or civil sanctions against the Issuer or Servicer. However, this will not render the contract unenforceable against the borrower.

Distance Marketing Regulations

In the UK, the Financial Services (Distance Marketing) Regulations 2004 (the **DM Regulations**) apply to, *inter alia*, contracts for financial services entered into on or after 31 October 2004 by a "consumer" within the meaning of the DM Regulations and by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower).

The DM Regulations require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by the contract and includes, but is not limited to, general information in respect of the supplier and the financial service, the contractual terms and conditions, and whether or not there is a right of cancellation.

A Regulated Mortgage Contract under the FSMA, if originated by a UK lender (who is authorised by the FCA) from an establishment in the UK, will not be cancellable under the DM Regulations but is subject to related pre-contract disclosure requirements in MCOB. Failure to comply with MCOB rules could result in, *inter alia*, disciplinary action by the FCA and possible claims under Section 138D of the FSMA for breach of FCA rules.

Certain other agreements for financial services will be cancellable under the DM Regulations if the borrower does not receive prescribed information at the prescribed time. Where the credit agreement is cancellable under the DM Regulations, the borrower may send notice of cancellation at any time before the expiry of 14 days beginning with (i) the day after the day on which the contract is made (where all of the prescribed information has been provided prior to the contract being entered into); or (ii), the day after the day on which the last of the prescribed information is provided (where all of the prescribed information was not provided prior to the contract being entered into).

Compliance with the DM Regulations may be secured by way of injunction obtained by an enforcement authority, granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the DM Regulations may render the originator or intermediaries (and their respective relevant officers) liable to a fine.

If the borrower cancels the credit agreement under the DM Regulations, then: (a) the borrower is liable to repay the principal and any other sums paid by or on behalf of the originator to the borrower, under or in relation to the cancelled agreement contract, within 30 calendar days beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (b) the borrower is liable to pay interest, or any early repayment charges and other charges for services actually provided in accordance with the contract only if: (i) the amount is in proportion to the extent of the service provided (in comparison with the full coverage of the contract) and is not such that it could be construed as a penalty; (ii) the borrower received certain prescribed information at the prescribed time about the amounts payable; and (iii) the lender did not commence performance of the contract before the expiry of the relevant cancellation period (unless requested to do so by the borrower); and (c) any security provided in relation to the contract is to be treated as never having had effect for the cancelled agreement.

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

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), apply to agreements made on or after 1 July 1995 but prior to 1 October 2015 where the terms have not been individually negotiated (and the "consumer" for these purposes falls within the definition provided in the UTCCR). The Consumer Rights Act 2015 (the **CRA**) has revoked the UTCCR in respect of contracts made on or after 1 October 2015. The main

provisions of the CRA came into force on 1 October 2015. The CRA is only applicable to contracts that (a) were entered into on or after 1 October 2015; or (b) were, since 1 October 2015, subject to a material variation such that they are treated as new contracts falling within the scope of the CRA. The CRA is also applicable on or after 1 October 2015, to notices of variation, such as variation of interest rate under contracts.

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

(a) UTCCR

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 term in an agreement on the basis that it is "unfair" within the UTCCR or the CRA as applicable and is 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 to be unfair.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR 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.

(b) CRA

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 to the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 of Schedule 2 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 term of a consumer contract which is not on the "grey list" may nevertheless be regarded as unfair.

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

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the **CMA Guidance**). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the CRA as it was the UTCCRs" (save in applying the consumer notices and negotiated terms). 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.

(c) Regulatory Developments

The FCA's consideration of fairness under the CRA, UTCCR and CPUTR will include contracts for mortgages and the selling of mortgages, consumer credit and other credit-related regulated activities.

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.

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

The Unfair Contract Terms and Consumer Notices Regulation Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its powers under the CRA and the Competition and Markets Authority (the **CMA**) published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the **CMA Guidance**). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the CRA as it was the UTCCRs".

In general, the interpretation of the UTCCR and/or the CRA is open to some doubt, particularly in the light of sometimes conflicting reported case law between English courts and the CJEU. The 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/or CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans.

Consumer Protection from Unfair Trading Regulations 2008

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 is a criminal offence punishable by a fine and/or imprisonment. 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. The CPUTR did not originally provide consumers with a private act of redress. Instead, consumers had to rely on existing private law remedies based on the law of misrepresentation and duress. Most of the provisions of the Consumer Protection (Amendment) Regulations 2014 (SI No.870/2014) came into force on 1 October 2014 and amended the CPUTR. and in certain circumstances, these amendments to the CPUTR give consumers a right to redress for misleading or aggressive commercial practices (as defined in the CPUTR), including a right to unwind agreements.

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

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on, inter alia, certain complaints relating to the activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking

into account, inter alia, law and guidance, rather than making determinations strictly on the basis of compliance with law. Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be first adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. The Ombudsman is required to make decisions on the basis of, inter alia, the principles of fairness, and may order a money award to the borrower.

Repossessions

The Pre-Action Protocol for Possession Claims based on Mortgage or Home Purchase Plan Arrears in Respect of Residential Property in England and Wales came into force on 19 November 2008 and sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three months after a borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant borrower and may not apply in cases of fraud.

The protocols and the Repossessions Act may have particular adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the loans may result in lower recoveries.

The Tailored Support Guidance provides that from 1 April 2021, subject to any relevant government restrictions on repossessions, lenders may enforce repossession as long as they act in accordance with the Tailored Support Guidance, MCOB 13 and relevant regulatory and legislative requirements. The Tailored Support Guidance provides that action to seek possession should be a last resort and should not be started unless all other reasonable attempts to resolve the position have failed.

Assured Shorthold Tenancy (AST)

Depending on the level of ground rent payable at any one time it is possible that a long leasehold may also be an Assured Tenancy (AT) or Assured Shorthold Tenancy (AST) under the Housing Act 1988 (HA 1988). If it is, this could have the consequences set out below.

A tenancy or lease will be an AT if granted after 15 January 1989 and:

- (a) the tenant or, as the case may be, each of the joint tenants is an individual;
- (b) the tenant or, as the case may be, at least one of the joint tenants occupies the dwelling-house as their only or principal home; and
- (c) if granted before 1 April 1990:
 - (i) the property had a rateable value at 31 March 1990 lower than £1,500 in Greater London or £750 elsewhere; and
 - (ii) the rent payable for the time being is greater than 2/3rds of the rateable value at 31 March 1990;
- (d) if granted on or after 1 April 1990 the rent payable for the time being is between £251 and £100,000 inclusive (or between £1,001 and £100,000 inclusive in Greater London).

There is no maximum term for an AT and therefore any lease can constitute an AT if it satisfies the relevant criteria.

Since 28 February 1997 all ATs will automatically be ASTs (unless the landlord serves notice to the contrary) which gives landlords the right to recover the property at the end of the term of the tenancy. The HA 1988 also entitles a landlord to obtain an order for possession and terminate an AT/AST during its fixed term on proving one of the grounds for possession specified in section 7(6) of the HA 1988. The ground for possession of most concern in relation to long leaseholds is Ground 8 – namely that if the rent is payable yearly (as most ground rents are), at least three months' rent is more than three months in arrears both at the date of service of the landlord's notice and the date of the hearing.

Most leases give the landlord a right to forfeit the lease if rent is unpaid for a certain period of time but the courts normally have power to grant relief, cancelling the forfeiture as long as the arrears are paid off. There are also statutory protections in place to protect long leaseholders from unjustified forfeiture action. However, an action for possession under Ground 8 is not the same as a forfeiture action and the court's power to grant relief does not apply to Ground 8. In order to obtain possession, the landlord will have to follow the notice procedure in section 8 of the HA 1988 and, if the tenant does not leave on expiry of the notice, apply for a court order. However, as ground 8 is a mandatory ground, the court will have no discretion and will be obliged to grant the order if the relevant conditions are satisfied. There is government consultation underway to review residential leasehold law generally and it is anticipated that this issue will be addressed as part of any resulting reforms.

Currently, however, there is a risk that where:

- (a) a long lease is also an AT/AST due to the level of the ground rent;
- (b) the tenant is in arrears of ground rent for more than three months;
- (c) the landlord chooses to use the HA 1988 route to seek possession under Ground 8; and
- (d) the tenant does not manage to reduce the arrears to below three months' ground rent by the date of the court hearing,

the long lease will come to an end and the landlord will be able to re-enter the relevant property.

Breathing Space Regulations

The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 (SI 2020/1311) (**Breathing Space Regulations**) (which came into force on 4 May 2021) establishes a scheme which gives eligible individuals in England and Wales with problem debt the right to legal protection from their creditors, including almost all enforcement action, during a period of "breathing space". A standard breathing space will give an individual in England and Wales with problem debt legal protection from creditor action for up to 60 days to receive debt advice; and a mental health crisis breathing space will give an individual in England and Wales protection from creditor action for the duration of their mental health crisis treatment (which is not limited in duration) plus an additional 30 days following the end of such treatment.

However, the Breathing Space Regulations do not apply to payments on principal and interest, except for arrears which are uncapitalised at the date of the application under the Breathing Space Regulations and interest, fees or any other charges on those arrears. Interest can still be charged on the principal secured debt during the breathing space period, but not on the arrears. Any mortgage arrears incurred during any

breathing space period are not protected from creditor action. The Borrower must continue to make mortgage payments in respect of any mortgage secured against their primary residence (save in respect of arrears accrued prior to the moratorium) during the breathing space period, otherwise the relevant debt adviser may cancel the breathing space period.

In February 2021, the FCA issued a policy statement (PS21/1) on the application of the Breathing Space Regulations, in which they confirm that no changes are currently being made to the rules under MCOB, in relation to how mortgage lenders should treat a "breathing space" as an indicator of payment difficulties. The FCA's view is that this is something that firms should take into account, but should not be treated more specifically than other potential indicators of payment difficulties.

FCA response to the cost of living crisis

On 16 June 2022, the FCA sent a "Dear CEO" letter which stated that the FCA consider that the Mortgages Tailored Support Guidance published on 25 March 2021 (the **Mortgages Tailored Support Guidance**) which was issued to address exceptional circumstances arising out of coronavirus, is also relevant for borrowers in financial difficulties due to other circumstances such as the rising cost of living. Therefore, if a borrower indicates that they are experiencing or reasonably expect to experience payment difficulties due to the rising cost of living, the FCA have said that lenders should offer prospective forbearance to enable them to avoid, reduce, or manage any payment shortfall that would otherwise arise. This includes borrowers who have not yet missed a payment.

The Mortgages Tailored Support Guidance emphasises the MCOB requirement that a lender must not repossess a property unless all other reasonable attempts to resolve the position have failed. It further states that mortgage lenders must also establish and implement clear, effective and appropriate policies and procedures for the fair and appropriate treatment of borrowers whom the lender understands, or reasonably suspects, to be particularly vulnerable. The Mortgages Tailored Support Guidance also confirms the FCA's expectation that action to seek possession should be a last resort.

In addition, the FCA proposed that lenders considering or resuming possession proceedings, should support and enable borrowers to disclose circumstances that might make them particularly vulnerable to repossession action at this time - and to consider whether additional care may be required as a result.

On 13 March 2023, the FCA published finalised guidance: "Guidance for firms supporting their existing mortgage borrowers impacted by the rising cost of living" (FG23/2). The FCA stated that the purpose of the finalised guidance was to ensure that lenders are clear about the effect of the FCA rules and the range of options lenders have to support their customers including those who are facing higher interest rates alongside the rising cost of living. The FCA have said that the guidance clarifies the effect of their existing rules and principles and is not intended to set new expectations or requirements of lenders or to repeat the position set out in other documents such as the expectations around repossessions or the treatment of vulnerable customers. It explains how lenders can support borrowers in, or at risk of, payment difficulty and confirms the flexibility lenders have under FCA rules and guidance to support borrowers in different ways.

In March 2021, the FCA stated that as the more immediate impacts of coronavirus begin to subside, they were considering whether they will need to make any permanent changes to their forbearance regimes for mortgages and credit in light of the Mortgages Tailored Support Guidance. This could include updating the rules and guidance in MCOB and incorporating elements of the Mortgages Tailored Support Guidance. On 25 May 2023, the FCA launched consultation CP23/13 setting out how they plan to incorporate aspects of the Mortgages Tailored Support Guidance into MCOB and withdraw the Mortgages Tailored Support Guidance. The FCA are also proposing targeted additional changes to support consumers in financial

difficulty. The FCA expect their new rules to come into force in the first half of 2024 and propose to withdraw the Mortgages Tailored Support Guidance at the same time.

There can be no assurance that the FCA, or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the above guidance.

Mortgage Charter

On 26 June 2023, HM Treasury published the 'Mortgage Charter' in light of the current pressures on households following interest rate rises and the cost-of-living crisis. The Mortgage Charter states that the UK's largest mortgage lenders and the FCA have agreed with the Chancellor a set of standards that they will adopt when helping their regulated mortgage borrowers worried about high interest rates (the **Mortgage Charter**). The Seller is a signatory to the Mortgage Charter and have agreed that among other things, a borrower will not be forced to leave their home without their consent unless in exceptional circumstances, in less than a year from their first missed payment. In addition, lenders will permit borrowers who are up to date with their payments to: (i) switch to interest-only payments for six months (the **MC Interest-only Agreement**); or (ii) extend their mortgage term to reduce their monthly payments and give borrowers the option to revert to their original term within six months by contacting their lender (the **MC Extension Agreement**). These options can be taken by borrowers who are up to date with their payments without a new affordability check or affecting their credit score. The Mortgage Charter commitments do not apply to buy-to-let mortgages.

With the effect on and from 30 June 2023, the FCA has amended MCOB to allow (rather than require) lenders to give effect to the MC Interest-only Agreement and the MC Extension Agreement. The amendments made by the FCA do not apply to second ranking mortgages or bridging loans. The FCA announced that it intends to review the impact of the rule changes within 12 months.

The Mortgage Charter is currently voluntary and adhering to it will be a decision for lenders to make individually.

There can be no assurance that the FCA or other UK government or regulatory bodies, will not take further steps in response to the rising cost of living in the UK which may impact the performance of the Loans, including further amending and extending the scope of the Mortgage Charter or related rules.

FCA Consumer Duty

The FCA has published final rules on the introduction of a new consumer duty on regulated firms (the **Consumer Duty**), which aims to set a higher level of consumer protection in retail financial markets. The FCA published its final rules on the Consumer Duty in July 2022. Since 31 July 2023, the Consumer Duty has applied for all products and services that remain open to sale or renewal. From 31 July 2024, it will apply for 'closed' products and services (which refers to products that could no longer be sold or renewed on the cut-off date of 31 July 2023).

The Consumer Duty applies to the regulated activities and ancillary activities of all firms authorised under the FSMA. However, the FG22/5 Final non-Handbook Guidance published in July 2022 indicated that any regulated firms "working with unregulated entities in the distribution chain should consider the impact such firms could have on customer outcomes".

There are three main elements to the Consumer Duty, comprising a consumer principle (Principle 12 in the FCA Handbook), that "a firm must act to deliver good outcomes for the retail consumers of its products",

cross-cutting rules supporting the consumer principle, and four outcomes, relating to the quality of firms' products and services, price and value, consumer understanding and consumer support.

The Consumer Duty applies not only at origination of a product but throughout its subsistence (so in the case of a mortgage loan, throughout the period the mortgage loan is outstanding). The cross-cutting rules include an obligation to avoid causing foreseeable harm to the consumer and the outcomes include an obligation to ensure that the product (for example, a mortgage loan) provides fair value to the retail customer. These obligations (as with the remainder of the Consumer Duty) must be assessed on a regular basis throughout the life of the product.

The Consumer Duty applies to manufacturers and distributors, which include purchasers of in scope mortgage loans, as well as firms administering or servicing those mortgage loans. 'Manufacturers' has been interpreted widely in the FCA PS22/9 Policy Statement to include "managing, operating or carrying out activities in relation to the book". A firm also does not have to be in a client relationship with the consumer to come under the Consumer Duty framework as long as the firm's "activities in relation to the client determine or materially influence retail customer outcomes" (PRIN 2A.1.13). Although the Consumer Duty does not apply retrospectively, the FCA requires firms to apply the Consumer Duty to existing products on a forward-looking basis.

The FCA has its usual enforcement powers, such as issuing fines and securing redress for consumers in relation to breaches of the Consumer Duty. It is not yet possible to predict the precise effect of the new Consumer Duty on the Loans with any certainty.

General

No assurance can be given that additional regulations or guidance from the FCA, the PRA, the Ombudsman, the CMA 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 and/or the Servicer and their respective businesses and operations.

Potential effects of any additional regulatory changes

In the United Kingdom and elsewhere, there is continuing political and regulatory scrutiny of the banking industry and, in particular, retail banking. In the United Kingdom, regulators such as the CMA, the PRA and the FCA have recently carried out, or are currently conducting, several enquiries into the effectiveness of those retail banking markets from both competition and consumer protection perspectives. 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 and its businesses and operations.

DESCRIPTION OF THE NOTES IN GLOBAL FORM

General

The Notes of each class will be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and will be represented on issue by one or more Global Notes of such class in fully registered form without interest coupons or principal receipts attached (each a **Global Note**). Beneficial interests in a Global Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time.

All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Global Notes will be deposited on or about the Closing Date with a common safekeeper for both Euroclear and Clearstream, Luxembourg (the **Common Safekeeper**).

The Global Notes will be registered in the name of a nominee for the Common Safekeeper. The Issuer will procure the Registrar to maintain a register in which it will register the nominee for the Common Safekeeper as the owner of the Global Notes.

Upon confirmation by the Common Safekeeper that it has custody of the Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record book-entry interests representing beneficial interests (the **Book-Entry Interests**) in the Global Notes attributable thereto.

Book-Entry Interests in respect of Global Notes will be recorded in denominations of £100,000 and, for so long as Clearstream, Luxembourg so permit, integral multiples of £1,000 in excess thereof (a **Minimum Denomination**). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg (the **Participants**) or persons that hold interests in the Book-Entry Interests through Participants (the **Indirect Participants**), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Joint Lead Managers. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as a nominee of the Common Safekeeper is the registered holder of the Global Notes underlying the Book-Entry Interests, the nominee of the Common Safekeeper will be considered the sole Noteholder of the Global Note for all purposes under the Trust Deed. Except as set forth under "Issuance of Definitive Certificates" below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and

obligations of a holder of Notes under the Trust Deed. See "Action in Respect of the Global Note and the Book-Entry Interests", below.

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

Unless and until Book-Entry Interests in the Global Notes are exchanged for Definitive Certificates, the Global Notes registered in the name of the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in a Global Note pursuant to Regulation S will hold Book-Entry Interests in the Global Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Global Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "Transfers and Transfer Restrictions" below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Global Note, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

Payments on the Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Citibank, N.A., London Branch as the Principal Paying Agent on behalf of the Common Safekeeper or its nominee as the registered holder thereof. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Safekeeper or its nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Safekeeper or its nominee, the respective systems will promptly credit their Participants' accounts with

payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The record date, in respect of the Notes shall be one Clearing System Business Day prior to the relevant Interest Payment Date where **Clearing System Business Day** means a day on which each clearing system for which the Notes are being held is open for business. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Joint Arrangers, the Joint Lead Managers or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for any physical movement of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relationships with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer or the Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of the Global Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

Transfers and Transfer Restrictions

All transfer of Book-Entry Interests will be recorded with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to the customary procedures established by each respective system and its Participants.

Beneficial interests in the Global Notes may be held only through Euroclear and Clearstream, Luxembourg. Neither the Global Notes nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Notes.

Settlement and transfer of notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, who will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the **beneficial owner**) will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners. **Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.**

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants. See "General", above.

Issuance of Definitive Certificates

Holders of Book-Entry Interests in the Global Note will be entitled to receive certificates evidencing definitive notes in registered form (**Definitive Certificates**) in exchange for their respective holdings of Book-Entry Interests if: (i) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Trustee is available; or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.

Any Definitive Certificates issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Registrar based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Certificates issued in exchange for Book-Entry Interests in a Global Note, as the case may be, will not be entitled to exchange such Definitive Certificate, for Book-Entry Interests in a Global Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "Transfers and Transfer Restrictions" above provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Certificates will not be issued in a denomination that is not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £1,000. As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of £100,000 (or its equivalent) that are not integral multiples of £100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

Action in Respect of the Global Note and the Book-Entry Interests

Not later than ten days after receipt by the Issuer of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing: (i) such information as is contained in such notice; (ii) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes; and (iii) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear and Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "General" above, with respect to soliciting instructions from their respective

Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, a Global Note or the Book-Entry Interests. Any notice shall be deemed to have been duly given to the relevant Noteholders if sent to the clearing systems for communication by them to the holders of the relevant Class of Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are listed on the Official List of the FCA and admitted to trading on the London Stock Exchange) any notice shall also be published in accordance with the relevant guidelines of the London Stock Exchange (which includes delivering a copy of such notice to the London Stock Exchange). See also Condition 23 (Notices) of the Notes.

New Safekeeping Structure and Eurosystem Eligibility

The Notes are intended to be held in a manner which would allow Eurosystem eligibility and will be deposited with one of the ICSDs as common safekeeper. However, the deposit of the Notes with one of the ICSDs as common safekeeper upon issuance or otherwise does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at issuance or at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met.

Issuer-ICSDs Agreement

Prior to the issuance of the Notes, the Issuer will enter into an Issuer-ICSDs Agreement with Euroclear Bank SA/NV and Clearstream Banking S.A. (the **ICSDs**) in respect of the Notes. The Issuer-ICSDs Agreement provides that the ICSDs will, in respect of any of the Notes (while being held in the new safekeeping structure), maintain their respective portion of the issue outstanding amount through their records. The Issuer-ICSDs Agreement will be governed by English law.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed. If the Notes were to be represented by Definitive Certificates, the Conditions set out on the reverse of each of such Definitive Certificates would be as follows. While the Notes are represented by Global Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Notes. These terms and conditions are subject to the detailed provisions of the Trust Documents and the other Transaction Documents.

1. General

- 1.1 The £650,000,000 Class A mortgage backed floating rate Notes due 2072 (the **Class A Notes**) and the £56,522,000 Class B mortgage backed floating rate Notes due 2072 (the **Class B Notes** and, together with the Class A Notes, the **Notes**) will be issued by Friary No.9 plc (registered number 15473285) (the **Issuer**) on or about the Closing Date.
- 1.2 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the Notes is created pursuant to, and on the terms set out in, the Deed of Charge.
- 1.3 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.
- 1.4 Certain provisions of these Conditions are summaries of the Trust Documents and the Incorporated Terms Memorandum and the Agency Agreement and are subject to their detailed provisions.
- 1.5 The Noteholders are bound by the terms of the Trust Documents and the Incorporated Terms Memorandum, and are deemed to have notice of all the provisions of the Transaction Documents.
- 1.6 Copies of the Transaction Documents are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, being at the date hereof, Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

2. Definitions

- 2.1 Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Incorporated Terms Memorandum available as described above.
- 2.2 These Conditions shall be construed in accordance with the principles of construction set out in the Incorporated Terms Memorandum.

3. Form and Denomination

- 3.1 The Notes are in fully registered form in the Minimum Denomination for such Notes, without principal receipts, interest coupons or talons attached.
- 3.2 The Principal Amount Outstanding of the Notes of each class initially offered and sold outside the United States to non-U.S. persons pursuant to Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**) is represented by one or more global

registered notes in fully registered form (the **Global Notes**) without coupons attached. References herein to the **Notes** shall include (i) in relation to any Notes of a class represented by a Global Note, units of the Minimum Denomination of such class, (ii) any Global Note and (iii) any Definitive Certificate issued in exchange for a Global Note.

- 3.3 For so long as any Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank SA/NV (**Euroclear**) or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), as appropriate.
- 3.4 For so long as the Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradable only in minimal amounts of £100,000 and integral multiples of £1,000 thereafter.
- 3.5 Certificates evidencing definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Global Notes (the **Definitive Certificates**) will be issued in registered form and serially numbered in the circumstances referred to below Definitive Certificates, if issued, will be issued in the denomination of £100,000 and any amount in excess thereof in integral multiples of £1,000.
- 3.6 If, while any Notes are represented by a Global Note:
- (a) in the case of a Global Note held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do so cease business and no alternative clearing system satisfactory to the Trustee is available; or
 - (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form and a certificate to such effect signed by a director of the Issuer is delivered to the Trustee,

(each an **Exchange Event**) the Issuer will issue Definitive Certificates to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Note in exchange for those interests within 30 days of the Exchange Event but not earlier than the Exchange Date. The Global Note will not be exchangeable for Definitive Certificates in any other circumstances.

4. Title

- 4.1 The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.

- 4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes.
- 4.3 No transfer of a Note will be valid unless and until entered on the Register.
- 4.4 Transfers and exchanges of beneficial interests in the Global Note and any Definitive Certificates and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Note or the transfer of a Definitive Certificate be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the UK or the Registrar to any holder of a Note who so requests (and who provides evidence of such holding where the Notes are in global form) and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.
- 4.5 A Definitive Certificate, may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, a new Definitive Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- 4.6 Each new Definitive Certificate, to be issued upon transfer of Definitive Certificates will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Certificate, to such address as may be specified in such request.
- 4.7 Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.
- 4.8 No holder of a Definitive Certificate may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.

5. Status and Ranking

5.1 Status

The Notes of each class constitute direct, secured and unconditional obligations of the Issuer.

5.2 Ranking

The Class A Notes will at all times rank without preference or priority *pari passu* among themselves. The Class B Notes will at all times rank without preference or priority *pari passu* among themselves.

5.3 Sole Obligations

The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, any of the other Transaction Parties.

5.4 Priority of Interest Payments

Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class B Notes, in accordance with the applicable Priority of Payments.

5.5 Priority of Principal Payments

Payments of principal on the Class A Notes will at all times rank in priority to payments of principal on the Class B Notes, in accordance with the applicable Priority of Payments.

5.6 Priority of Payments

Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Receipts and Available Principal Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments and Pre-Enforcement Principal Priority of Payments (as applicable) and thereafter, in accordance with the Post-Enforcement Priority of Payments.

6. Security

6.1 Security

The Notes are secured by the Security.

6.2 Enforceability

The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 13 (Events of Default) and subject to the matters referred to in Condition 14 (Enforcement).

7. Issuer Covenants

The Issuer makes the Issuer Covenants in favour of the Trustee which, among other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business, without the prior written consent of the Trustee. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

8. Interest

8.1 Accrual of Interest

Each Note bears interest on its Principal Amount Outstanding, from (and including) the Closing Date.

8.2 Cessation of Interest

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused or default is otherwise made in respect of the payment, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

- (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (b) the day which is seven days after the Principal Paying Agent has notified the relevant Noteholders (in accordance with Condition 23 (Notices)) that the full amount payable is available for collection by the Noteholder, provided that on due presentation payment is in fact made.

8.3 Interest Payments

Interest on each Note is payable in Sterling in arrears on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

8.4 Calculation of Interest Amount

Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Note for the related Interest Period.

8.5 Determination of Note Rate, Interest Amount and Interest Payment Date

The Agent Bank will, on each Interest Determination Date, determine:

- (a) the Note Rate for each class for the related Interest Period; and
- (b) the Interest Payment Date next following the related Interest Period.

Notwithstanding the provisions of these Conditions, in the event the Bank of England publishes guidance as to (i) how the SONIA Reference Rate is to be determined or (ii) any rate that is to replace the SONIA Reference Rate, the Agent Bank shall, subject to receiving written instructions from the Issuer (which the Agent Bank shall be entitled to conclusively rely on without enquiry or liability), to the extent that it is reasonably practicable, follow such guidance in order to determine SONIA for the purpose of the Notes for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.

In the event that the Note Rate cannot be determined in accordance with the foregoing provisions by the Agent Bank, the Note Rate shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Relevant Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Relevant Margin relating to the relevant Interest Period in place of the Relevant Margin relating to that last preceding Interest Period) or (ii) if there is no such preceding Interest Determination Date, the initial Note Rate which would have been applicable to the relevant Class of Notes for the first

Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the first Interest Payment Date (but applying the Relevant Margin applicable to the first Interest Period).

In these Conditions (except where otherwise defined), the expression:

Business Day means a day on which commercial banks and foreign exchange markets settle payments in London.

Compounded Daily SONIA means the rate of return of a daily compound interest investment (with the daily Sterling overnight reference rate as reference rate for the calculation of interest) and will be calculated by the Agent Bank as at the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where:

"**d**" is the number of calendar days in the relevant Interest Period;

"**do**" 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.

"**ni**", for any day "**i**", means the number of calendar days from and including such day "**i**" up to but excluding the following Business Day;

"**p**" means for any Interest Period, 5 Business Days.

"**SONIA_{i-pLBD}**" means in respect of any Business Day falling in the relevant Interest Period, the SONIA Reference Rate for the Business Day falling "**p**" Business Days prior to the relevant Business Day "**i**".

Interest Determination Date means the fifth Business Day before the Interest Payment Date for which the relevant Note Rate and Interest Amount will apply.

Relevant Margin means:

- (a) for the Class A Notes, 0.50 per cent. per annum up to and excluding the Step-Up Date and thereafter 1.00 per cent. per annum; and
- (b) for the Class B Notes, 0.00 per cent. per annum.

SONIA means the Sterling Overnight Index Average.

SONIA Reference Rate means in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Screen or, if the Screen is unavailable, as otherwise published by such authorised distributors (on the Business Day immediately following such Business Day).

If, in respect of any Business Day in the relevant Observation Period, the Agent Bank determines that the SONIA Reference Rate is not available on the Screen or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be: (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

8.6 Publication of Note Rate, Interest Amount and Interest Payment Date

As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Conditions 8.4 (Calculation of Interest Amount) and 8.5 (Determination of Note Rate, Interest Amount and Interest Payment Date) and in any event no later than the second Business Day thereafter, the Issuer will cause such Note Rate and Interest Amount for each class and the next following Interest Payment Date to be published in accordance with the Notices Condition.

8.7 Amendments to Publications

The Note Rate, Interest Amount for each class and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant Interest Period.

8.8 Notifications to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8, whether by the Paying Agents, the Registrar or the Agent Bank shall (in the absence of any Breach of Duty, or manifest error) be binding on the Issuer, the Trustee, the Agents and all Noteholders and (in the absence of any Breach of Duty) no liability to the Issuer or the Noteholders shall attach to the Principal Paying Agent, Registrar or Agent Bank in connection with the exercise or non-exercise by them or any of them of their rights, powers, duties and discretions under this Condition 8.

8.9 Agent Bank

- (a) The Issuer shall ensure that, so long as any of the Notes remains outstanding there shall at all times be an Agent Bank, a Paying Agent and a Principal Paying Agent. In the event of an Agent being unable or unwilling to continue to act as an Agent, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved in writing by the Trustee is appointed by the Issuer or (in the limited circumstances described in the Agency Agreement) the Agent Bank. Notice of any change in any of the Agents shall promptly be

given by the Issuer or (in the limited circumstances described in the Agency Agreement) the relevant outgoing Agent to the Noteholders in accordance with the Notices Condition.

- (b) Notwithstanding any other provision of these Conditions, if (following the determination of any Alternative Base Rate, a Base Rate Modification or a Swap Rate Modification) in the Agent Bank's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under these Conditions, the Agent Bank shall promptly notify the Issuer thereof and the Issuer shall direct the Agent Bank in writing as to which alternative course of action to adopt. If the Agent Bank is not promptly provided with such direction, or is otherwise unable (other than due to its own Breach of Duty) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Agent Bank shall be under no obligation to make such calculation or determination and (in the absence of such Breach of Duty) shall not incur any liability for not doing so.

8.10 Interest Accrual

- (a) To the extent that funds available to the Issuer to pay interest on the Notes (other than the Most Senior Class of Notes) on an Interest Payment Date are insufficient to pay the full amount of such interest, payment of the shortfall in respect of such class of Notes (**Deferred Interest**) will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds.
- (b) Such Deferred Interest will accrue interest (**Additional Interest**) at the rate of interest applicable from time to time to such Notes and such portion of interest (as determined by this Condition 8) and payment of any Additional Interest will also be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest to the extent of such available funds.
- (c) Payment of any amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 9 (Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

8.11 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive a Servicer Report with respect to a Collection Period (each such period being a **Determination Period**), then the Cash Manager may use the Servicer Report in respect of the three most recent Collection Periods (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 8.11. When the Cash Manager receives the Servicer Report relating to the Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 8.11(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 8.11(b) and/or 8.11(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with

such calculations; and (ii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 8.11(b) and/or 8.11(c), shall be deemed to be done, in accordance with the provisions of the Transaction Documents, will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.

- (b) Where, in respect of any Determination Period the Cash Manager shall:
- (i) determine the Interest Determination Ratio by reference to the three most recently received Servicer Reports (or, where there are not at least three previous Servicer Reports, any previous Servicer Reports received in the preceding Collection Periods);
 - (ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the **Calculated Revenue Receipts**);
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (i) one 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 8.11(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 Trustee of such Reconciliation Amount.

Reconciliation Amount means in respect of any Collection Period which is a Determination Period, (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (ii) the Calculated Principal Receipts in respect of such Collection Period, plus (iii) any Reconciliation Amount not applied in respect of previous Collection Periods.

9. Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation

9.1 Final Redemption

Unless previously redeemed or purchased and cancelled as provided in this Condition 9, the Issuer shall redeem the Notes in each class at their Principal Amount Outstanding together with any accrued interest on the Final Maturity Date.

9.2 Mandatory Redemption in part

On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Receipts towards the redemption of the Notes to the extent that there are such amounts available to do so in accordance with the Pre-Enforcement Principal Priority of Payments.

9.3 Optional Redemption in whole

The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding, together with accrued but unpaid interest, on any Interest Payment Date:

- (a) when, on the related Calculation Date, the aggregate of the Principal Amount Outstanding of the outstanding Notes is equal to or less than 10% of the Principal Amount Outstanding of all of the Notes as at the Closing Date; or
- (b) from and including the Step-Up Date,

subject to the following:

- (i) no Enforcement Notice has been delivered by the Trustee;
- (ii) the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders with a copy to the Interest Rate Swap Provider, in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (iii) prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer (on which the Trustee shall be entitled to rely without any further enquiry or liability) to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Priority of Payments and any amounts then due under items (a) to (l) of the Pre-Enforcement Revenue Priority of Payments.

9.4 Optional Redemption in whole for taxation reasons

The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding, together with accrued but unpaid interest, on any Interest Payment Date:

- (a) after the date on which, by virtue of a change in Tax law (or the application or official interpretation of Tax law), the Issuer is (or the Paying Agents on the Issuer's behalf are) to

make any payment in respect of the Notes or the Interest Rate Swap Provider is to make any payment in respect of the Interest Rate Swap Agreement and either the Issuer (or the Paying Agents on the Issuer's behalf) or the Interest Rate Swap Provider, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment; or

- (b) after the date on which, by virtue of a change in the Tax law (or the application or official interpretation of Tax law), the Issuer would be subject to United Kingdom corporation tax otherwise than in accordance with regulations 14 to 21 of the Securitisation Taxation Regulations,

subject to the following:

- (i) no Enforcement Notice has been delivered by the Trustee;
- (ii) that the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders, with a copy to the Interest Rate Swap Provider, in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and
- (iii) that prior to giving any such notice, the Issuer (or in respect to Condition 9.4(a) above, the Interest Rate Swap Provider (if applicable)) has provided to the Trustee:
 - (A) in the case of Condition 9.4(a) and Condition 9.4(b) above only, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the applicable jurisdiction (approved in writing by the Trustee), opining on the relevant change in Tax law;
 - (B) in the case of Condition 9.4(a) above only, a certificate signed by two directors of the Issuer or, in the case of the current Interest Rate Swap Provider, an Authorised Signatory to the effect that the obligation to make a Tax Deduction cannot be avoided; and
 - (C) in the case of Condition 9.4(a) above and Condition 9.4(b) above only, a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Enforcement Principal Priority of Payments and any amounts then due under items (a) to (l) of the Pre-Enforcement Revenue Priority of Payments.

The Trustee shall be entitled to accept such certificate(s) and opinion(s) (as applicable), without any further enquiry or liability, as sufficient evidence of the satisfaction of the relevant circumstances set out in the paragraphs immediately above.

9.5 Calculation of Note Principal Payment, Principal Amount Outstanding and Pool Factor

On each Calculation Date, the Issuer shall calculate (or cause the Cash Manager to calculate):

- (a) the aggregate of any Note Principal Payment due in relation to each class on the Interest Payment Date immediately succeeding such Calculation Date;

- (b) the Principal Amount Outstanding of each Note in each class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such class); and
- (c) the fraction expressed as a decimal to the sixth point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of a Note of that class (as referred to in Condition 9.5(b) above) and the denominator is the principal amount of that Note on issue expressed as an entire integer.

9.6 Calculations final and binding

Each calculation by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note of each class and the Pool Factor shall in each case (in the absence of any Breach of Duty or manifest error) be final and binding on all persons.

9.7 Conclusiveness of certificates and legal opinions

Any certificate and legal opinion given by or on behalf of the Issuer or, as the case may be, the current Interest Rate Swap Provider pursuant to Condition 9.3 (Optional Redemption in whole) and Condition 9.4 (Optional Redemption in whole for taxation reasons) may be relied on by the Trustee without further investigation, without liability to any other person and shall be conclusive and binding on the Noteholders, the Trustee and on the other Secured Creditors.

9.8 Notice irrevocable

Any such notice as is referred to in Condition 9.3 (Optional Redemption in whole) or Condition 9.4 (Optional Redemption in whole for taxation reasons) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 9.3 (Optional Redemption in whole) or Condition 9.4 (Optional Redemption in whole for taxation reasons) and in an amount equal to the Note Principal Payment in respect of each Note calculated as at the related Calculation Date if effected pursuant to Condition 9.2 (Mandatory Redemption in part).

9.9 Cancellation or redeemed Notes

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

10. Limited Recourse

If at any time following:

- (a) the occurrence of either:
 - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each class are due and payable; or
 - (ii) the service of an Enforcement Notice; or

- (b) realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments.

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in paragraph (b) above, cease to be due and payable by the Issuer. For the purposes of this Condition 10, **Realisation** means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor.

11. Payments

11.1 Principal and interest

Payments of principal and interest shall be made upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for payment, by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

11.2 Record date

Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the **Record Date**). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

11.3 Payments subject to fiscal laws

All payments in respect of the Notes are subject in each case to (i) any applicable fiscal or other laws and regulations applicable thereto in any jurisdiction 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. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4 Partial Payments

If a Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note.

11.5 Payments on Business Days

If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

12. Taxation

12.1 Payments free of Tax

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed, levied, collected, withheld or assessed by the Issuer Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction or if the withholding of Taxes is required by agreement of the Issuer (or any Paying Agent) 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, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.

12.2 No payment of additional amounts

Neither the Issuer, the Trustee nor the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction.

13. Events of Default

13.1 Events of Default

Subject to the other provisions of this Condition, each of the following events shall be treated as an **Event of Default**:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Most Senior Class of Notes within seven days following the due date for payment of such principal or fails to pay any amount of interest in respect of the Most Senior Class of Notes within fourteen days following the due date for payment of such interest (provided that, for the avoidance of doubt, a deferral of interest in respect of a Class of Notes (other than the Class A Notes) in accordance with Condition 8.10 (Interest Accrual) shall not constitute a default in the payment of such interest for the purposes of this Condition 13); or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Most Senior Class of Notes, the Issuer Covenants, the Trust Deed, the Deed of Charge or any of the other Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) is, in the opinion of the Trustee, capable of remedy, but remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or

- (c) an Issuer Insolvency Event occurs; or
- (d) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or Trust Documents or any of the other Transaction Documents.

13.2 Delivery of Enforcement Notice

If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall, subject to Condition 13.3 (Conditions to delivery of Enforcement Notice):

- (a) if so requested in writing by the holders in aggregate of at least 25% of the Principal Amount Outstanding of the Most Senior Class of Notes outstanding; or
- (b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding,

deliver an Enforcement Notice to the Issuer, with a copy to the Interest Rate Swap Provider, the Account Bank, the Custodian and the Principal Paying Agent.

13.3 Conditions to delivery of Enforcement Notice

Notwithstanding Condition 13.2 (Delivery of Enforcement Notice) the Trustee shall not be obliged to deliver an Enforcement Notice unless:

- (a) in the case of the occurrence of any of the events mentioned in Condition 13.1(b) (Breach of other obligations) the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes outstanding; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.4 Consequences of delivery of Enforcement Notice

Upon the delivery of an Enforcement Notice, the Notes of each class shall become immediately due and payable, without further action or formality, at their Principal Amount Outstanding together with any accrued interest.

14. Enforcement

14.1 Proceedings

The Trustee may, at its discretion and without further notice, institute such steps, actions, proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class (including these Conditions), the Deed of Charge or under the other Transaction Documents or to enforce the Security, but it shall not be bound to do so unless:

- (a) so requested in writing by the holders of in aggregate at least 25% of the Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or

- (b) so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of outstanding Notes,

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.2 Directions to the Trustee

If the Trustee shall take any action described in Condition 14.1 (Proceedings) it may take such action without having regard to the effect of such action on individual Noteholders or any other Secured Creditor, provided that so long as any of the Most Senior Class of Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other class of Notes unless:

- (a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the classes of Notes ranking senior to such other class; or
- (b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of each of the classes of Notes ranking senior to such other class.

14.3 Restrictions on disposal of Issuer's assets

If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof (apart from amounts or securities standing to the credit of the Swap Collateral Accounts, which may be withdrawn in accordance with the relevant Swap Collateral Account Priority of Payment) unless either:

- (a)
 - (i) for so long as the Seller is the Cash Manager, the Cash Manager certifies in writing to the Trustee (on which certificate the Trustee shall be entitled to rely without enquiry or liability) that a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; or
 - (ii) following the replacement of the Seller as Cash Manager by any replacement cash manager, such replacement cash manager certifies to the Trustee (on which certificate the Trustee shall be entitled to rely without enquiry or liability) that the funds on account, together with any expected realisation amounts of which it has been notified are sufficient to allow payment in full of all amounts owing to the Noteholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; or
- (b) the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached exclusively on the advice of an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition 14.3(b) shall not apply) that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or

prospective liabilities of the Issuer, to discharge in full in due course all amounts due in respect of the Notes of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Enforcement Priority of Payments; and

- (c) the Trustee shall not be bound to make the determination contained in Condition 14.3(b) unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing. The reasonably incurred fees and expenses of the investment bank or other financial advisor selected by the Trustee shall be paid by the Issuer. The Trustee shall be entitled to rely upon any financial or other professional advice referred to in Condition 14.3(b) without further enquiry and shall incur no liability to any person for doing so.

14.4 Third Party Rights

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

15. No action by Noteholders or any other Secured Creditor

Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders or any other Secured Creditors;
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any insolvency proceeding in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Priority of Payments not being observed.

16. Meetings of Noteholders

16.1 Convening

The Trust Deed contains "*Provisions for Meetings of Noteholders*" for convening separate or combined meetings (which may take place by way of conference call, including by use of a videoconference platform) of Noteholders of any class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

16.2 Separate and combined meetings

The Trust Deed provides that:

- (a) an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one class shall be transacted at a separate meeting of the Noteholders of that class;
- (b) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one class of Notes and the holders of another class of Notes shall be transacted either at separate meetings of the Noteholders of each such class or at a single meeting of the Noteholders of all such classes of Notes as the Trustee shall determine in its absolute discretion; and
- (c) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes and gives rise to any actual or potential conflict of interest between the Noteholders of one class of Notes and the Noteholders of any other class of Notes shall be transacted at separate meetings of the Noteholders of each such class.

16.3 Request from Noteholders

A meeting of Noteholders of a particular class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than 10% of the aggregate Principal Amount Outstanding of the outstanding Notes of that class.

16.4 Quorum

The quorum at any meeting convened to vote on:

- (a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular class or classes of the Notes will be one or more persons holding or representing, in aggregate, a majority of the Principal Amount Outstanding of the outstanding Notes in that class or those classes or, at any adjourned meeting, one or more persons being or representing Noteholders of that class or those classes, whatever the Principal Amount Outstanding of the outstanding Notes so held or represented in such class or classes; and
- (b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholders) will be one or more persons holding or representing in aggregate 75% of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes or, at any adjourned meeting, one or more persons holding or representing not less than in aggregate 25% of the Principal Amount Outstanding of the outstanding Notes in the relevant class or classes.

16.5 Relationship between Classes

In relation to each class of Notes:

- (a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class of Notes (to the extent that there are outstanding Notes in each such other classes);
- (b) no Extraordinary Resolution to approve any matter other than a Reserved Matter of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of the relevant affected Class of Notes ranking senior to such class (to the extent that there are outstanding Notes ranking senior to such class) unless the Trustee considers that none of the holders of each of the other classes of Notes ranking senior to such class would be materially prejudiced by the absence of such sanction; and
- (c) any resolution passed at a Meeting of Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such class or classes, whether or not present at such Meeting and whether or not voting and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes.

17. Resolutions in writing or by Electronic Consents

A Written Resolution shall take effect as an Extraordinary Resolution. Any resolution passed by way of Electronic Consents given by holders through the relevant clearing system(s) in accordance with these Conditions and the Trust Deed shall also be binding on the relevant Noteholders.

18. Modification and Waiver

18.1 Modification

The Trustee may at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

- (a) any modification to these Conditions, the Trust Documents, the Notes or the other Transaction Documents in relation to which its consent is required (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes; or
- (b) any modification to these Conditions, the Trust Documents or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

Any modifications made pursuant to this Condition 18.1 shall be notified by the Issuer (or the Cash Manager on its behalf) to the Interest Rate Swap Provider three Business Days prior to such modifications taking effect, provided that, the failure by the Issuer (or the Cash Manager on its behalf) to deliver such notice will not affect the validity of the modifications when effected, provided further that the prior written consent of the Interest Rate Swap Provider shall be required for modifications to Transaction Documents (i) to which the Interest Rate Swap Provider is a party; or (ii) which would have the effect of increasing the amount that the Interest Rate Swap Provider

would reasonably be required to pay or decreasing the amount that the Interest Rate Swap Provider would receive if the Interest Rate Swap Provider were to replace itself as swap provider under the Interest Rate Swap Transaction than otherwise would have been the case prior to such amendment, or (iii) which would modify any of the Priority of Payments such that the Interest Rate Swap Provider would be further contractually subordinated to any Secured Creditor than otherwise would have been the case prior to such amendment. In circumstances where the consent of the Interest Rate Swap Provider is not required pursuant to (i), (ii) or (iii) above, the Issuer (or the Cash Manager on its behalf) shall certify as such in writing to the Trustee, prior to the making of such amendment and the Trustee shall be entitled to rely absolutely of such certification without any liability to any person for so doing.

18.2 Additional Right of Modification

Notwithstanding the provisions of Condition 18.1 (Modification), the Trustee shall be obliged, without any consent or sanction of the Noteholders, or the receipt of consent from any of the Secured Creditors (other than those party to the Transaction Document being modified or which, as a result of such amendment, would be further contractually subordinated to any Secured Creditor than would otherwise have been the case prior to such amendment) to concur with the Issuer in making any modification (other than in respect of a Reserved Matter) to these Conditions or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary:

- (a) in order to enable the Issuer to comply with any requirements which apply to it under EMIR or UK EMIR, subject to receipt by the Trustee of a certificate issued by the Issuer or the Cash Manager on behalf of the Issuer certifying to the Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR or UK EMIR and have been drafted solely to that effect and the Trustee shall be entitled to rely absolutely on such certification without any liability to any person for so doing;
- (b) in order to allow the Issuer to open additional accounts with an additional account bank or to move the Issuer Accounts to be held with an alternative account bank with the Account Bank Rating, as applicable, provided that the Issuer or the Cash Manager has certified to the Trustee that (a) such action would not have an adverse effect on the then current ratings of the Class A Notes, and (b) if a new account bank agreement is entered into, such agreement will be entered into on substantially the same terms as the Account Bank Agreement provided further that if the Issuer or the Cash Manager determines that it is not practicable to agree terms substantially similar to those set out in the Account Bank Agreement with such replacement financial institution or institutions and the Issuer or the Cash Manager certifies in writing to the Trustee that the terms upon which it is proposed the replacement bank or financial institution will be appointed are reasonable commercial terms taking into account the then prevailing current market conditions, whereupon a replacement agreement will be entered into on such reasonable commercial terms and the Trustee shall be entitled to rely absolutely on such certification without any liability to any person for so doing (notwithstanding that the fee payable to the replacement account bank may be higher than is currently payable and/or other terms may differ materially from those on which the previously appointed bank or financial institution agreed to act);
- (c) for the purpose of complying with any changes in the requirements of (i) Article 6 of the UK Securitisation Regulation and Article 6 of the EU Securitisation Regulation, or Section

15G of the Securities Exchange Act of 1934, as added by section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the UK Securitisation Regulation and the EU Securitisation Regulation, (ii) the UK CRR Regulation or (iii) any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;

- (d) for the purpose of enabling the Notes to comply with the requirements of the UK Securitisation Regulation and/or the EU Securitisation Regulation, including relating to the treatment of the Notes as a simple, transparent and standardised securitisation under the UK Securitisation Regulation, and any related regulatory technical standards authorised under the UK Securitisation Regulation and/or the EU Securitisation Regulation provided that the Issuer (or the Cash Manager on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purpose of enabling the Notes to be (or to remain) listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange's main market, provided that the Issuer (or the Cash Manager on its behalf) certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (f) for the purposes of enabling the Issuer or any other person that is party to a Transaction Document (a **Transaction Party**) to comply with Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (the **Code**), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (**FATCA**) (or any voluntary agreement entered into with a taxing authority in relation thereto), provided that the Issuer (or the Cash Manager on its behalf) or the relevant Transaction Party, as applicable, certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (g) for the purpose of complying with any changes in the requirements of the UK CRA Regulation and/or the EU CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the UK CRA Regulation and/or the EU CRA Regulation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (h) 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 in relation to any amendment under this Condition 18.2(h):
 - (i) the Issuer or the Cash Manager on behalf of the Issuer certifies in writing to the Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; 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 Account Bank, the Custodian 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 Seller, the Servicer, the Interest Rate Swap Provider, the Account Bank and/or the Custodian, as the case may be, certifies in writing to the Issuer and the Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above (and in the case of a certification provided to the Issuer, the Issuer shall certify to the Trustee that it has received the same from the Seller, the Servicer, the Interest Rate Swap Provider, the Account Bank and/or the Custodian, as the case may be); and

(B) either:

I. the Seller, the Servicer, the Interest Rate Swap Provider, the Account Bank and/or the Custodian, as the case may be, obtains from each of the Rating Agencies written confirmation (or certifies in writing to the Issuer and the Trustee that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies) that such modification would not result in a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency and would not result in any Rating Agency placing any Class A Notes on rating watch negative (or equivalent) and, if relevant, delivers a copy of each such confirmation to the Issuer and the Trustee; or

II. the Issuer or the Cash Manager on behalf of the Issuer certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to any Class of the Notes by such Rating Agency or (y) such Rating Agency placing any Notes on rating watch negative (or equivalent);

(the certificate to be provided by (i) the Issuer, (ii) the Cash Manager (on behalf of the Issuer) and/or (iii) the relevant Transaction Party, as the case may be, pursuant to Conditions 18.2(a) to (h) above being a **Modification Certificate**); or

(i) for the purpose of changing the base rate in respect of the Notes from SONIA to an alternative base rate (including where such base rate may remain linked to SONIA but may be calculated in a different manner) (any such base rate, an **Alternative Base Rate**) and make such other amendments to any of the Transaction Documents as are necessary or advisable in the reasonable judgement of the Issuer to facilitate such change or which are required as a consequence of adopting an Alternative Base Rate (a **Base Rate Modification**), provided that the Cash Manager, on behalf of the Issuer, certifies to the

Trustee, the Paying Agents and the Agent Bank 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 a SONIA-based base rate is introduced and is becoming a standard means of calculating interest for similar transactions;
 - (B) a material disruption to SONIA, an adverse change in the methodology of calculating SONIA or SONIA ceasing to exist or be published;
 - (C) the insolvency or cessation of business of the SONIA administrator (in circumstances where no successor SONIA administrator has been appointed);
 - (D) a public statement by the SONIA administrator that it will cease publishing SONIA permanently or indefinitely (in circumstances where no successor SONIA administrator has been appointed that will continue publication of SONIA);
 - (E) a public statement by the supervisor of the SONIA administrator that SONIA has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;
 - (F) a public statement by the supervisor of the SONIA administrator that means SONIA may no longer be used or that its use is subject to restrictions or adverse consequences; or
 - (G) the reasonable expectation of the Cash Manager that any of the events specified in Condition 18.2(i)(i)(A) to 18.2(i)(i)(F) 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 Bank of England, any regulator in the United Kingdom 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) 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;
 - (C) a base rate utilised in a publicly listed new issue of sterling-denominated asset-backed floating rate notes where the originator of the relevant assets is an affiliate of Principality Building Society; or
 - (D) such other base rate as the Issuer (or the Cash Manager on its behalf) reasonably determines,

and in each case, the change to the Alternative Base Rate will not, in the Issuer's or the Cash Manager's (acting on behalf of the Issuer) opinion, be materially prejudicial to the interests of the Noteholders; and

- (j) 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 Cash Manager on its behalf) to facilitate such change 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 Issuer (or the Cash Manager on its behalf), the Issuer certifies to the Trustee in writing that such modification is required solely for such purpose and it has been drafted solely to such effect (such certificate being a Swap Rate Modification Certificate),

provided further that:

- (i) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Trustee and the Interest Rate Swap Provider;
- (ii) the Modification Certificate, the Base Rate Modification Certificate or the Swap Rate Modification Certificate in relation to such modification shall be provided to the Trustee in draft form at the time the Trustee is notified of the proposed modification and in final form on the date that such modification takes effect; and
- (iii) the consent of each Secured Creditor which is party to the relevant Transaction Document or whose ranking in any Priority of Payments is affected has been obtained,

and provided further that, other than in the case of a modification pursuant to Condition 18.2(a) above:

- (iv) other than in the case of a modification pursuant to Condition 18.2(h)(ii) above:
 - (A) the Issuer or the Cash Manager (on behalf of the Issuer) obtains from each of the Rating Agencies a Ratings Confirmation; or
 - (B) the Issuer or the Cash Manager (on behalf of the Issuer) certifies in writing to the Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated within 30 days of being so informed that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and
- (v) the Issuer certifies in writing to the Trustee that:
 - (A) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 23

(Notices) and by publication on Bloomberg L.P. on the "Company News" screen relating to the Notes; and

- (B) Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of 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.

If Noteholders representing at least 10% of the aggregate Principal Amount Outstanding of the Most Senior Class of 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 Most Senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 16 (Meetings of Noteholders).

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

Notwithstanding anything to the contrary in this Condition 18.2, the prior written consent of the Interest Rate Swap Provider shall be required for any modifications to Transaction Documents made pursuant to this Condition 18.2 if the modification (i) would have the effect of increasing the amount that the Interest Rate Swap Provider would reasonably be required to pay or decreasing the amount that the Interest Rate Swap Provider would receive if the Interest Rate Swap Provider were to replace itself as swap provider under the Interest Rate Swap Transaction than otherwise would have been the case prior to such amendment, or (ii) would modify any of the Priority of Payments such that the Interest Rate Swap Provider would be further contractually subordinated to any Secured Creditor than otherwise would have been the case prior to such amendment.

In circumstances where the consent of the Interest Rate Swap Provider is not required pursuant to (i) or (ii) above, the Issuer (or the Cash Manager on its behalf) shall certify as such in writing to the Trustee, prior to the making of such amendment and the Trustee shall be entitled to rely absolutely on such certification without any liability to any person for so doing. The Issuer (or the Cash Manager on its behalf) shall certify to the Trustee that any amendment to be made pursuant to this Condition 18.2 will not result in any Secured Creditor who is not otherwise providing its consent to such amendment being further contractually subordinated to any other Secured Creditor and the Trustee shall be entitled to rely absolutely on such certification without any liability to any person for so doing.

Notwithstanding anything to the contrary in this Condition 18.2 or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 18.2 (save to the extent the Trustee considers that the proposed modification would constitute a Reserved Matter), the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer (or the Cash Manager on behalf of the Issuer) or the relevant Transaction Party, as the case may be, pursuant to this Condition

18.2 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;

- (b) the Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Trustee would have the effect of (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Trustee in the Transaction Documents and/or these Conditions; and
- (c) the Seller shall pay all costs and expenses (including legal fees) incurred by the Issuer and the Trustee or any other Transaction Party in connection with any modification made pursuant to this Condition 18.2.

Any such modification shall be binding on all Noteholders and shall be notified by the Issuer as soon as reasonably practicable to:

- (a) so long as any of the Notes rated by the Rating Agencies remains outstanding, each Rating Agency;
- (b) the Secured Creditors; and
- (c) the Noteholders in accordance with Condition 23 (Notices).

18.3 Waiver

In addition, the Trustee may, without the consent of the Noteholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class of outstanding Notes will not be materially prejudiced by such waiver.

18.4 Restriction on power to waive

The Trustee shall not exercise any powers conferred upon it by Condition 18.3 (Waiver) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes or of a request or direction in writing made by the holders of not less than 25% in aggregate Principal Amount Outstanding of the Most Senior Class of outstanding Notes, but so that no such direction or request (a) shall affect any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each class of outstanding Notes have, by Extraordinary Resolution, so authorised its exercise.

18.5 Notification

Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

18.6 Binding Nature

Any authorisation, waiver, determination or modification referred to in Condition 18.1 (Modification), Condition 18.2 (Additional Right of Modification), or Condition 18.3 (Waiver) shall be binding on the Noteholders and the other Secured Creditors.

18.7 New Secured Creditors

Subject to the Issuer providing the certificate and obtaining the confirmations stipulated pursuant to Clause 15.5.3 (New Secured Creditors) of the Trust Deed (and set out below), the prior consent of the Trustee, the Noteholders and the other Secured Creditors will not be required or obtained in relation to the accession of any new Secured Creditor (**New Secured Creditor**) pursuant to an accession undertaking in the Deed of Charge. Accordingly, each Secured Creditor (other than the Trustee, but including the Noteholders) shall be deemed to have consented to the admission of any company as a New Secured Creditor without the necessity for any approval by means of Extraordinary Resolution or otherwise of the Noteholders or for any other Secured Creditor who is party to any Transaction Document to concur in or consent to any deed admitting any New Secured Creditor. In addition, each other Secured Creditor is deemed to:

- (a) subject to the Issuer securing the confirmations set out in the Trust Deed, consent to any consequential changes to the Priority of Payments set out in the Cash Management Agreement and/or the Deed of Charge as are required and any other amendment to the Transaction Documents as may be required to give effect to the accession undertaking pursuant to the Deed of Charge, save to the extent that any such change or amendment (i) results in an alteration to the ranking of any such Secured Creditor or (ii) has the effect of increasing the obligations or duties, or decreasing the protections or rights, of any such Secured Creditor under the Transaction Documents and/or the Conditions, in which event such change or amendment shall not become effective without the prior written consent of such Secured Creditor; and
- (b) agree that, upon the accession of any New Secured Creditor as provided above, any deed, agreement or other document to which such New Secured Creditor is a party shall be subject to the Security Interests set out in Clause 4 (Creation of Fixed Security) and Clause 5 (Creation of Floating Charge) of the Deed of Charge.

The Trustee, without seeking any approval by means of an Extraordinary Resolution or otherwise of the Noteholders, shall be obliged to concur in and to effect any modifications to the Transaction Documents that are required to accommodate the accession of a New Secured Creditor, provided that (i) it receives a certificate from the Issuer confirming that such modifications are made only in order to accommodate such accession and the Trustee shall not be required or entitled to look behind such certificate; and (ii) the modifications to the Transaction Documents would not have the effect of (a) exposing the Trustee to any Liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties (the entry into such new Transaction Document not being grounds which would constitute an increase in the obligations or duties of the Trustee, such determination being made based on the terms of that new Transaction Document), or decreasing the protections or rights, of the Trustee under the Transaction Documents and/or the Conditions. When implementing any modification pursuant to this Condition 18.7 (New Secured Creditors) the Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely and without further investigation on any certificate or evidence provided to it by the Issuer pursuant to this Condition 18.7 (New Secured Creditors) 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.

The Issuer shall, in order to provide the certificate under the preceding paragraph to the Trustee, obtain the following confirmations: (i) the Interest Rate Swap Provider providing written confirmation to the Issuer consenting to such modification of those documents to which they are a party; and (ii) the Issuer, (so long as the Seller is the Cash Manager), the Cash Manager or (following the date on which the Seller ceases to be the Cash Manager) the Corporate Services Provider, as the case may be, providing certification to the Issuer, in writing that such modifications are required in order to accommodate the addition of a New Secured Creditor.

19. Prescription

19.1 Principal

Claims for principal in respect of Notes shall become void where application for payment is made more than ten years after the due date therefor.

19.2 Interest

Claims for interest in respect of Notes, shall become void where application for payment is made more than five years after the due date therefor.

20. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

21. Trustee and Agents

21.1 Trustee's right to Indemnity

Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

21.2 Trustee not responsible for loss or for monitoring

The Trustee is not responsible for any loss, expense or Liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Servicer or by any person on behalf of the Trustee (as applicable). The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

21.3 Regard to classes of Noteholders

In the exercise of its rights, powers and discretions under these Conditions and the Trust Deed, the Trustee will:

- (a) have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and
- (b) in the event of a conflict of interests of holders of different classes have regard only to the interests of the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking class of Notes nor, prior to the redemption in full of the Notes, to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Enforcement Priority of Payments.

21.4 Paying Agents solely agents of Issuer

In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

21.5 Initial Paying Agents

The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent (for, among other reasons, an Agent's failure to comply with FATCA) and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days' notice to such Agent.

22. Substitution of Issuer

22.1 Substitution of Issuer

The Trustee may, without the consent of the Noteholders or any other Secured Creditor, subject to:

- (a) the consent of the Issuer;
- (b) the approval of the Rating Agencies in relation thereto; and
- (c) such further conditions as are specified in the Trust Deed,

agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Transaction Documents, the Notes and the Secured Amounts.

22.2 Notice of Substitution of Issuer

Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.

22.3 Change of Law

In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of outstanding Notes, provided that the Rating Agencies are notified. For the avoidance of doubt, a Transaction Document cannot be amended without the agreement of all the parties thereto.

22.4 No indemnity

No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

23. Notices

23.1 Valid Notices

- (a) For so long as the Notes are represented by Global Notes, any notice to Noteholders shall be validly given to the relevant Noteholders if sent to the clearing systems for communication by them to the holders of the relevant Class of Notes and shall be deemed to be given on the date on which it was so sent and (so long as the relevant Notes are admitted to trading on the London Stock Exchange's main market and listed on the Official List of the FCA) any notice shall also be published in accordance with the relevant guidelines of the London Stock Exchange (which includes delivering a copy of such notice to the London Stock Exchange), and by publication on Bloomberg L.P. on the "Company News" screen relating to the Notes (where required pursuant to Condition 18.2 (Additional Right of Modification)).
- (b) For so long as the Notes are in definitive form, any notice to Noteholders shall be validly given to the relevant Noteholders if published in a leading daily newspaper printed in the English language and with general circulation in the United Kingdom (which is expected to be The Financial Times) and shall be deemed to be given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required.

23.2 Date of publication

Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made on the Relevant Screen or on the applicable date of delivery of the relevant notice to Euroclear and Clearstream, Luxembourg (as applicable).

23.3 Other Methods

The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the Stock Exchange on which the

Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

24. Non-Responsive Rating Agency

24.1 In respect of the exercise of any right, power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Trustee) from the relevant Rating Agencies that the then current ratings of the Class A Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a **Rating Agency Confirmation**).

24.2 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 Trustee) and:

(a) (I) 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 (II) 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

(b) 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 Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (a)(I) or (II) and (b) above has occurred, the Issuer having sent a written request to each Rating Agency and the Trustee shall be entitled to rely upon such certificate without liability to any person for so doing.

24.3 The Trustee shall be entitled to rely without Liability to any person on any certificate delivered to it in connection with a Non-Responsive Rating Agency pursuant to this Condition 24. The Trustee shall not be required to investigate any action taken by the Issuer or such Non-Responsive Rating Agency and shall treat the applicable condition or requirement to receive a Rating Agency Confirmation or response from each Rating Agency as having been modified with the consent of all Noteholders and all parties to the relevant Transaction Documents so that there shall be no requirement for such Rating Agency Confirmation or response from Non-Responsive Rating Agency.

25. Governing Law and Jurisdiction

25.1 Governing law

The Transaction Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, English law.

25.2 Jurisdiction

The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Transaction Documents may be brought in such Courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such Courts.

TAX TREATMENT ON THE NOTES

United Kingdom Taxation

The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs (HMRC) practice relating only to 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 (possibly with retrospective effect). 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.

Interest on the Notes

The Notes issued will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 (ITA 2007) 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 ITA. The London Stock Exchange is a recognised stock exchange for such purposes. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the Provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and continue to be quoted Eurobonds, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), 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 direction 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).

Where Notes are issued with a redemption premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest and, if so, may be subject to UK withholding tax as outlined in the preceding paragraphs.

Where Notes are issued at an issue price of less than 100 per cent of their principal amount, any payments in respect of the accrued discount element on such Notes will not generally be subject to any withholding or deduction for or on account of UK income tax.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 22 (Substitution of Issuer) or otherwise and does not consider the tax consequences of any such substitution.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. It is possible that

payments of the debt securities may be subject to a withholding tax of 30% as a result of FATCA. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the second anniversary of date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register (the **FPP Filing Date**). In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of the final regulations. Any Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the FPP Filing Date generally would be "grandfathered" for the purposes of FATCA withholding on foreign passthru payments unless materially modified after such date (including by reason of a substitution of the Issuer).

The UK has entered into an IGA with the U.S. relating to FATCA (the **U.S.- UK IGA**). Pursuant to the U.S.- UK IGA and applicable UK regulations implementing the U.S.- UK IGA, the Issuer may be required to comply with certain reporting requirements. The Noteholders therefore may be required to provide information and tax documentation regarding their identities, as well as that of their direct and indirect owners, and this information may be reported to the Commissioners for HMRC, and ultimately, the IRS. The Issuer intends to comply with any applicable reporting requirements pursuant to the U.S.- UK IGA and applicable UK regulations implementing the U.S.- UK IGA.

Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Natwest Markets Plc and Banco Santander, S.A. (together, the **Joint Lead Managers**) and the Seller have, pursuant to a subscription agreement dated on or about the date hereof among the Seller, the Joint Arrangers, the Joint Lead Managers and the Issuer (the **Subscription Agreement**), agreed with the Issuer (subject to certain conditions) to subscribe and pay for all of the Class A and Class B Notes (as follows):

- (a) in the case of Joint Lead Managers:
 - (i) £500,000,000 of the Class A Notes at the issue price of 100% of the aggregate principal amount of the Class A Notes;
- (b) in the case of the Seller:
 - (i) £150,000,000 of the Class A Notes at the issue price of 100% of the aggregate principal amount of the Class A Notes; and
 - (ii) £56,522,000 of the Class B Notes at the issue price of 100% of the aggregate principal amount of the Class B Notes.

In the Subscription Agreement, the Seller has covenanted that it will, inter alia, retain a material net economic interest of not less than 5% in the securitisation as required by the text of Article 6(1) of the UK Securitisation Regulation and Article 6(1) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and as in force on the Closing Date). As at the Closing Date, such retention requirement will be satisfied by Principality holding the first loss tranche in accordance with Article 6(3)(d) of the UK Securitisation Regulation and Article 6(3)(d) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and as in force on the Closing Date) (comprising the Class B Notes). Any change to the manner in which such interest is held will be notified to the Noteholders, provided that the Seller will not be in breach of such undertaking if the Seller fails to so comply due to events, actions or circumstances beyond the Seller's control. The information made available by the Seller pursuant to this undertaking can be viewed by Noteholders on the Reporting Websites. For the avoidance of doubt, these websites and the contents thereof do not form part of this Prospectus.

Principality has undertaken to comply with the disclosure obligations under Article 7(e)(iii) of the UK Securitisation Regulation and Article 7(e)(iii) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) by confirming the risk retention of the Seller as contemplated by Article 6(1) of the UK Securitisation Regulation and Article 6(1) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality and as in force on the Closing Date).

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 person except for persons that are not Risk Retention U.S. Persons.

Principality has, pursuant to the Subscription Agreement, agreed with the Issuer (subject to certain conditions) to purchase and pay for 100% of the Class B Notes at the issue price of 100% of the aggregate principal amount of the Class B Notes as at the date hereof.

The Issuer has agreed to indemnify Principality, the Joint Arrangers and the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

No action has been taken by the Issuer, the Joint Arrangers, the Joint Lead Managers or Principality, 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.

Prohibition of Sales to EEA Retail Investors

Principality and each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) 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,

and the expression "an 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

Principality and each of the Joint Lead Managers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to UK Retail Investors

Principality and each of the Joint Lead Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression "an 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 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 outside the United States to persons other than U.S. persons (as defined in and pursuant to Regulation S of the Securities Act).

Principality and each of the Joint Lead Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering of the Notes and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account of, U.S. persons.

General

Principality and each of the Joint Lead Managers has acknowledged that, save for having applied for the admission of the Notes to the Official List and admission to trading on the London Stock Exchange, no further action has been or will be taken in any jurisdiction by the Joint Lead Managers or Principality 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.

Principality and each of 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 and all offers and sales of Notes by it will be made on the same terms, save that the Joint Lead Managers do not accept any responsibility for Principality's compliance with U.S. Risk Retention Rules.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by 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 registered under the Securities Act or any state securities laws and are subject to U.S. tax law requirements, and may not be offered or sold 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 and other requirements described herein. Accordingly, the Joint Lead Managers are offering and selling the Notes solely to non-U.S. persons in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale Representations and restrictions applicable to all Notes

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) by accepting delivery of this prospectus and the Notes will be deemed to have represented and agreed as follows:

- (a) if the purchaser purchased the Notes during the initial syndication of the Notes, the investor (1) either (i) is not a Risk Retention U.S. Person or (ii) has obtained a U.S. Risk Retention Consent, (2) is acquiring such Note or a beneficial interest therein for its own account and not with a view to distribute such Notes and (3) is not acquiring such Note or a beneficial interest therein as part of a scheme to evade the requirements of the U.S. Risk Retention Rules (including acquiring such Note through a non-Risk Retention U.S. Person, rather than a Risk Retention U.S. Person, as part of a scheme to evade the 10% Risk Retention U.S. Person limitation in the exemption provided for in Section __.20 of the U.S. Risk Retention Rules);
- (b) it understands 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, (ii) pursuant to an exemption from registration under the Securities Act, or (iii) 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 in no event under (ii) or (iii) above may Notes be transferred or resold to or for the account of a U.S. person until (A) at least 40 days after the Closing Date, and (B) such Notes are represented by a permanent global note; provided further 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;
- (c) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes 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 paragraphs (a) and (b) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing; and

- (d) the Issuer, the initial purchaser of the relevant Notes, and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes will bear a legend to the following effect:

"THIS GLOBAL NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE **SECURITIES ACT**). NEITHER THIS GLOBAL NOTE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO ANY U.S. PERSON UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE."

Purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

LISTING AND GENERAL INFORMATION

- (a) Application has been made to the Official List of the Financial Conduct Authority for the Notes to be admitted to the Official List and to trading on the London Stock Exchange's main market. The Notes are expected to be admitted to the Official List and to trading on the London Stock Exchange's main market on the first Business Day following the Issue Date but there can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The London Stock Exchange's main market is a regulated market for the purposes of the UK MiFIR.
- (b) The Issuer's LEI number is 213800W4FQVPZKD8H908.
- (c) None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 7 February 2024 (being the date of incorporation of the Issuer) and 7 February 2024 (being the date of incorporation of Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
- (d) The auditors of the Issuer are Deloitte LLP. Deloitte LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. No statutory or non-statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the London Stock Exchange's main market, the most recently published audited annual accounts of the Issuer from time to time shall be filed with the London Stock Exchange and shall be available at the Specified Office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
- (e) Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
- (f) The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 1 May 2024.
- (g) The following Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Codes:

<u>Class of Notes</u>	<u>ISIN</u>	<u>Common Code</u>
Class A	XS2783632446	278363244
Class B	XS2783633170	278363317

- (h) From the date of this Prospectus until the earlier of redemption in full of the last outstanding Note or the Final Maturity Date, for so long as the Notes are listed on the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange's main market, copies of the following documents (and any amendments thereto from time to time) will be available electronically via <https://www.euroabs.com/IH.aspx?d=22691>:
- (i) the Memorandum and Articles of Association of the Issuer; and
- (ii) copies of each of the Transaction Documents.

- (i) Principality will procure that the Cash Manager will:
- (i) publish a quarterly investor report in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(e) of the UK Securitisation Regulation and a quarterly investor report in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(e) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) (subject to, in the event of any amendments or changes to the EU Reporting Requirements taking effect after the Closing Date, the ability of Principality to elect not to comply with the EU Reporting Requirements as so amended or changed);
 - (ii) publish on a quarterly basis certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the UK Securitisation Regulation and certain loan-by-loan information in relation to the Portfolio in respect of the relevant Collection Period as required by and in accordance with Article 7(1)(a) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) (subject to, in the event of any amendments or changes to the EU Reporting Requirements taking effect after the Closing Date, the ability of Principality to elect not to comply with the EU Reporting Requirements as so amended or changed);
 - (iii) publish any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) of the UK Securitisation Regulation and Articles 7(1)(f) or 7(1)(g) of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) without delay (subject to, in the event of any amendments or changes to the EU Reporting Requirements taking effect after the Closing Date, the ability of Principality to elect not to comply with the EU Reporting Requirements as so amended or changed). Such information will also be made available, on request, to potential holders of the Notes; and
 - (iv) within 15 days of the issuance of the Notes, make available via the Reporting Websites, copies of the Transaction Documents, the UK STS Notification and this Prospectus.
- (j) The Cash Manager will make the information referred to in this section available to the holders of any of the Notes, relevant competent authorities and to potential investors in the Notes. The information referred to in paragraphs (i) and (ii) above shall be made available simultaneously not later than one month after the relevant Interest Payment Date.
- (k) Principality and the Issuer will procure that the Cash Manager will publish a monthly investor report detailing, inter alia, certain aggregated loan data in relation to the Portfolio in the form required by the Bank of England for the purpose of the Bank of England's sterling monetary framework. Such reports will be published on Principality's website and by means of the Reporting Websites. For the avoidance of doubt, these websites and the contents thereof do not form part of this Prospectus. Principality will make the information referred to above available to the holders of any of the Notes, relevant competent authorities and, upon request, to potential investors in the Notes.
- (l) Information required to be made available prior to pricing to potential investors in the Notes pursuant to Articles 7 and 22(5) of the UK Securitisation Regulation and Article 7 of the EU Securitisation Regulation (as if the EU Securitisation Regulation were applicable to Principality) was made available by means of the Reporting Websites. Principality has procured that on or about the date of this Prospectus a UK STS Notification shall be submitted to the FCA, in accordance

with Article 27 of the UK Securitisation Regulation, confirming that the UK STS Requirements have been satisfied with respect to the Notes. It is expected that the UK STS Notification will be available on the website of the FCA (<https://data.fca.org.uk/#/sts/stssecuritisations>). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus. A draft version of the UK STS notification was made available prior to pricing to potential investors in the Notes by way of the Reporting Websites.

- (m) 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. 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. Investors are advised to carefully review any disclosure in the Prospectus together with any amendments or supplements thereto.
- (n) The total expenses to be paid in relation to admission of the Notes to the Official List and trading on the main market of the London Stock Exchange are estimated to be £12,860.
- (o) The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Prospectus.

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