

## IMPORTANT NOTICE

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

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF FOSSE MASTER ISSUER PLC. THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE **INVESTMENT COMPANY ACT**) AND THE NOTES MAY NOT BE OFFERED OR SOLD EXCEPT (I) IN THE UNITED STATES TO PERSONS WHO ARE "QUALIFIED INSTITUTIONAL BUYERS" (**QIBS**) AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A OR ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (II) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO, AND IN COMPLIANCE WITH, REGULATION S UNDER THE SECURITIES ACT AND APPLICABLE SECURITIES REGULATIONS IN EACH JURISDICTION IN WHICH THE NOTES ARE OFFERED.

This base prospectus has been delivered to you on the basis that you are a person into whose possession this base prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the base 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 base prospectus by electronic transmission, (c) you are either (i) 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, or its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or (ii) a QIB 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 the FPO (together, **relevant persons**). In the UK, this base prospectus must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this base prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

This base prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Fosse Master Issuer plc, Banco Santander, S.A. or Santander UK plc together with its affiliated and associated companies (**Santander UK**) nor any person who controls it, nor any director, officer, employee or agent of Fosse Master Issuer plc, Banco Santander, S.A. or Santander UK nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the base prospectus distributed to you in electronic format and the hard copy version available to you on request from Santander UK.

**FOSSE MASTER ISSUER PLC***(incorporated in England and Wales with limited liability, registered number 5925693)***Legal entity identifier (LEI): QJPKR9G6NB84N1WHW372****RESIDENTIAL MORTGAGE BACKED NOTE PROGRAMME**

<b>Programme establishment</b>	Fosse Master Issuer plc (the <b>issuer</b> ) established a residential mortgage backed note programme (the <b>programme</b> ) on 28 November 2006 (the <b>initial closing date</b> ).
<b>Issuance in series</b>	Under the programme, the issuer may from time to time issue class A notes, class B notes, class M notes, class C notes, class D notes and class Z notes in one or more series (together, the <b>notes</b> ). Each series will consist of one or more classes of notes. One or more series and one or more classes of notes may be issued at any one time. The class Z variable funding notes may be issued together with other classes of notes of a series, but will not be linked to that series.
<b>The notes</b>	<p>The notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the <b>Securities Act</b>) or the securities laws of any state or other jurisdiction of the United States and the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (<b>Reg S</b>)) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable state or local securities laws.</p> <p>The programme provides that the issuer may issue notes in transactions that occur outside the United States to persons other than U.S. persons in accordance with Reg S. Such notes are collectively referred to herein as <b>Reg S notes</b>. The issuer may also issue notes which will be sold within the United States only to qualified institutional buyers (<b>QIBs</b>) within the meaning of Rule 144A under the Securities Act (<b>Rule 144A</b>) in reliance on Rule 144A. Such notes are collectively referred to herein as the <b>Rule 144A notes</b>. Prospective purchasers are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on offers, sales and transfers of notes in this base prospectus, see "<b>Subscription and Sale</b>" below and "<b>Transfer Restrictions and Investor Representations</b>" below.</p> <p>The issuer is not, and after giving effect to any offering and sale of notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the <b>Volcker Rule</b>). In reaching this conclusion, although other statutory or regulatory exemptions under the Investment Company Act of 1940, as amended (the <b>Investment Company Act</b>) and under the Volcker Rule and its related regulations may be available, the issuer has relied on the determinations that (i) it may rely on the exemption from registration under the Investment Company Act provided by Rule 3a-7 thereunder, and (ii) it does not constitute a "covered fund" for the purposes of the Volcker Rule. Any prospective investor in notes issued by the issuer, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding the Volcker Rule and its effects.</p>
<b>Underlying assets</b>	<p>The principal asset from which the issuer will make payments on the notes is a master intercompany loan to an affiliated company called Fosse Funding (No.1) Limited (<b>Funding 1</b>). The principal asset from which Funding 1 will make payments on the master intercompany loan is its interest in a master trust over a pool of residential mortgage loans held by Fosse Trustee (UK) Limited (the <b>mortgages trustee</b>).</p> <p>The residential mortgage loans are originated by Santander UK plc (<b>Santander UK</b> or the <b>seller</b>) and are secured over properties located in England, Wales and Scotland.</p>
<b>Credit enhancement</b>	Subject to the detailed description and limits set out in " <b>Credit structure</b> ", the notes will have the benefit of the following credit enhancement or support: availability of excess portions of Funding 1's available revenue receipts and of Funding 1's available principal receipts; reserve funds that will be used in certain circumstances by Funding 1 to meet any deficit in revenue or to repay amounts of principal (other than

	<p>with respect to the class Z notes); and subordination of junior classes of notes. The notes will also have the benefit of certain derivative instruments which may include currency and interest rate swaps, if specified in the relevant final terms (as defined below).</p>
<p><b>Listing</b></p>	<p>This document comprises a base prospectus for the purposes of Regulation (EU) 2017/1129 (the <b>Prospectus Regulation</b>). This base prospectus supersedes any previous prospectus describing the programme. Any notes issued under the programme on or after the date of this base prospectus are issued subject to the provisions described herein.</p> <p>This base prospectus has been approved as a base prospectus by the Financial Conduct Authority (the <b>FCA</b>), as competent authority under the Prospectus Regulation. The FCA only approves this base prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer or of the quality of the securities that are the subject of this base prospectus. Investors should make their own assessment of as to the suitability of investing in the securities.</p> <p>This base prospectus is not a prospectus for the purposes of Section 12(a)(2) or any other provision of or rule under the Securities Act.</p> <p>Application will be made to the FCA for notes (other than any notes which are to be unlisted or listed on any other exchange) issued during the period of 12 months from the date of this base prospectus to be admitted to the official list (the <b>Official List</b>) and application will be made to London Stock Exchange plc (the <b>London Stock Exchange</b>) for such notes to be admitted to trading on its regulated market. The regulated market of the London Stock Exchange is a regulated market for the purposes of the recast Markets in Financial Instruments Directive 2014/65/EU (<b>MiFID II</b>). The final terms or drawdown prospectus, if applicable, of an issuance of notes (including any series and classes or sub-classes of such notes, the aggregate nominal amounts of such notes, interest (if any) payable in respect of such notes and the issue price of such notes and certain financial and other information about the issuer's assets) will be determined by the issuer in accordance with the prevailing market conditions at the time of the issue of the relevant notes and will be set out in a separate document (the <b>final terms</b> or <b>drawdown prospectus</b>, as the case may be). The final terms and any drawdown prospectus for listed notes will be filed with the London Stock Exchange and made available to the public in accordance with English and EU law pursuant to the Prospectus Regulation (the <b>prospectus rules</b>). This base prospectus may be used to offer and sell the notes only if accompanied by the relevant final terms or drawdown prospectus, if any.</p> <p>The issuer may agree with any relevant dealer and/or manager and the note trustee that notes may be issued in a form not contemplated by the terms and conditions of the notes herein, in which event (in the case of notes admitted to the Official List only) a drawdown prospectus will be made available which will describe the effect of the agreement reached in relation to such notes.</p> <p>The programme also provides that notes may be listed on such other or further stock exchange(s) as may be agreed between the issuer, the note trustee and the relevant dealers and/or managers. The issuer may also issue unlisted notes for which no prospectus is required to be published under the Prospectus Regulation and which will not be issued pursuant to (and do not form part of) this base prospectus, and will not be issued pursuant to any final terms document under this base prospectus.</p> <p>References in this base prospectus to the <b>listed notes</b> do not include any notes listed and/or traded on any exchange other than the London Stock Exchange (<b>non-LSE listed notes</b>).</p> <p>Non-LSE listed notes may be governed by or construed in accordance with a law other than English law (<b>foreign law notes</b>) as may be specified in the applicable issue terms (<b>issue terms</b>). The issue terms and any drawdown prospectus, as applicable, for any non-LSE listed notes will specify whether such non-LSE listed notes are foreign law notes and whether the terms and conditions of such non-LSE listed notes differ from the terms and conditions of the notes described herein.</p> <p>Unlisted notes and non-LSE listed notes will not be issued pursuant to (and do not form part of) this base prospectus, and will not be issued pursuant to any final terms document under this base prospectus. The FCA has neither approved nor</p>

	<p>reviewed information contained in this base prospectus in connection with any unlisted notes or non-LSE listed notes.</p> <p>This base prospectus is valid for 12 months from its date in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the <b>EEA</b>) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. The obligation to supplement this base prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this base prospectus is no longer valid.</p>
<b>Credit ratings</b>	<p>The notes (other than any notes which are to be unrated) comprising each series will be assigned certain ratings upon issue by at least two of Standard &amp; Poor's Ratings Services, a division of Standard &amp; Poor's Credit Market Services Europe Limited (<b>Standard &amp; Poor's</b> or <b>S&amp;P</b>), Moody's Investors Service Ltd. (Moody's) and Fitch Ratings Ltd. (<b>Fitch</b>) which are described in "<b>Transaction overview – Description of the notes – Issuance</b>" below. Standard &amp; Poor's Credit Market Services Europe Limited operates under its trading name Standard &amp; Poor's Ratings Services. The ratings assigned to the notes (other than any notes which are to be unrated) comprising each series will be specified in the accompanying final terms, the issue terms (if any) or, if applicable, a drawdown prospectus. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 (as amended) (the <b>CRA Regulation</b>) or issued by a credit rating agency established in a third country but whose credit ratings are endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or which is certified in accordance with the CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended).</p> <p>Each of Standard &amp; Poor's, Moody's and Fitch is established in the European Union and is registered under the CRA Regulation. As such each of the credit rating agencies is included in the list of credit rating agencies published by the European Securities and Markets Authority (<b>ESMA</b>) on its website in accordance with the CRA Regulation.</p>
<b>Simple, Transparent and Standardised (STS) Securitisations</b>	<p>The seller, as originator, may procure a notification to be submitted to ESMA, in accordance with Article 27 of the Securitisation Regulation, and the FCA, when the requirements of Articles 19 to 22 of the Securitisation Regulation (the <b>STS requirements</b>) have been satisfied with respect to the issuance of a series of notes.</p> <p>In relation to such notification, the seller has been designated as the first contact point for investors and competent authorities.</p> <p>However, no assurance is given that the originator will seek an STS designation with respect to any series of notes issued under this base prospectus and the relevant final terms. The originator may decide at its discretion whether an STS notification will be submitted in respect of an issuance of a series of notes at the time of such issuance. Accordingly, notes may, and are capable of, being issued under this base prospectus without them being compliant with the STS requirements or any notification being submitted to ESMA by or on behalf of the originator that the STS requirements are satisfied.</p>
<b>Benchmarks Regulation</b>	<p>Amounts payable on floating rate notes may be calculated by reference to one of LIBOR, USD-LIBOR, EURIBOR, JPY-LIBOR or CDOR, or any other benchmark, as specified in the relevant final terms. As at the date of this base prospectus, the administrators of LIBOR, USD-LIBOR, EURIBOR, JPY-LIBOR and CDOR appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the EU Benchmarks Regulation (Regulation (EU) 2016/1011) (the <b>Benchmarks Regulation</b>).</p>

Notwithstanding any provision in this base prospectus to the contrary, each prospective investor (and each employee, representative or other agent of each such prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and U.S. federal income tax structure of any transaction contemplated in this base prospectus and all materials of any kind (including

opinions or other tax analyses) that are provided to it relating to such U.S. federal income tax treatment and U.S. federal income tax structure.

A note is not a deposit and neither the notes nor the underlying receivables are insured or guaranteed by any United Kingdom or United States governmental agency.

**Neither the United States Securities and Exchange Commission nor any state securities commission in the United States or any other United States regulatory authority has approved or disapproved the notes or determined that this base prospectus is truthful or complete. Any representation to the contrary is a criminal offence in the United States.**

**Please consider carefully the risk factors beginning on page 13 of this base prospectus.**

**Arranger for the programme**

**Santander Corporate & Investment Banking**

The date of this base prospectus is 13 September 2019

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND UNLESS REGISTERED MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS, ACCORDINGLY, (A) THE REG S NOTES ARE BEING OFFERED AND SOLD ONLY TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES PURSUANT TO REGULATIONS UNDER THE SECURITIES ACT AND (B) THE RULE 144A NOTES ARE BEING OFFERED AND SOLD IN THE UNITED STATES ONLY TO QIBS PURSUANT TO RULE 144A. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE “**SUBSCRIPTION AND SALE**” AND “**TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS**”.

There is no undertaking to register the notes under U.S. state or federal securities laws. Until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act.

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

**Prohibition of sales to EEA retail investors** – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIPs Regulation**) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

THE CLASS A RULE 144A NOTES, CLASS B RULE 144A NOTES AND CLASS M RULE 144A NOTES OF EACH SERIES WILL BE ERISA-ELIGIBLE NOTES (AS DEFINED HEREIN) UNLESS OTHERWISE SET FORTH IN THE APPLICABLE FINAL TERMS. THE ERISA-ELIGIBILITY OF THE CLASS C RULE 144A NOTES, CLASS D RULE 144A NOTES AND THE CLASS Z NOTES WILL BE SET FORTH IN THE APPLICABLE FINAL TERMS. THE REG S NOTES AND ANY RULE 144A NOTES NOT SPECIFIED IN THE APPLICABLE FINAL TERMS AS ERISA-ELIGIBLE NOTES ARE NOT DESIGNED FOR, AND MAY NOT BE PURCHASED OR HELD BY, ANY “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**), WHICH IS SUBJECT THERETO, ANY “PLAN” AS DEFINED IN SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**) TO WHICH SECTION 4975 APPLIES, ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF SUCH AN “EMPLOYEE BENEFIT PLAN” OR “PLAN” OR ANY GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (**SIMILAR LAW**); AND EACH PURCHASER OF SUCH NOTE (OR ANY INTEREST THEREIN) WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER ACQUIRES SUCH NOTE (OR INTEREST THEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER DISPOSES OF SUCH NOTE (OR INTEREST THEREIN), THAT IT IS NOT, AND IS NOT ACTING ON BEHALF OF OR USING THE ASSETS OF, SUCH AN “EMPLOYEE BENEFIT PLAN”, “PLAN,” ENTITY OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW. EACH PURCHASER OF ANY ERISA-ELIGIBLE NOTE (OR ANY INTEREST THEREIN) WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED, ON EACH DAY FROM THE DATE ON WHICH THE PURCHASER ACQUIRES SUCH NOTE (OR INTEREST THEREIN) THROUGH AND INCLUDING THE DATE ON WHICH THE PURCHASER DISPOSES OF SUCH NOTE (OR INTEREST THEREIN), EITHER THAT (A) IT IS NOT, AND IS NOT

ACTING ON BEHALF OF OR USING THE ASSETS OF, SUCH AN "EMPLOYEE BENEFIT PLAN," "PLAN," ENTITY OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF SUCH NOTE (OR INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

### AVAILABLE INFORMATION

The issuer has agreed that, for so long as any of the Rule 144A notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the issuer will furnish, upon request of a holder or of any beneficial owner of such a Rule 144A note or of any prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request the issuer is not a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), or is not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

### NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this base prospectus or confirmed the accuracy or determined the adequacy of the information contained in this base prospectus. Any representation to the contrary is a criminal offense.

This base prospectus may be distributed on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The notes may be offered or sold within the United States only to QIBs in transactions exempt from the registration requirements under the Securities Act. Each U.S. purchaser of notes is hereby notified that the offer and sale of any notes to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser or holder of notes (other than a dealer in connection with the initial issuance and sale of notes) will be deemed, by its acceptance or purchase of any such restricted notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such notes as set out in "**Subscription and Sale**" and "**Transfer Restrictions and Investor Representations**". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "**Subscription and Sale**" and "**Transfer Restrictions and Investor Representations**".

### ENFORCEABILITY OF JUDGMENTS

The issuer is a public limited company registered in England and Wales. All of the issuer's assets are located outside the United States. None of the officers and directors of the issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the issuer or any such person not residing in the United States with respect to matters arising under the federal securities laws of the United States, or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in England and Wales, in original actions or in actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States. In addition, the issuer has agreed to submit to the non-exclusive jurisdiction of the courts of England and Wales, and it may be necessary for you to bring a suit in England and Wales to enforce your rights against the issuer.

THE NOTES HAVE NOT BEEN AND WILL NOT BE QUALIFIED UNDER ANY APPLICABLE CANADIAN SECURITIES LAWS. NEITHER THE ISSUING ENTITY NOTES NOR ANY INTEREST OR PARTICIPATION THEREIN MAY BE REOFFERED, RESOLD, ASSIGNED, TRANSFERRED OR OTHERWISE DISPOSED OF TO PURCHASERS IN CANADA UNLESS THEY ARE (A) SOLD IN COMPLIANCE WITH OR PURSUANT TO AN EXEMPTION FROM APPLICABLE DEALER REGISTRATION REQUIREMENTS OF ANY APPLICABLE CANADIAN SECURITIES LAWS AND (B) SOLD OR TRANSFERRED TO AN "ACCREDITED INVESTOR" (AS DEFINED IN CANADIAN NATIONAL INSTRUMENT 45-106 PROSPECTUS AND REGISTRATION EXEMPTIONS).

## DESCRIPTION OF THE PRIME COLLATERALISED SECURITIES INITIATIVE

The Prime Collateralised Securities initiative (**PCS**) was launched on 14 November 2012 and is administered by Prime Collateralised Securities (PCS) UK Limited (**PCS Secretariat**). In summary, the PCS is an industry-led non-profit initiative which seeks to define and promote certain best practice standards in the asset-backed securities market by identifying standards for certain types of securitisations of quality, transparency, simplicity and liquidity and by providing a process whereby a corresponding label (**PCS Label**) for compliant transactions (on an issuance, rather than programme, basis) may be sought.

The seller may apply to the PCS Secretariat for the PCS Label with respect to notes issued under the programme. As at the date of this base prospectus, several series of notes issued under the programme have been awarded the PCS Label and further information in relation to those awards is available on the PCS's website (<http://www.pcs.market.org>). Although the seller has applied for the PCS Label in relation to certain notes issued under the programme in the past, it is not yet known whether the seller will do so for notes issued under this base prospectus or whether the PCS Label will be provided, if sought. Following an award of the PCS Label, any amendment to (i) the transactions contemplated herein, (ii) this base prospectus or (iii) the application documentation submitted to the PCS Secretariat which affect the correctness or changes the details of the original application for the PCS Label shall be notified by the seller to the PCS Secretariat. Any failure to adhere to the PCS Eligibility Criteria may result in a subsequent withdrawal of the PCS Label and a retraction of a confirmation letter. For PCS purposes, (a) the underlying assets under the programme are residential mortgage loans secured over properties located in England, Wales and Scotland and none of the underlying assets under the programme are tranching debt securities themselves and (b) the programme does not involve a securitisation of one or more underlying assets (i) where risk transfer is achieved through the use of credit derivatives or other similar financial instruments and (ii) where there is no sale or granting of a security interest in the underlying assets to the mortgages trustee or Funding 1, as applicable.

For any notes issued under this programme in respect of which a PCS Label is awarded: (A) the first investor report that follows the award of the PCS Label will disclose the amount of the notes (i) privately placed with investors which are not in the originator group; (ii) retained by a member of the originator group; and (iii) publicly placed with investors which are not in the originator group; and (B) in relation to any amount initially retained by a member of the originator group, but subsequently placed with investors which are not in the originator group, the next investor report will (to the extent permissible) disclose such placement. For the purpose of this paragraph, **originator group** means the originator and (i) its holding company; (ii) its subsidiaries; (iii) any other affiliated company as set out in the published accounts of any such company but excluding entities within the group that are in the business of investing in securities and whose investment decisions are taken independently of, and at arm's length from, the originator.

As a private sector initiative, neither the PCS Label nor the activity of it being provided is endorsed or regulated by any regulatory and/or supervisory authority, nor is the PCS Label linked to or indicative of the STS designation. The PCS Secretariat is not regulated by any regulator and/or supervisory authority.

In general, it should be noted that the PCS Label operates only as a confirmation that the relevant securities satisfy (at the time of award) certain specific standards referred to in the PCS standards and corresponding eligibility criteria. The PCS Label is not an opinion on the creditworthiness of the relevant securities or on the level of risk associated with an investment in the relevant securities. In addition, it is not an indication of the suitability of the relevant securities for any investor and/or a recommendation to buy, sell or hold securities. Moreover, further changes may be, and have been, proposed through the political negotiation process to the regulatory framework governing securitisations and there is uncertainty as to the future application of the PCS Label following the introduction of the Securitisation Regulation which applies to securities issued on or after 1 January 2019 (see further "**Risk Factors –Regulatory initiatives may have an adverse impact on the regulatory treatment of the notes**"). It is not clear what significance (if any) may be attributed to the PCS Label by prospective investors and, as such, it is not clear what impact the final determination (be it positive or negative) in respect of the seller's application (if an application is made in relation to notes issued under this base prospectus) for the PCS Label may have with respect to the market value and/or liquidity of the notes issued under the programme.

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF SANTANDER UK PLC (**SANTANDER UK**), BANCO SANTANDER, S.A. (THE **ARRANGER**), THE DEALERS, THE MANAGERS, THE NOTE TRUSTEE, THE FUNDING 1 SECURITY TRUSTEE, THE ISSUER SECURITY TRUSTEE, FUNDING 1, THE MORTGAGES TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE ISSUER CORPORATE SERVICES PROVIDER, THE FUNDING 1 SWAP PROVIDER, THE ISSUER SWAP PROVIDERS, ANY SWAP GUARANTORS (AS APPLICABLE), THE PAYING AGENTS, THE REGISTRAR, THE TRANSFER

AGENT, THE EXCHANGE RATE AGENT (IF APPLICABLE), THE AGENT BANK, ANY REMARKETING AGENT (IF APPLICABLE), ANY CONDITIONAL PURCHASER (IF APPLICABLE), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS SANTANDER UK OR THE DEALERS, THE MANAGERS OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF SANTANDER UK, THE ARRANGER, THE DEALERS, THE MANAGERS, THE NOTE TRUSTEE, THE FUNDING 1 SECURITY TRUSTEE, THE ISSUER SECURITY TRUSTEE, FUNDING 1, THE MORTGAGES TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE ISSUER CORPORATE SERVICES PROVIDER, THE FUNDING 1 SWAP PROVIDER, THE ISSUER SWAP PROVIDERS, ANY SWAP GUARANTORS (AS APPLICABLE), THE PAYING AGENTS, THE REGISTRAR, THE TRANSFER AGENT, THE EXCHANGE RATE AGENT (IF APPLICABLE), THE AGENT BANK, ANY REMARKETING AGENT (IF APPLICABLE), ANY CONDITIONAL PURCHASER (IF APPLICABLE), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS SANTANDER UK OR THE DEALERS, THE MANAGERS OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS (BUT WITHOUT PREJUDICE TO THE OBLIGATIONS OF FUNDING 1 TO THE ISSUER UNDER THE INTERCOMPANY LOAN AGREEMENT).

The issuer accepts responsibility for the information contained in this base prospectus and each final terms. To the best of the knowledge of the issuer the information contained in this base prospectus is in accordance with the facts and the base prospectus makes no omission likely to affect its import.

Other than in relation to the documents which are deemed to be incorporated by reference (see "**Documents Incorporated By Reference**"), the information on the websites to which this base prospectus refers does not form part of this base prospectus and has not been scrutinised or approved by the FCA.

None of the arranger, the dealers or the managers has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by any of the arranger, the dealers or the managers as to the accuracy or completeness of the information contained or incorporated in this base prospectus or any other information provided by the issuer in connection with the programme. None of the arranger, the dealers or the managers accepts any liability in relation to the information contained or incorporated by reference in this base prospectus or any other information provided by the issuer in connection with the programme.

A copy of this base prospectus and the accompanying final terms relating to listed notes will be available for inspection at the registered office of the issuer and at the specified office of the paying agents or will be made available to the public in accordance with the prospectus rules. A copy of the issue terms relating to notes which are not listed notes including in relation to non-LSE listed notes (if any) will be made available at the specified office of each paying agent.

If at any time the issuer shall be required to prepare a supplemental prospectus pursuant to the Prospectus Regulation, the issuer will prepare and make available an appropriate amendment or supplement to this base prospectus which, in respect of any subsequent issue of notes to be listed on the Official List and admitted to trading on the London Stock Exchange's regulated market for the purposes of the MiFID II, shall constitute a supplemental prospectus as required by the FCA under the prospectus rules.

No person is or has been authorised in connection with the issue and sale of the notes to give any information or to make any representation not contained in this base 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 directors of the issuer, Funding 1, the mortgages trustee, Santander UK, the arranger, the dealers, the managers, the note trustee, the Funding 1 security trustee, the issuer security trustee, the corporate services provider, the issuer corporate services provider, the Funding 1 swap provider, the issuer swap providers, any swap guarantors (as applicable), the paying agents, the registrar, the transfer agent, the exchange rate agent (if applicable), the agent bank, any remarketing agent (if applicable), any conditional purchaser (if applicable), any company in the same group of companies as Santander UK or the dealers, the managers or any other party to the transaction documents. Any websites referred to herein do not form any part of the contents of this base prospectus.

Neither the delivery of this base prospectus nor any sale or allotment made in connection with the 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 affairs of the issuer, Funding 1, the mortgages trustee, Santander UK, the arranger, the dealers, the managers, the corporate services provider, the issuer corporate services provider, the Funding 1 swap provider, the issuer swap providers, any swap guarantors (as applicable), the paying agents, the registrar, the transfer agent, the exchange rate agent (if applicable), the agent bank, any remarketing agent (if applicable), any conditional purchaser (if applicable), any company in the same group of companies as Santander UK or the arranger, the dealers, the managers or any other party to the transaction documents or that there has been no change in the information contained herein

since the date hereof or that the information contained herein is correct as at any time subsequent to the date hereof or that there has been no change in any other information supplied in connection with the programme as of any time subsequent to the date indicated in the document containing the same or that such information is correct at any time subsequent to the date thereof.

Other than the approval of this base prospectus as a base prospectus by the FCA, the filing of this base prospectus with the FCA and making this base prospectus available to the public in accordance with the prospectus rules, no action has been or will be taken to permit a public offering of any listed notes or the distribution of this base prospectus in any jurisdiction where action for that purpose is required. The distribution of this base prospectus and the offering of notes in certain jurisdictions may be restricted by law. Persons into whose possession this base prospectus (or any part hereof) comes are required by the issuer, the managers and the dealers to inform themselves about, and to observe, any such restrictions. For a further description of certain restrictions on offers and sales of notes and distribution of this base prospectus, see **"Subscription and Sale"** below. Neither this base prospectus nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the issuer or the arranger or the dealers or the managers to subscribe for or purchase any of the notes and neither this base prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this base prospectus nor any part hereof nor any other offering document, base prospectus, form of application, advertisement, other offering material or other information may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with all applicable laws, orders, rules and regulations.

In connection with the issue of any series and class of notes, the dealer(s) and/or manager(s) named as stabilising manager(s) (or persons acting on behalf of any stabilising manager) in the applicable final terms may over-allot such notes (provided that, in the case of any series and class of notes to be admitted to trading on the London Stock Exchange's regulated market or any other regulated market (within the meaning of MiFID II) in the European Economic Area, the aggregate principal amount of such notes allotted does not exceed 105 per cent. of the aggregate principal amount of the relevant series and class) or effect transactions with a view to supporting the market price of that series and class of notes at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or any persons acting on behalf of a stabilising manager) will undertake such action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant series and class of notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the closing date of the relevant series and class of notes and 60 days after the date of the allotment of the relevant series and class of notes.

**None of the arranger, any dealer, the security trustee, the note trustee, the principal paying agent, the U.S. paying agent, the agent bank, the registrar, the transfer agent or any of their respective affiliates are responsible for any obligations of the seller or the issuer for compliance with the requirements (including any existing or ongoing reporting requirements) of the Securitisation Regulation or any corresponding national measures which may be applicable.**

## FORWARD-LOOKING STATEMENTS

This base prospectus contains statements which constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this base prospectus, including, but not limited to, statements made under the captions **"Risk Factors"**, **"The Loans"** and **"Description of the transaction documents – Servicing agreement"** below. These forward-looking statements can be identified by the use of forward-looking terminology, such as the words "believes", "expects", "may", "will", "continue", "intends", "plans", "should", "could" or "anticipates", or the negative or other variations of those terms. These statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results and performance of the notes, Santander UK or the UK residential mortgage industry to differ materially from any future results or performance expressed or implied in the forward-looking statements. These risks, uncertainties and other factors include, among other things: general economic and business conditions in the United Kingdom; currency exchange and interest rate fluctuations; government, statutory, regulatory or administrative initiatives affecting Santander UK; changes in business strategy, lending practices or customer relationships; and other factors that may be referred to in this base prospectus. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the issuer. Some of the most significant of these risks, uncertainties and other factors are discussed under the caption **"Risk Factors"** below, and you are

encouraged to consider those factors carefully prior to making an investment decision. These forward-looking statements speak only as of the date of this base prospectus. The issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the issuer's expectations with regard thereto or any changes in events, conditions or circumstances after the date of this base prospectus on which any such statement is based. These statements reflect the issuer's current views with respect to such matters.

## DEFINED TERMS AND CONVENTIONS

Terms used in this base prospectus are defined in the Glossary. Where terms first appear in the text, they are also defined there or reference is made there to a definition elsewhere.

References to a provision of law is to be construed as a reference to such provision as the same may have been amended or re-enacted and any reference to a provision of any law of the European Union is to be construed as including a reference to such provision as the same may have been implemented, transposed, enacted, retained or “on-shored” under the laws of the United Kingdom.

References to any rating or rating criteria or methodology of Fitch, Moody’s or S&P, and any trigger or test or notice requirement or other provision related thereto, are to be construed as applying only if and for so long as any notes rated by Fitch, Moody’s or S&P, as applicable, remain outstanding.

References in this base prospectus to **final terms** are to the final terms for listed notes.

References in this base prospectus to a **drawdown prospectus** are to a drawdown prospectus which may be used when the issuer intends to issue notes in a form not contemplated by the terms and conditions of the notes herein, or if it considers that the information contained in this base prospectus and the final terms needs to be supplemented, amended and/or replaced in the context of an issue of a particular series or class of notes. References to final terms will be deemed to include the applicable drawdown prospectus if a drawdown prospectus is required.

References in this base prospectus to **issue terms** are to the issue terms for non-LSE listed notes, if any (including notes not offered under this base prospectus). Issue terms will be based on the form of final terms set forth in this base prospectus.

References in this document to **issuer**, **we** or **our** mean Fosse Master Issuer plc and references to **you** mean potential investors in the notes.

References in this base prospectus to **£**, **pounds** or **sterling** are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland and references to **sterling notes** mean notes issued and denominated in sterling.

References in this base prospectus to **U.S. dollars** or **dollars** are to the lawful currency of the United States of America and references to **dollar notes** mean notes issued and denominated in dollars.

References in this base prospectus to **€**, **euro** or **Euro** are to the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time, and references to **euro notes** mean notes issued and denominated in euro.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this base prospectus to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), provided, however, that such statement shall only form part of the base prospectus to the extent that it is contained in a document all or the relevant portion of which is incorporated by reference by way of a supplement proposed in accordance with Article 23 of the Prospectus Regulation. Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this base prospectus.

### **Important notice about information provided in this base prospectus and the accompanying final terms**

Information about each series of notes is contained in two separate documents: (a) this base prospectus, which provides general information, some of which may not apply to a particular series; and (b) the accompanying final terms for a particular series, which describe the specific terms of the notes of that series, including:

- the timing of interest and principal payments;
- financial and other information about our assets;
- information about the credit enhancement for your series or class of notes; and
- the ratings for your class of notes (other than any notes which are to be unrated).

This base prospectus may be used to offer and sell any series and class of notes only if accompanied by the final terms for that series and class.

Although the accompanying final terms for a particular series of notes cannot contradict the information contained in this base prospectus, insofar as the final terms contains specific information about the series that differs from the more general information contained in this base prospectus, you should rely on the information in the final terms.

You should rely only on the information contained in this base prospectus and the accompanying final terms, including any information incorporated by reference herein or therein. The issuer has not authorised anyone to provide you with information that is different from that contained in this base prospectus and the accompanying final terms. The information in this base prospectus or the accompanying final terms is only accurate as of the dates on their respective covers.

Cross-references are included in this base prospectus and each accompanying final terms to captions in these materials where you can find further related discussions. The following table of contents and the table of contents included in each accompanying final terms provide the pages on which these captions are located.

## DOCUMENTS INCORPORATED BY REFERENCE

The audited financial statements of Funding 1 for the period up to and including the year ended 31 December 2016, which appear on pages 8 to 24 of Funding 1's Annual Report and Accounts for the year ended 31 December 2016, are incorporated by reference into this base prospectus. Copies of these financial statements may be obtained at Funding 1's registered office at 35 Great St. Helen's, London EC3A 6AP, United Kingdom and may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of Funding 1 for the period ended 31 December 2016.

The audited financial statements of Funding 1 for the period up to and including the year ended 31 December 2017, which appear on pages 8 to 23 of Funding 1's Annual Report and Accounts for the year ended 31 December 2017, are incorporated by reference into this base prospectus. Copies of these financial statements may be obtained at Funding 1's registered office at 35 Great St. Helen's, London EC3A 6AP, United Kingdom and may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of Funding 1 for the period ended 31 December 2017.

The audited financial statements of Funding 1 for the period up to and including the year ended 31 December 2018, which appear on pages 8 to 23 of Funding 1's Annual Report and Accounts for the year ended 31 December 2018, are incorporated by reference into this base prospectus. Copies of these financial statements may be obtained at Funding 1's registered office at 35 Great St. Helen's, London EC3A 6AP, United Kingdom and may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of Funding 1 for the period ended 31 December 2018.

The audited financial statements of the issuer for the period up to and including the year ended 31 December 2016, which appear on pages 7 to 25 of the issuer's Annual Report and Accounts for the year ended 31 December 2016, are incorporated by reference into this base prospectus. Copies of these financial statements may be obtained at the issuer's registered office at 35 Great St. Helen's, London EC3A 6AP, United Kingdom and may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of the issuer for the period ended 31 December 2016.

The audited financial statements of the issuer for the period up to and including the year ended 31 December 2017, which appear on pages 9 to 27 of the issuer's Annual Report and Accounts for the year ended 31 December 2017, are incorporated by reference into this base prospectus. Copies of these financial statements may be obtained at the issuer's registered office at 35 Great St. Helen's, London EC3A 6AP, United Kingdom and may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of the issuer for the period ended 31 December 2017.

The audited financial statements of the issuer for the period up to and including the year ended 31 December 2018, which appear on pages 5 to 13 of the issuer's Annual Report and Accounts for the year ended 31 December 2018, are incorporated by reference into this base prospectus. Copies of these financial statements may be obtained at the issuer's registered office at 35 Great St. Helen's, London EC3A 6AP, United Kingdom and may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. PricewaterhouseCoopers LLP, members of the Institute of Chartered Accountants in England and Wales, have issued unqualified audit opinions on the financial statements of the issuer for the period ended 31 December 2018.

The terms and conditions of the notes contained in the previous prospectuses relating to the programme dated 8 March 2010, 21 April 2011, 27 April 2012, 19 August 2013, 9 October 2014 and 29 April 2016 are incorporated by reference into this base prospectus. Copies of the terms and conditions contained in the previous prospectuses referred to above may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this base prospectus for the purposes of the Prospectus Regulation except where such information or other documents are specifically incorporated by reference or attached to this base prospectus.

Any information in the documents incorporated by reference which is not incorporated in and does not form part of this base prospectus is not relevant for noteholders or is contained elsewhere in this base prospectus.

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## OVERVIEW

*The information in this section is an overview of the principal features of the notes, including the transaction documents and the loans that will generate the income for the issuer to make payments on the notes and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this document. You should read the entire base prospectus carefully, especially the risks of investing in the notes discussed below under “Risk Factors” herein.*

### Overview of the transaction

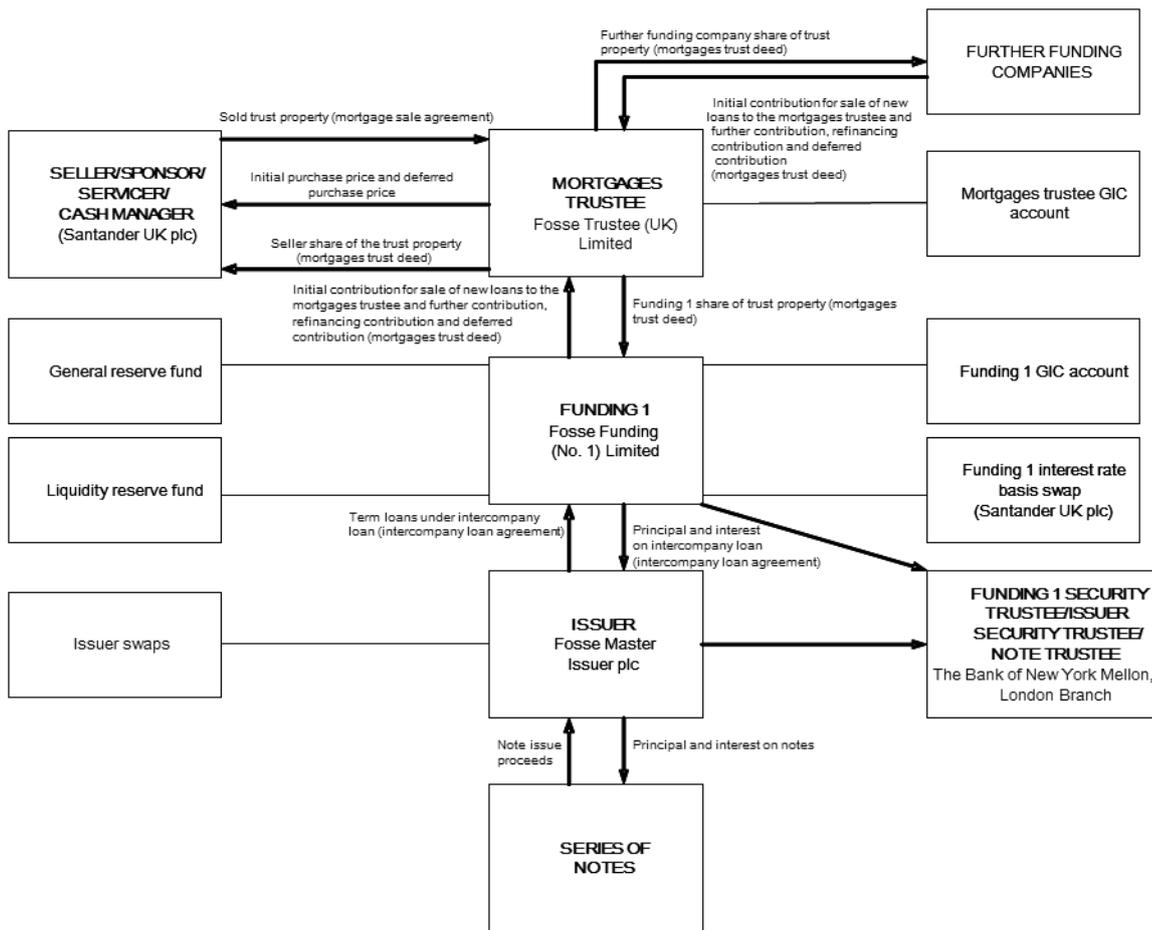
The following is a brief overview of the transaction and is further illustrated by the diagram set out in “Structural diagram of the programme” below.

- (1) On or about 13 September 2019 (the **Portfolio Replacement Date**) Santander UK (the **seller**) intends to repurchase all existing loans in the portfolio and sell loans and their **related security** (which is the security for the repayment of a loan, including the relevant mortgage and any rights under buildings insurance policies) to the mortgages trustee pursuant to a mortgage sale agreement. Going forward from time to time, the seller may, subject to satisfaction of the conditions of sale in “**Description of the transaction documents – The mortgage sale agreement – Conditions for sale of initial loans and new loans**” below, sell further loans and their related security to the mortgages trustee pursuant to the mortgage sale agreement.
- (2) From the Portfolio Replacement Date the **loans** are residential mortgage loans originated by Santander UK and secured over residential properties located in England, Wales and Scotland. From the Portfolio Replacement Date the portfolio does not contain any loans originated by Alliance & Leicester plc.
- (3) The mortgages trustee holds and will hold the loans and certain other property (the **trust property**) on trust for the benefit of the seller, Funding 1 and any further Funding companies that may be established from time to time as referred to in (1) below (together with Funding 1, the **Funding companies**) pursuant to a mortgages trust deed. The trust property includes the **portfolio**, which at any time consists of the loans and their related security held by the mortgages trustee together with any accrued interest on the loans, other amounts derived from the loans and their related security (including any early repayment charges) and any seller accrued interest amounts in respect of loans sold to the mortgages trustee on the initial closing date. Each of the seller, Funding 1 and any further Funding company has a joint and undivided interest in the trust property, but their entitlement to the proceeds from the trust property is in proportion to their respective shares of the trust property, as further described below under “**The mortgages trust**”.
- (4) The mortgages trustee distributes interest receipts on the loans to each of Funding 1, any further Funding company and the seller based on the percentage share that Funding 1 or such further Funding company, or the seller as the case may be, has in the trust property. The mortgages trustee allocates losses on the loans to the seller, Funding 1 and any other further Funding company in accordance with the percentage share that each of them has in the trust property. These percentages may fluctuate as described in “**The mortgages trust – Fluctuation of share in the trust property**” below. The mortgages trustee allocates principal receipts on the loans between the seller, Funding 1 and any further Funding company in amounts depending on whether Funding 1 or such further Funding company, as the case may be, is required to pay amounts on the intercompany loan or, as the case may be, any new intercompany loan of such further Funding company on the next Funding 1 interest payment date or interest payment date with respect to such further Funding company, as the case may be, or Funding 1 or such further Funding company, as the case may be, is accumulating cash to repay a bullet loan tranche or a scheduled amortisation instalment, as the case may be. However, Funding 1 and any further Funding companies will only be allocated principal receipts in accordance with the percentage share that each of them has in the trust property. The issuer will make loan tranches available to Funding 1 pursuant to the intercompany loan agreement from the proceeds of each series of notes (see “**Description of the notes – Relationship between the notes and the intercompany loan**” below). The types of loan tranches (namely, bullet loan tranches, scheduled amortisation loan tranches and pass-through loan tranches) are described below under “**Description of the notes – The intercompany loan**”.

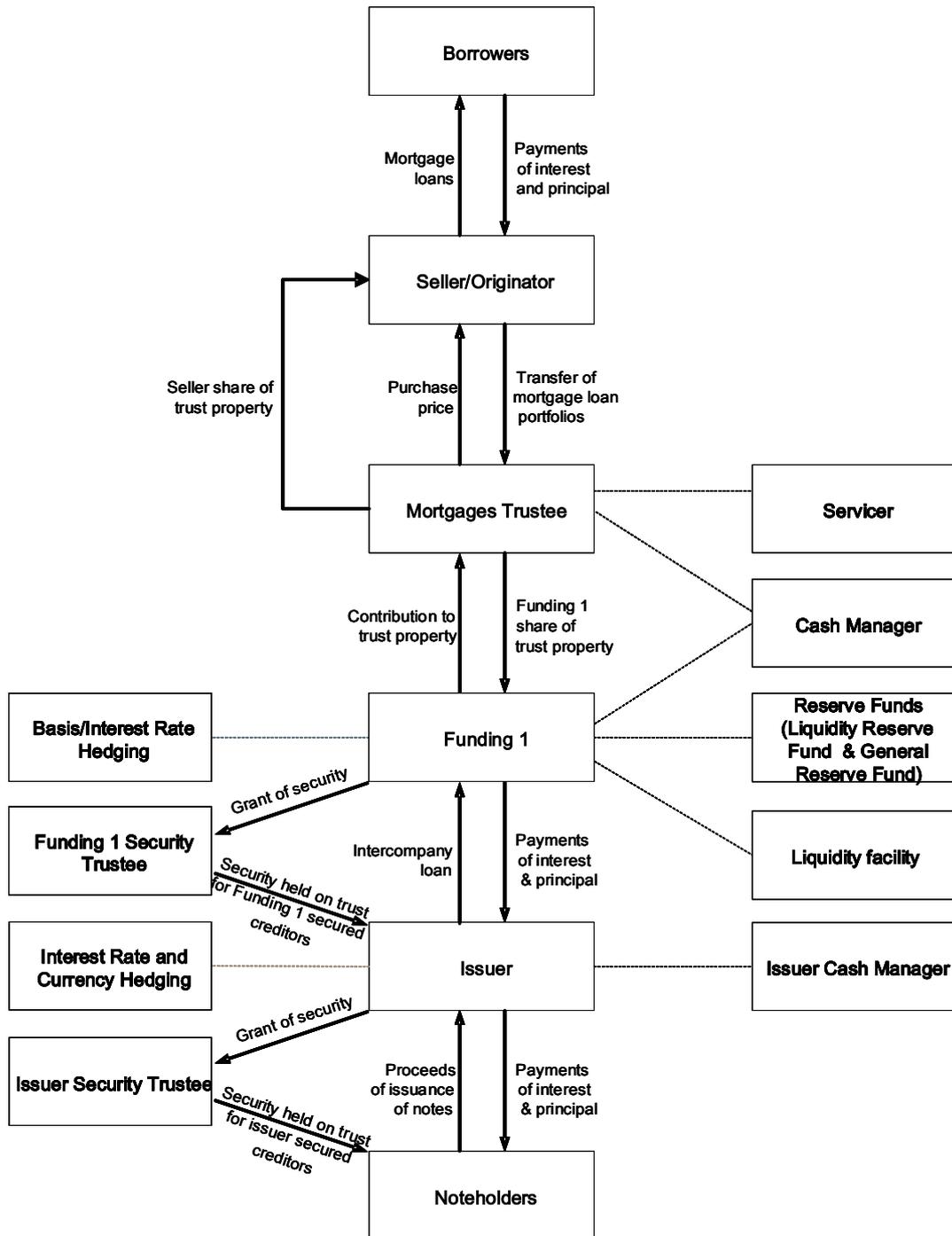
- (5) Funding 1 uses the proceeds of any loan tranches received from time to time from the issuer to:
- (a) make an initial contribution (an **initial contribution**) to the mortgages trustee to acquire a share of the trust property. The mortgages trustee will use the proceeds of the initial contribution to pay the seller part of the consideration for loans (together with their related security) sold to the mortgages trustee in connection with the issuance of notes by the issuer and the making of the relevant loan tranches to Funding 1, which will result in a corresponding increase in Funding 1's share of the trust property;
  - (b) make a further contribution to the mortgages trustee to acquire part of another further Funding company's share and/or the seller's share of the trust property (such contribution to be paid to such further Funding company (a **refinancing distribution**) or the seller (a **special distribution**), as the case may be, which will result in a corresponding decrease of such further Funding company's or the seller's share of the trust property, as the case may be, and a corresponding increase in Funding 1's share of the trust property);
  - (c) refinance and/or repay one or more of the loan tranches or new loan tranches (if any) made available to Funding 1 outstanding from time to time; and/or
  - (d) fund or replenish the general reserve fund.
- (6) Funding 1 uses a portion of the amounts received from its share in the trust property to meet its obligations to pay interest and principal due to the issuer under the intercompany loan. Funding 1's obligations to the issuer under the intercompany loan, among other things, will be secured under the Funding 1 deed of charge entered into with, among others, the Funding 1 security trustee and the issuer, by, among other things, Funding 1's share of the trust property.
- (7) The issuer's obligations to pay principal and interest on the notes are funded primarily from the payments of principal and interest received by it from Funding 1 under the intercompany loan. The issuer's primary asset will be its rights under the intercompany loan agreement. Neither the issuer nor the noteholders will have any direct interest in the trust property, although the issuer will have a shared security interest under the Funding 1 deed of charge in Funding 1's share of the trust property. Prior to service of an intercompany acceleration notice, the issuer will only repay a class of notes (or part thereof) of any series on the relevant interest payment date if it has received principal repayments in respect of the loan tranche that was funded by the issue of such notes. Following service of an intercompany acceleration notice, the issuer will apply amounts received by it from Funding 1 under the intercompany loan to repay all classes of outstanding notes of any series in accordance with the relevant issuer priority of payments.
- (8) Subject to satisfying certain issuance tests (as described below under "**The issuance of notes**"), the issuer issues notes in separate series and classes from time to time. Each series will consist of one or more classes of class A notes, class B notes, class M notes, class C notes, class D notes or class Z notes and may be offered pursuant to this base prospectus and the accompanying final terms setting out the terms of that series. The Class Z variable funding notes may be issued together with other classes of notes of a series, but will not be linked to that series. The issuer's obligations under, among other things, the notes will be secured under the issuer deed of charge entered into with, among others, the issuer security trustee and the issuer, by, among other things, the issuer's rights under the intercompany loan agreement.
- (9) These items and their function in the programme structure are described later in this base prospectus and in the accompanying final terms (where applicable). They are included in the first diagram below so that investors can refer back to see where they fit into the structure.
- (10) New issuers may be established by Holdings from time to time and the proceeds of any new notes issued by new issuers will be on-lent to Funding 1 and/or further Funding companies (where applicable) under the terms of new intercompany loan agreements for any of the purposes described in paragraph (5). Your consent to the establishment of new issuers and the terms of the new notes and new intercompany loans will not be required nor will you have any right of review in respect thereof.

- (11) Further Funding companies may be established by Holdings from time to time to become beneficiaries of the mortgages trust and to receive the proceeds of any new notes issued by new issuers under the terms of new intercompany loan agreements for the purposes described in paragraph (5). Your consent to the establishment of further Funding companies and terms of the new notes issued by new issuers and the new intercompany loans will not be required nor will you have any right of review in respect thereof.
  
- (12) The issuer may choose to issue foreign law notes. For foreign law notes to be issued, certain amendments to the existing transaction documents and the execution of further transaction documents may be required though your consent to those amendments and the execution of such further transaction documents may not be required (see "**Description of the notes – Foreign law notes**" below).

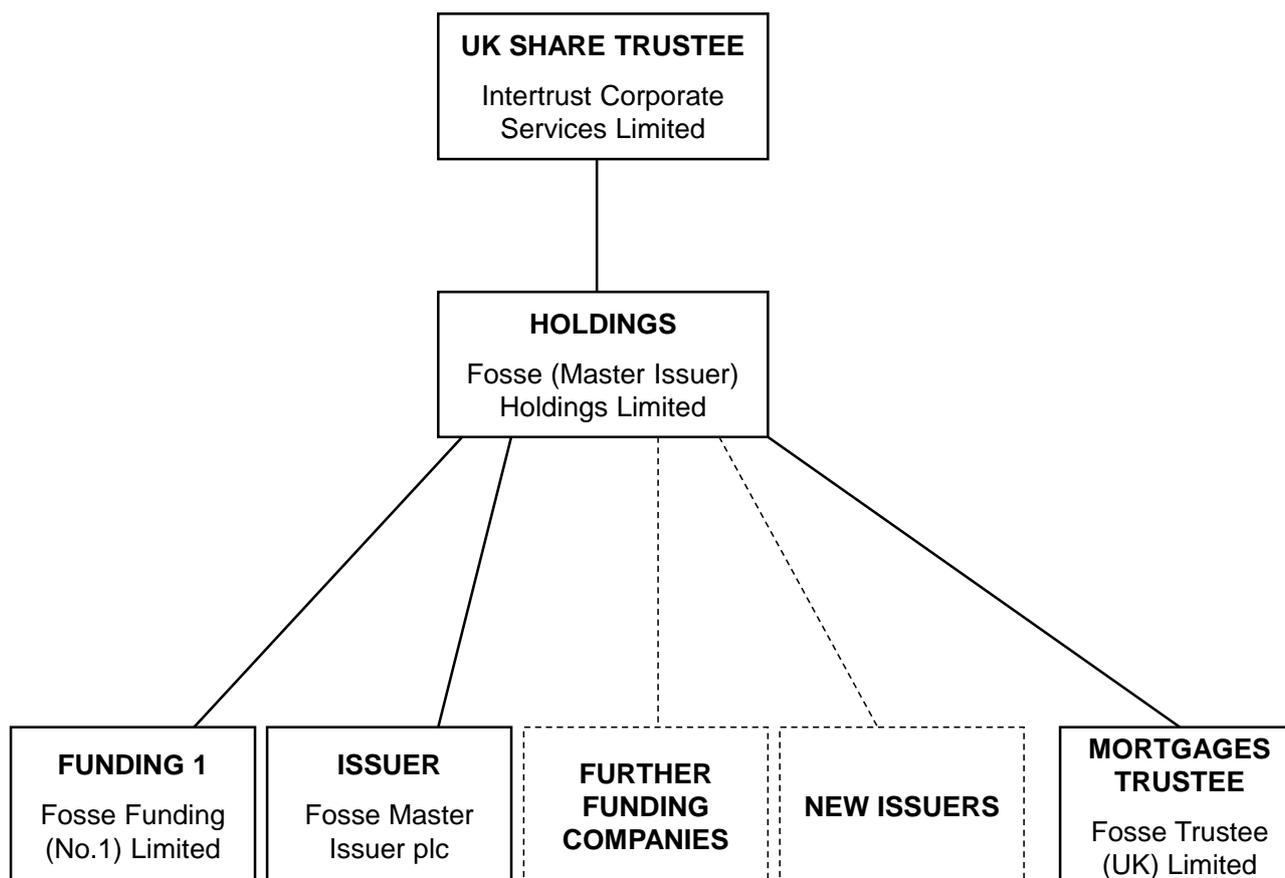
Structural diagram of the programme



Diagrammatic overview of on-going cashflows



## Diagram of ownership structure of special purpose vehicles



This diagram illustrates the ownership structure of the principal special purpose entities in respect of the programme, as follows:

The authorised share capital of Holdings is 100 ordinary shares of £1.00 each, of which the sole share issued is held on trust under the terms of a discretionary trust for charitable purposes by Intertrust Corporate Services Limited, the UK share trustee, not affiliated with the seller. See "**Holdings**" below.

The authorised share capital of Funding 1 is 100 ordinary shares of £1.00 each, of which the sole share issued is held by Holdings. Any further Funding company is also expected to be a wholly-owned subsidiary of Holdings. See "**Funding 1**" below.

The authorised share capital of the issuer is 50,000 ordinary shares of £1.00 each, all of which have been issued. One share is held legally by Intertrust Nominees Limited and the other 49,999 shares are held legally by Holdings. All 50,000 ordinary shares are held beneficially by Holdings. Any new issuer is expected to have the same holding structure. See "**The Issuer**" below.

The authorised share capital of the mortgages trustee comprises 2 ordinary shares of £1.00 each, both of which have been issued and are held by Holdings. See "**The Mortgages Trustee**" below.

Santander UK, who, as the sponsor, will organise and initiate each transaction under the programme, has no ownership interest in any of the entities in the diagrams above. As a result, any transaction under the programme will not be directly linked to the credit of Santander UK and Santander UK has no obligation to support such transaction financially, although Santander UK may still have a connection with such transaction for other reasons (such as acting as servicer of the loans and as a beneficiary under the mortgages trust). See "Santander UK plc and the Santander UK Group" below.

## The parties

**issuer:** Fosse Master Issuer plc is a public limited company incorporated under the laws of England and Wales as a special purpose vehicle with registered number 5925693. The entire issued share capital of the issuer is owned beneficially by Holdings.

For a more detailed description of the issuer, see “**The Issuer**” below.

**seller:** Santander UK plc is a public limited company incorporated under the laws of England and Wales with registered number 2294747 which, amongst other things, originates and acquires residential mortgage loans.

For a more detailed description of Santander UK, see “**Santander UK plc and the Santander UK Group**” below.

**mortgages trustee:** Fosse Trustee (UK) Limited is a private limited company incorporated under the laws of England and Wales with registered number 07210492 and is a wholly-owned subsidiary of Holdings.

Prior to 29 April 2016, Fosse Trustee Limited, a private limited company incorporated under the laws of Jersey, Channel Islands with registered number 94410, was the mortgages trustee. Fosse Trustee Limited appointed Fosse Trustee (UK) Limited as its replacement and retired as mortgages trustee pursuant to a supplemental mortgages trust deed dated 29 April 2016.

For a more detailed description of the mortgages trustee, see “**The Mortgages Trustee**” below.

**Funding 1:** Fosse Funding (No.1) Limited is a private limited company incorporated under the laws of England and Wales with registered number 5925696 and is a wholly-owned subsidiary of Holdings. Funding 1 was established, *inter alia*, to acquire a joint and undivided beneficial interest, with the seller and any further Funding companies that may be established from time to time (together, the **beneficiaries**), in the trust property pursuant to the mortgages trust deed and to borrow funds under the intercompany loan agreement, as more fully described below.

For a more detailed description of Funding 1, see “**Funding 1**” below.

**servicer:** Santander UK is the servicer (in such capacity, the **servicer**) and has and will service the loans and their related security on behalf of the mortgages trustee and the beneficiaries pursuant to the terms of the servicing agreement.

For a more detailed description of Santander UK, see “**Santander UK plc and the Santander UK Group**” below.

For a more detailed description of the role of the servicer and the terms of the servicing agreement, see “**Description of the transaction documents – Servicing agreement**” below.

**cash manager:** Santander UK is the cash manager (in such capacity, the **cash manager**) and, pursuant to the cash management agreement, has and will provide cash management services to the mortgages trustee, the seller, Funding 1, the Funding 1 security trustee and each further Funding company and each Funding security trustee which accedes to the cash management agreement from time to time.

For a more detailed description of Santander UK, see “**Santander UK plc and the Santander UK Group**” below.

For a more detailed description of the role of the cash manager and the

terms of the cash management agreement, see “**Description of the transaction documents – Cash management agreement**” below.

**issuer cash manager:**

Santander UK is the issuer cash manager (in such capacity, the **issuer cash manager**) and, pursuant to the issuer cash management agreement, has and will provide cash management services to the issuer and the issuer security trustee.

For a more detailed description of Santander UK, see “**Santander UK plc and the Santander UK Group**” below.

For a more detailed description of the role of the issuer cash manager and terms of the issuer cash management agreement, see “**Description of the transaction documents – Issuer cash management agreement**” below.

**issuer security trustee:**

The Bank of New York Mellon, London Branch, acting through its offices at One Canada Square, London E14 5AL (in its capacity as security trustee pursuant to the issuer deed of charge, the **issuer security trustee**) holds the benefit of the security granted by the issuer under the issuer deed of charge and will be entitled to enforce the security granted in its favour under the issuer deed of charge.

For a more detailed description of the issuer security trustee, see “**The Note Trustee, Issuer Security Trustee And Funding 1 Security Trustee**” below. For a more detailed description of the terms of the issuer deed of charge, see “**Description of the transaction documents – Issuer deed of charge**” below.

**note trustee:**

The Bank of New York Mellon, London Branch, acting through its offices at One Canada Square, London E14 5AL (in its capacity as trustee pursuant to the note trust deed, the **note trustee**) has been appointed to act on behalf of the holders of the notes.

For a more detailed description of the note trustee, see “**The Note Trustee, Issuer Security Trustee And Funding 1 Security Trustee**” below.

**Funding 1 security trustee:**

The Bank of New York Mellon, London Branch, acting through its offices at One Canada Square, London E14 5AL (in its capacity as security trustee pursuant to the Funding 1 deed of charge, the **Funding 1 security trustee**) holds the benefit of the security granted by Funding 1 under the Funding 1 deed of charge and will be entitled to enforce the security granted in its favour under the Funding 1 deed of charge.

For a more detailed description of the Funding 1 security trustee, see “**The Note Trustee, Issuer Security Trustee And Funding 1 Security Trustee**” below. For a more detailed description of the terms of the Funding 1 deed of charge, see “**Description of the transaction documents – Funding 1 deed of charge**” below.

**paying agents and agent bank:**

Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (in such capacity, the **principal paying agent**) acts as principal paying agent pursuant to the paying agent and agent bank agreement.

Citibank, N.A., New York Branch acting through its office at 14th Floor, 388 Greenwich Street, New York, New York 10013 (in such capacity, the **U.S. paying agent**) acts as paying agent in respect of the dollar notes.

The principal paying agent and the U.S. paying agent are together referred to as the **paying agents**. The paying agents will make payments on the notes to the noteholders.

Citibank, N.A., London Branch acting through its offices at Citigroup

Centre, Canada Square, Canary Wharf, London E14 5LB (in such capacity, the **agent bank**) calculates the interest on the notes and under the intercompany loan agreement.

**exchange rate agent:** If an exchange rate agent is specified in the relevant final terms, Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB (in such capacity, the **exchange rate agent**) acts as exchange rate agent in respect of the series pursuant to the paying agent and agent bank agreement.

**registrar and transfer agent:** Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB maintains a register in respect of the notes (in such capacity, the **registrar**).

Citibank, N.A., London Branch acting through its offices at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB is responsible for administering any transfer of notes (in such capacity, the **transfer agent**).

**Funding 1 swap provider:** Santander UK (in such capacity, the **Funding 1 swap provider**) acts as swap provider pursuant to the terms of the Funding 1 swap agreements in respect of the possible variances between the rates of interest payable on the loans in the portfolio sold by the seller to the mortgages trustee and the rates of interest payable by Funding 1 under the intercompany loan agreement.

For a more detailed description of Santander UK, see “**Santander UK plc and the Santander UK Group**” below.

For a more detailed description of the Funding 1 swaps, see “**Description of the transaction documents – Swap agreements – Funding 1 swap agreements**” below.

**issuer swap providers:** Santander UK, unless otherwise set forth in an applicable drawdown prospectus, supplemental prospectus or final terms, acts as issuer swap provider pursuant to the terms of an issuer swap agreement unless otherwise set forth in an applicable drawdown or supplemental prospectus. The issuer swap providers will hedge certain interest rate, currency and/or other risks in respect of amounts received by the issuer under the intercompany loan agreement and amounts payable by the issuer under the notes pursuant to the terms of issuer swap agreements.

For a more detailed description of Santander UK, see “**Santander UK plc and the Santander UK Group**” below.

For a more detailed description of the issuer swaps, see “**Description of the transaction documents – Swap agreements – Issuer swap agreements**” below.

**account bank A:** The Bank of New York Mellon, London Branch, acts as account bank for the Funding 1 transaction account pursuant to the Funding 1 bank account agreement (in such capacity, **account bank A**).

For a more detailed description of the Funding 1 bank account agreement, see “**Description of the transaction documents – Funding 1 bank account agreement**” below.

**account bank B:** Santander UK acts as account bank for the Funding 1 GIC account pursuant to the terms of the Funding 1 bank account agreement (in such capacity, **account bank B**).

For a more detailed description of the Funding 1 bank account agreement, see “**Description of the transaction documents – Funding 1 bank account agreement**” below.

<b>mortgages trustee account bank:</b>	<p>Santander UK acts as account bank to the mortgages trustee pursuant to the terms of the mortgages trustee bank account agreement (in such capacity, the <b>mortgages trustee account bank</b>).</p> <p>For a more detailed description of the mortgages trustee bank account agreement, see “<b>Description of the transaction documents – Mortgages trustee bank account agreement</b>” below.</p>
<b>issuer account bank:</b>	<p>Santander UK acts as account bank to the issuer pursuant to the terms of the issuer bank account agreement (in such capacity, the <b>issuer account bank</b>).</p> <p>For a more detailed description of the issuer bank account agreement, see “<b>Description of the transaction documents – Issuer bank account agreement</b>” below.</p>
<b>Funding 1 start-up loan provider:</b>	<p>Santander UK (in such capacity, the <b>Funding 1 start-up loan provider</b>) acts as Funding 1 start-up loan provider to Funding 1 pursuant to the terms of the Funding 1 start-up loan agreements. Funding 1 may (in the future) enter into Funding 1 start-up loan agreements with parties other than Santander UK.</p> <p>For a more detailed description of Santander UK, see “<b>Santander UK plc and the Santander UK Group</b>” below.</p> <p>For a more detailed description of the Funding 1 start-up loan agreements, see “<b>Description of the transaction documents – Funding 1 start-up loan agreements</b>” below and, for information relating to the credit support they provide, see “<b>Credit structure – Funding 1 start-up loans</b>” below.</p>
<b>Holdings:</b>	<p>Fosse (Master Issuer) Holdings Limited (<b>Holdings</b>) is a private limited company incorporated under the laws of England and Wales with registered number 5925689. For a more detailed description of Holdings, see “<b>Holdings</b>” below. The entire issued share capital of Holdings is held beneficially on trust by the UK share trustee under the terms of a discretionary trust for charitable purposes.</p>
<b>UK share trustee:</b>	<p>Intertrust Corporate Services Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP, is a private limited company incorporated under the laws of England and Wales with registered number 03920255 and (in such capacity, the <b>UK share trustee</b>) holds the entire issued share capital of Holdings under the terms of a discretionary trust for charitable purposes.</p>
<b>corporate services provider:</b>	<p>Intertrust Management Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP, is a private limited company incorporated in England and Wales with registered number 03853947 and (in such capacity, the <b>corporate services provider</b>) acts as corporate services provider to Holdings, Funding 1 and any further Funding company established from time to time.</p>
<b>issuer corporate services provider:</b>	<p>Intertrust Management Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP, is a private limited company incorporated in England and Wales with registered number 03853947 and (in such capacity, the <b>issuer corporate services provider</b>) acts as corporate services provider to the issuer.</p>
<b>mortgages trustee corporate services provider:</b>	<p>Intertrust Management Limited, having its registered office at 35 Great St. Helen's, London EC3A 6AP, is a private limited company incorporated in England and Wales with registered number 03853947 and (in such capacity, the <b>mortgages trustee corporate services provider</b>) acts as corporate services provider to the mortgages trustee.</p>

**remarketing agent:**

If a remarketing agent is specified in the accompanying final terms with respect to any remarketable notes, the remarketing agent will agree with the issuer pursuant to a remarketing agreement to use reasonable efforts to identify third party purchasers for such remarketable notes on each mandatory transfer date prior to the occurrence of a mandatory transfer termination event.

For a more detailed description of the remarketing arrangements, see “**Description of the notes – Money market notes**” below and “**Description of the transaction documents – The remarketing agreement**” below.

**conditional purchaser:**

If a conditional purchaser is specified in a drawdown prospectus with respect to any remarketable notes, the conditional purchaser will agree pursuant to a conditional purchase agreement to purchase all remarketable notes that are not sold to third party purchasers by the remarketing agent.

For a more detailed description of the conditional purchase agreement, see “**Description of the notes – Money market notes**” below.

## RISK FACTORS

This section describes the principal risk factors associated with an investment in the notes. If you are considering purchasing the notes, you should carefully read and consider all the information contained in this base prospectus and in the relevant final terms, including the risk factors set out herein, prior to making any investment decision.

### RISKS RELATED TO THE AVAILABILITY OF FUNDS TO PAY THE NOTES

#### **You cannot rely on any person other than the issuer to make payments on the notes**

The terms of the notes and transaction documents include limited recourse provisions, therefore the notes will not represent an obligation or be the responsibility of Santander UK or any of its affiliates, any arranger, any dealer or any of their respective affiliates, the mortgages trustee, the Funding 1 security trustee, the issuer security trustee, the note trustee, any further Funding companies and/or new issuers, or any other party to the transaction other than the issuer. Other than as set out in the risk factor **“The issuer will only have recourse to the seller if there is a breach of warranty or other obligation by the seller, but otherwise the seller's assets will not be available to the issuer as a source of funds to make payments on the notes”**, neither you nor the issuer will have any recourse to the assets of Santander UK or any of its affiliates. If the issuer does not have sufficient funds to enable it to make the required payments on the notes, as the notes and transaction documents include limited recourse provisions, you will not be able to rely on any other party to the transaction to make payments on the notes and, as a result, you may incur a loss of interest and/or principal which would otherwise be due and payable on your notes.

#### **The issuer has limited resources available to it to make payments on the notes**

The issuer's ability to make payments of principal and interest on the notes and to pay its operating and administrative expenses will depend primarily on payments being received by it under the intercompany loan agreement. The payment of interest and principal on each series and class (or sub-class) of notes will primarily depend on payments being received by the issuer under the related loan tranche. In addition, the issuer will rely on the currency swaps to hedge the currency exposure with respect to certain series and classes (or sub-classes) of notes.

If Funding 1 is unable to pay in full on any interest payment date (a) the interest on any rated loan tranche, (b) its operating and administrative expenses and/or (c) the principal payments in respect of the Funding 1 liquidity reserve fund loan tranches, and in the event that the seller suffers a certain ratings downgrade, Funding 1 may draw money from the Funding 1 liquidity reserve fund (see **“Credit structure”**). The issuer will not have any other significant sources of funds available to meet the issuer's obligations under the notes and/or any other payments ranking in priority to the notes. If the resources described above cannot provide the issuer with sufficient funds to enable it to make the required payments on the notes, you may incur a loss of interest and/or principal which would otherwise be due and payable on your notes.

#### **Funding 1 is not obliged to make payments on the loan tranches if it does not have enough money to do so, which could adversely affect payments on the notes**

Funding 1's ability to pay amounts payable on any loan tranches will depend upon:

- Funding 1 receiving enough funds from its share in the trust property on or before each Funding 1 interest payment date;
- Funding 1 receiving the required funds from the Funding 1 swap provider;
- Funding 1 receiving the required funds from the Funding 1 liquidity facility provider under the Funding 1 liquidity facility (if established);
- the amount of funds credited to the general reserve fund (as described below in **“Credit structure – General reserve fund”**);
- any amount of funds credited to the liquidity reserve fund, if any (as described below in **“Credit structure – Liquidity reserve fund”**); and

- the allocation of funds under any new intercompany loans provided by any new issuers to Funding 1 (as described below in “Cashflows”).

According to the terms of the mortgages trust deed, the mortgages trustee is obliged to pay to Funding 1 the Funding 1 share percentage of revenue receipts by crediting those amounts to the Funding 1 GIC account on each distribution date. The mortgages trustee is obliged to pay to Funding 1 the Funding 1 share percentage of principal receipts on the loans by crediting those amounts to the Funding 1 GIC account as and when required pursuant to the terms of the mortgages trust deed.

The obligations of Funding 1 are limited recourse. Funding 1 will be obliged to pay amounts due and payable to the issuer under each loan tranche only to the extent that it has funds available to it after making payments ranking in priority to such loan tranche, such as payments of certain fees and expenses of Funding 1 and payments on loan tranches of a more senior ranking, and taking into account payments ranking equally with such loan tranche (such as loan tranches of the same ranking). See “**Cashflows – Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**” and “**Cashflows – Distribution of Funding 1 available principal receipts**” below.

If Funding 1 does not pay amounts to the issuer in respect of a loan tranche under the intercompany loan agreement because it does not have sufficient funds available, those amounts will be due but not payable until funds are available to pay those amounts in accordance with the relevant Funding 1 priority of payments. Funding 1's failure to pay those amounts to the issuer when due in such circumstances will not constitute an event of default under the intercompany loan agreement until the latest occurring final repayment date of any loan tranche under the intercompany loan agreement. Following enforcement of the Funding 1 security and application of the proceeds of enforcement, any remaining shortfall under the intercompany loan will be extinguished.

If there is a shortfall between the amounts payable by Funding 1 to the issuer under the intercompany loan agreement and the amounts payable by the issuer on the notes, you may not, depending on what other sources of funds are available to the issuer and to Funding 1, receive the full amount of interest and/or principal and/or other amounts which would otherwise be payable on your notes.

**Although enforcement of the issuer security will be possible following the occurrence of an event of default in the issuer's obligations, the proceeds of that enforcement may not be enough to make all payments due on the notes**

The only remedy for recovering amounts on the notes is through the enforcement of the issuer security. The issuer has no recourse to the assets of Funding 1 unless Funding 1 has defaulted on its obligations under the intercompany loan agreement and the Funding 1 security has been enforced.

If the security created as required by the issuer deed of charge is enforced, the proceeds of enforcement may be insufficient to pay all principal and interest due on the notes.

**New issuers and new start-up loan providers will share in the same security granted by Funding 1 to the issuer, and this may adversely affect payments on the notes**

Any new issuer that enters into a new intercompany loan with Funding 1 may become party to the Funding 1 deed of charge and, if so, will be entitled to share in the security granted by Funding 1 for the benefit of the issuer (and the benefit of the other Funding 1 secured creditors) under the Funding 1 deed of charge. If the Funding 1 security is enforced and there are insufficient funds to make the payments that are due to all new issuers that are Funding 1 secured creditors, the issuer expects that each new issuer will only be entitled to its proportionate share of those limited funds. This could ultimately cause a reduction in the payments you receive on your notes.

If Funding 1 borrows other loan tranches from the issuer, it may also be required to enter into a new Funding 1 start-up loan agreement with the Funding 1 start-up loan provider or a new Funding 1 start-up loan provider and the Funding 1 security trustee.

If required by the rating agencies in order to support the rating of the rated notes, Funding 1 will use part of the proceeds of the new Funding 1 start-up loan to further fund the general reserve fund. Similarly, if necessary, Funding 1 may also enter into a new swap with either the Funding 1 swap provider or a new Funding 1 swap provider and the Funding 1 security trustee and/or amend the Funding 1 swaps.

Any new Funding 1 start-up loan provider and any new Funding 1 swap provider will become party to the Funding 1 deed of charge pursuant to a deed of accession and will be entitled to share in the security granted by Funding 1 for the issuer's benefit (and the benefit of the other Funding 1 secured creditors) under

the Funding 1 deed of charge. In addition, the liabilities owed by Funding 1 to the Funding 1 swap provider which are secured by the Funding 1 deed of charge may increase each time that Funding 1 borrows other loan tranches. These factors could ultimately cause a reduction in the payments you receive on your notes. Your consent to the requisite changes to the transaction documents will not be sought. See **"The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests"** above.

**The Funding 1 swap provider, the start-up loan provider and the Funding 1 loan provider already share in the security being granted by Funding 1 to the issuer, which may adversely affect payments on the notes**

Funding 1 has previously entered into start-up loan agreements with the start-up loan provider and the Funding 1 security trustee, all of which have been fully repaid prior to the date of this base prospectus. Funding 1 used part of the proceeds of these start-up loans to fund the general reserve fund. Funding 1 may enter into further start-up loan agreements with the start-up loan provider and the Funding 1 security trustee on the closing dates relating to an issue of notes and part of the proceeds of such new start-up loans may be used to further fund the general reserve fund.

The liabilities owed to the Funding 1 swap provider which are secured by the Funding 1 deed of charge may increase each time that Funding 1 enters into a new intercompany loan agreement.

The Funding 1 loan provider may in certain circumstances make loans to Funding 1. See **"Description of the notes—The intercompany loan"** below. Each of the start-up loan provider, the Funding 1 swap provider and the Funding 1 loan provider is a party to the Funding 1 deed of charge and is entitled to share in the security granted by Funding 1 for the benefit of the Funding 1 secured creditors (including, as from the programme date, the issuer) under the Funding 1 deed of charge. These factors could ultimately cause a reduction in the payments noteholders receive on the notes.

**The issuer may be unable to pay or provide for, in full or at all, interest due on the notes if there is an income or principal deficiency**

If, on any interest payment date, revenue receipts available to Funding 1 (including the reserve funds) are insufficient to enable Funding 1 to pay or provide for the payment of interest on previous loan tranches, current loan tranches and any new loan tranches and other expenses of Funding 1 ranking higher in seniority to interest due on these loan tranches due or required to be provided for on such interest payment date, then Funding 1 may use principal receipts on the loans received by it in the mortgages trust to make up the shortfall (a **Funding 1 revenue deficit amount**).

Funding 1 will use principal receipts that would have been applied to repay the loan tranches with the lowest loan tranche rating to pay interest on those other loan tranches and senior expenses described in the preceding paragraph where there is a Funding 1 revenue deficit amount.

However, it is expected that these principal deficiencies will be recouped from subsequent excess revenue receipts and amounts standing to the credit of the general reserve fund.

However, if there are insufficient funds available because of income or principal deficiencies, this will affect the funds which the issuer has available to make payments on the notes of any series or class (or sub-class) and, as a consequence, you may receive later than anticipated, and/or you may not receive in full, repayment of the principal amount outstanding on the notes.

For more information on principal deficiencies, see **"Credit structure—Principal deficiency ledger"**.

**Subordination of other note classes may not protect noteholders from all risk of loss**

The class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of any series are subordinated in right of payment of interest to the class A notes of any series. The class M notes, the class C notes, the class D notes and the class Z notes are subordinated in right of payment of interest to the class B notes of any series. The class C notes, the class D notes and the class Z notes of any series are subordinated in right of payment of interest to the class M notes of any series. The class D notes and the class Z notes of any series are subordinated in right of payment of interest to the class C notes of any series. The class Z notes of any series are subordinated in right of payment of interest to the class D notes of any series.

The class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of any series are subordinated in right of payment of principal to the class A notes of any series. The class M notes, the class C notes, the class D notes and the class Z notes are subordinated in right of payment of principal to the class B notes of any series. The class C notes, the class D notes and the class Z notes of any series are subordinated in right of payment of principal to the class M notes of any series. The class D notes and the class Z notes of any series are subordinated in right of payment of principal to the class C notes of any series. The class Z notes of any series are subordinated in right of payment of principal to the class D notes of any series.

You should be aware however that not all classes of notes are scheduled to receive payments of principal on the same interest payment dates. The interest payment dates for the payment of interest and principal in respect of each series and class (or sub-class) of notes will be specified in the relevant final terms or drawdown prospectus, as applicable. Each series and class (or sub-class) of notes may have interest payment dates in respect of interest and/or principal that are different from other notes of the same class (but of a different series) or of the same series (but of a different class or sub-class). Despite the principal priority of payments described above, subject to no trigger event having occurred and satisfaction of the repayment tests, lower ranking classes of notes may nevertheless be repaid principal before higher ranking classes of notes and a series and class (or sub-class) of notes may be repaid principal before other series of notes of the same class. Payments of principal are expected to be made on each class of notes in amounts up to the amounts set forth under "**Cashflows – Distribution of issuer principal receipts before note acceleration**" and "**Cashflows – Distribution of issuer principal receipts and issuer revenue receipts following intercompany loan acceleration**".

However, there is no assurance that these subordination rules will protect the class A noteholders from all risks of loss, the class B noteholders from all risks of loss, the class M noteholders from all risks of loss, the class C noteholders or the class D noteholders from all risks of loss. If the losses borne by the class Z notes are in an amount equal to the aggregate outstanding principal balances of the class Z notes, then losses on the loans will thereafter be borne by the class D notes. Similarly, if the losses borne by the class Z notes and the class D notes are in an amount equal to the aggregate outstanding principal balances of the class Z notes and the class D notes, then losses on the loans will thereafter be borne by the class C notes. Similarly, if the losses borne by the class Z notes, the class C notes, and the class D notes are in an amount equal to the aggregate outstanding principal balances of the class Z notes, the class C notes, and the class D notes, then losses on the loans will thereafter be borne by the class M notes. Similarly, if the losses borne by the class Z notes, the class C notes, the class D notes and the class M notes are in an amount equal to the aggregate outstanding principal balances of the class Z notes, the class C notes, the class D notes and the class M notes, then losses on the loans will thereafter be borne by the class B notes. Finally, if the losses borne by the class Z notes, the class C notes, the class D notes, the class M notes and the class B notes are in an amount equal to the aggregate outstanding principal balances of the class Z notes, the class C notes, the class D notes, the class M notes and the class B notes, then losses on the loans will thereafter be borne by the class A notes. If such losses result in a debit to the AAA principal deficiency sub-ledger, then an asset trigger event will occur.

## **RISKS RELATING TO THE UNDERLYING ASSETS**

### **A decline in property values may adversely affect payments on the notes**

The security granted by Funding 1 in respect of the master intercompany loan, which is the principal source of income for repayment of the notes, consists, among other things, of Funding 1's interest in the mortgages trust.

The value of the portfolio held by the mortgages trustee, and therefore the value of the security granted by Funding 1, will decrease if there is a general decline in property values. The issuer cannot give any assurance that the value of a mortgaged property will remain at the same level as at the date of origination of the related loan. If the residential property market in the UK experiences a decline in property values, the value of the security created by the mortgage could be significantly reduced and, ultimately, may materially adversely affect the ability of the issuer to make payments on the notes.

House price growth has slowed since the UK EU referendum, most noticeably in London, although UK house prices have generally continued to be supported by certain economic fundamentals including low mortgage rates (notwithstanding the Bank of England base rate increase to 0.75% in August 2018) and low unemployment rates. Nevertheless, any increase in house prices may be limited given low levels of consumer confidence and low levels of real earnings growth. The depth of the previous house price declines as well as the continuing uncertainty as to the extent and sustainability of UK economic recovery will mean that losses could be incurred on loans should they go into repossession.

The principal source of income for repayment of the notes by the issuer is the intercompany loan agreement. The principal source of income for repayment by Funding 1 of each loan tranche under the intercompany loan agreement is its interest in the loans held on trust by the mortgages trustee for Funding 1 and the seller. If the timing of and the repayment of the loans is adversely affected by any of the risks described in this section, then the payments on the notes could be reduced and/or delayed.

**There can be no assurance that a borrower will repay principal at the end of the term on an interest only loan, which may adversely affect repayments on the notes**

Each loan in the portfolio is repayable either on a principal repayment basis or an interest only basis or on a combination repayment and interest only basis. For interest only loans, because the principal is repaid in a lump sum at the maturity of the loan, the borrower is required to put in place and maintain a suitable repayment mechanism such as an appropriate investment plan to help ensure that funds will be available to repay the principal at the end of the term. The seller has recently introduced more stringent processes for verifying such repayment mechanisms for new loans but still does not take security over these repayment mechanisms. The borrower is also recommended to take out a life insurance policy in relation to the loan but, as with a repayment mechanism, the seller does not take security over these life insurance policies.

The ability of a borrower to repay the principal on an interest only loan at maturity depends on the borrower's responsibility to ensure that sufficient funds are available from a repayment mechanism or another source, such as ISAs, personal equity plans, endowment policies or the proceeds of sale of the underlying property, as well as the financial condition of the borrower, tax laws and general economic conditions at the time.

The proceeds from an investment plan or other repayment mechanism may be insufficient to cover repayment of principal of the loan. There can be no assurance that the borrower will have the funds required to repay the principal at the end of the term. If a borrower cannot repay the loan and a loss occurs on the loan, then this may affect repayments of principal on the notes if that loss cannot be cured by amounts standing to the credit of the general reserve fund or the application of excess Funding 1 available revenue receipts. In respect of loans sold to the mortgages trustee, the relevant final terms or drawdown prospectus will state the amount of the loans in the expected portfolio that are interest only loans. See "**Statistical information on the expected portfolio**" in the relevant final terms or drawdown prospectus.

**The yield to maturity of the notes may be adversely affected by prepayments or redemptions on the loans**

The yield to maturity of the notes of each class (and sub-class) will depend mostly on (a) the amount and timing of payment of principal on the loans and (b) the price paid by the noteholders of each class (and sub-class) of notes.

The yield to maturity of the notes of each class (and sub-class) may be adversely affected by a higher or lower than anticipated rate of prepayments on the loans.

In addition, the yield to maturity of the notes of each class may be affected by the seller having elected to send the mortgages trustee an excluded further advance notice and/or an excluded product switch notice which entitles the seller thereafter to repurchase all loans that are the subject of a further advance and/or product switch, respectively, from that date forward until such notice is revoked (as further described in "**Description of the transaction documents – The mortgage sale agreement**" below). The seller has delivered such an excluded product switch notice and an excluded further advance notice to the mortgages trustee which means that loans subject to product switches and/or further advances are subject to repurchases until the excluded product switch notice and/or excluded further advance notice is revoked.

No assurance can be given that Funding 1 will accumulate sufficient funds during the cash accumulation periods relating to bullet loan tranches or scheduled amortisation loan tranches owed to the issuer to enable it to repay these bullet loan tranches or scheduled amortisation loan tranches owed to the issuer so that the corresponding series and class (or sub-class) of the notes will be redeemed in accordance with their bullet redemption dates or scheduled redemption dates, respectively.

The extent to which sufficient funds are accumulated by Funding 1 during a cash accumulation period or a scheduled amortisation period or received by it from its share in the mortgages trust on a scheduled repayment date will depend on whether the actual principal prepayment rate of the loans is the same as the assumed principal prepayment rate. If Funding 1 is not able to accumulate enough money during a cash accumulation period or a scheduled amortisation period or does not receive enough money from its share in the mortgages trust to pay the full amount scheduled to be repaid on a bullet loan tranche or

scheduled amortisation loan tranche and the issuer is therefore unable to redeem the corresponding series and class (or sub-class) of notes on their scheduled redemption date(s), then Funding 1 will be required to pay to the issuer on those scheduled redemption dates only the amount that it has actually accumulated. Any shortfall will be deferred and paid on subsequent interest payment dates when Funding 1 has money available to make the payment. In these circumstances, there may be a variation in the yield to maturity of the relevant class of notes.

During the cash accumulation period for a bullet loan tranche, payments of principal in respect of a scheduled amortisation instalment will be restricted and may not be made if certain CPR tests and other repayment tests are not met as set out below in “**Cashflows – Distribution of Funding 1 available principal receipts**”. Additionally, during the cash accumulation period for a bullet loan tranche and/or a scheduled amortisation instalment, payments of principal on pass-through loan tranches will be restricted and may not be made if certain CPR, cash accumulation shortfall and other repayment tests are not met as set out below in the repayment tests under “**Cashflows – Distribution of Funding 1 available principal receipts**”.

**The timing and amount of payments on the loans could be affected by various factors which may adversely affect payments on the notes**

The loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in borrowers' individual, personal or financial circumstances may affect the ability of borrowers to repay loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by, and bankruptcies of, borrowers, and could ultimately have an adverse impact on the ability of borrowers to repay loans. See in particular “**A decline in property values may adversely affect payments on the notes**” above.

If a borrower fails to repay its loan and the related property is repossessed, the likelihood of there being a net loss on disposition of the property is adversely affected by a higher loan-to-value ratio. 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 the 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. The relevant final terms will provide information on the distribution of the loan-to-value ratios at origination of the loans sold to the mortgages trustee, see “**Statistical information on the expected portfolio**” in the relevant final terms.

**The issuer's ability to redeem the notes on their scheduled redemption dates or their final maturity dates may be affected by the rate of prepayment on the loans**

Prepayments on the loans may result from refinancings, sales of properties by borrowers voluntarily or as a result of enforcement proceedings under the relevant mortgages, as well as the receipt of proceeds under the insurance policies. Repurchases of loans by the seller under the terms of the mortgage sale agreement will have the same effect as a prepayment of such loans by borrowers. The yield to maturity of the notes of any class may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the loans.

The rate of prepayment of loans by borrowers is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. For instance, prepayments on the loans may be due to borrowers refinancing their loans and sales of mortgaged properties by borrowers (either voluntarily or as a result of enforcement action taken). In addition, if the seller is required to repurchase a loan or loans and their related security under a mortgage account because, for example, one of the loans does not materially comply with the representations and warranties in the mortgage sale agreement, then the payment received by the mortgages trustee will have the same effect as a prepayment of these loans under the mortgage account. Because these factors are not within the issuer's control or the control of Funding 1 or the mortgages trustee, the issuer cannot give any assurances as to the level of prepayments that the portfolio may experience.

Variation in the rate of prepayments of principal on the loans or loans being subject to a repurchase under the terms of the mortgage sale agreement may affect each series and class (or sub-class) of notes differently depending upon amounts already repaid by Funding 1 to the issuer in respect of the corresponding loan tranche and whether a trigger event has occurred, or a loan is subject to a product switch

or a further advance or the security granted by the issuer under the issuer deed of charge or by Funding 1 under the Funding 1 deed of charge has been enforced. If prepayments on the loans occur less frequently than anticipated, there may be insufficient funds available to the issuer to redeem notes in full on their respective scheduled redemption dates or final maturity dates.

**The inclusion of certain types of loans may affect the rate of repayment and prepayment of the loans**

The portfolio contains flexible loans. Flexible loans provide the borrower with a range of options that give that borrower greater flexibility in the timing and amount of payments made under the loans. 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), under a flexible loan a borrower may (among other things) redraw amounts that have been repaid exercising available options set out in the relevant flexible option agreement. For a detailed summary of the characteristics of the flexible loans, see "**The loans—Characteristics of the loans**".

To the extent that borrowers under flexible loans exercise any of the options available to them, the timing of payments on the notes may be adversely affected.

**As new loans are assigned to the mortgages trustee or existing loans are repaid or repurchased from the portfolio, the characteristics of the trust property may change from those existing at the date of this base prospectus, and those changes may adversely affect payments on the notes**

There is no guarantee that any new loans assigned to the mortgages trustee will have the same characteristics as the loans in the portfolio as at the date of this base prospectus. In particular, new loans may have different payment characteristics to the loans in the portfolio as at the date of this base prospectus. The ultimate effect of this could be to delay or reduce the payments noteholders receive on the notes. However, the new loans will be required to meet the criteria described in "**Description of the transaction documents – The mortgage sale agreement – Sale of loans and their related security**". Such criteria may be modified from time to time after the closing date and your consent to such modifications will not be obtained provided the then current ratings of the outstanding issuer rated notes will not be adversely affected by the proposed modifications.

After the applicable closing date, existing loans may, or will be required to be, repurchased, as applicable in the limited circumstances established in the mortgage sale agreement, which include the mandatory or optional repurchase of loans as a result of a material breach of a representation or warranty, following the delivery of an excluded product switch notice and/or an excluded further advance notice, which are portable loans, which are two or more monthly payments in arrears, with an outstanding principal balance in excess of £750,000, or which are non-compliant loans. For further details, see "**Description of the transaction documents – The mortgage sale agreement – Repurchase of loans under a mortgage account**", "**Description of the transaction documents – The mortgage sale agreement – Excluded further advances and excluded product switches**", and "**Description of the transaction documents – The mortgage sale agreement – Repurchase of arrears mortgage loans**".

**The seller may change the lending criteria relating to loans that are subsequently assigned to the mortgages trustee, which could affect the characteristics of the trust property and which may adversely affect payments on the notes**

Each of the loans was originated in accordance with the seller's lending criteria at the time of origination. The lending criteria as at the date of this base prospectus are set out in the section "**The loans—Lending criteria**". These lending criteria consider a variety of factors such as a potential borrower's credit history, employment history and status and repayment ability, as well as the value of the property to be mortgaged. In the event of the assignment of any new loans and new related security to the mortgages trustee, the seller will warrant that those new loans and new related security were originated in accordance with the seller's lending criteria at the time of their origination. However, the seller retains the right to revise its lending criteria as determined from time to time, and so the lending criteria applicable to any loan at the time of its origination may not be or have been the same as those set out in the section "**The loans — Lending criteria**".

If new loans that have been originated under revised lending criteria are assigned to the mortgages trustee, the characteristics of the trust property could change. This could lead to a delay or a reduction in the payments received on the notes.

**The seller has adopted procedures relating to investigations and searches for remortgages which could affect the characteristics of the trust property and which may adversely affect payments on the notes**

The seller does not require a solicitor or licensed conveyancer or (in Scotland) a qualified conveyancer to conduct a full investigation of the title to a property in all cases. Where the borrower is remortgaging there may be a more limited form of investigation of title for properties located in England, Wales and Scotland, in particular in the case of registered land in England and Wales (e.g. confirming that the borrower is the registered proprietor of the property and the description of the property corresponds with the entries on the Land Registry's register) and confirming such other matters as are required by a reasonable, prudent mortgage lender. Properties 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 properties not being accepted as security for a loan had such matters been revealed. The introduction of loans secured by such properties into the trust property could result in a change of the characteristics of the trust property. This could lead to a delay or a reduction in the payments received on the notes.

**The portfolio may be subject to geographic concentration risks**

To the extent that specific geographic regions within the UK have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the loans in such a region may be expected to exacerbate all risks relating to the loans described in these risk factors. The economy of each geographic region within the UK is dependent on different mixtures of industries and other factors. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the borrowers in that region or the region that relies most heavily on that industry. Any natural disasters in a particular region may reduce the value of affected mortgaged properties. This may result in a loss being incurred upon sale of the mortgaged property. These circumstances could affect receipts on the loans and ultimately result in losses on the notes.

For an overview of the geographical distribution of the loans sold to the mortgages trustee in connection with the issuance of the relevant series of notes, see "**Statistical information on the expected portfolio**" in the relevant final terms or drawdown prospectus.

The principal source of income for repayment of the notes by the issuer is the intercompany loan agreement. The principal source of income for repayment by Funding 1 of each loan tranche under the intercompany loan agreement is its interest in the loans held on trust by the mortgages trustee for Funding 1 and the seller. If the timing and payment of the loans is adversely affected by any of the risks described in this section, then the payments on the notes could be reduced and/or delayed.

**Set-off risks in relation to flexible loans, delayed cashbacks and reward cashbacks may adversely affect the funds available to the issuer to repay the notes**

As described in "**—There may be risks associated with the fact that the mortgages trustee has no legal title to the mortgages, which may adversely affect payments on the notes**", the seller has made, and in the future may make, an equitable assignment of the mortgages, or in the case of Scottish mortgages a transfer of the beneficial interest in the Scottish mortgages pursuant to a Scottish declaration of trust, to the mortgages trustee, with legal title being retained by the seller. Therefore, the rights of the mortgages trustee may be subject to the direct rights of the borrowers against the seller, including rights of set-off existing prior to notification to the borrowers of the assignment of the mortgages. These set-off rights may occur if the seller fails to advance to a borrower a drawing under a flexible loan when the borrower is entitled to draw additional amounts under a flexible loan or if the seller fails to pay to a borrower any delayed cashback or reward cashback which the seller had agreed to pay to that borrower after completion of the relevant loan.

If the seller fails to advance the drawing or pay the delayed cashback or reward cashback, then the relevant borrower may set off any damages claim (or analogous rights in Scotland) arising from the seller's breach of contract against the seller's (and, as assignee of the mortgages, the mortgages trustee's) claim for payment of principal and/or interest under the loan as and when it becomes due. These set-off claims will constitute transaction set-off as described in the risk factor entitled "**—Independent set-off risks which a borrower has against the seller may adversely affect the funds available to the issuer to repay the notes**".

The amount of the claim in respect of a drawing will, in many cases, be the cost to the borrower of finding an alternative source of finance (although, in the case of flexible loan drawing, a delayed cashback or

reward cashback in respect of a Scottish loan, it is possible, though regarded as unlikely, that the borrower's right of set-off could extend to the whole amount of the additional drawing, delayed cashback or reward cashback (as the case may be)). The borrower may obtain a loan elsewhere in which case the damages would be equal to any difference in the borrowing costs together with any consequential losses, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees). If the borrower is unable to obtain an alternative loan, he or she may have a claim in respect of other 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 mortgage was taken out.

In respect of a delayed cashback or reward cashback, the claim is likely to be in an amount equal to the amount due under the delayed cashback or reward cashback together with interest and expenses and consequential losses (if any).

A borrower may also attempt to set off against his or her mortgage payments an amount greater than the amount of his or her damages claim (or analogous rights in Scotland). 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 would reduce the incoming cashflow to the mortgages trustee during such exercise. However, the amounts set off will be applied to reduce the seller share of the trust property only.

See also "**Material Information Relating to the Regulation of Mortgages in the UK —Mortgage regulation under FSMA**".

The minimum seller share has been sized in an amount expected to cover this risk, although there is no assurance that it will. If the minimum seller share is not sufficient in this respect, then there is a risk that noteholders may not receive all amounts due on the notes.

#### **Independent set-off risks which a borrower has against the seller may adversely affect the funds available to the issuer to repay the notes**

Once notice has been given to borrowers of the transfer of the loans and their related security to the mortgages trustee, independent set-off rights which a borrower has against the seller will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under transaction set-off (which are set-off claims arising out of a transaction connected with the loan (for example, a savings account maintained by a borrower pursuant to the terms of a flexible plus loan)) will not be affected by that notice. These set-off rights if exercised could reduce the principal receipts available to the mortgages trustee to distribute to Funding 1, and could ultimately affect the amounts available to the issuer for payments on the notes. The minimum seller share may be adjusted to take into account amounts (including deposits) which a borrower may set-off against the amounts due under the loans. Any such adjustment is subject to (i) the agreement of the seller and (ii) confirmation from the rating agencies that there would be no adverse effect on the then current ratings of the notes as a result thereof and no assurance can be given that any potential set-off claim from a borrower would be sized for (in part or in full) in the minimum seller share. If the minimum seller share is not sufficient in this respect then there is a risk that you may not receive all amounts due on the notes or that payments may not be made when due.

#### **Funding 1 may not receive the benefit of any claims made on the buildings insurance which could adversely affect payments on the notes**

The practice of the seller in relation to buildings insurance is described under "**The loans**". As described in that section, no assurance can be given that Funding 1 will always receive the benefit of any claims made under any applicable insurance contracts. This could reduce the principal receipts received by Funding 1 according to the Funding 1 share percentage and could adversely affect the issuer's ability to redeem the notes. You should note that buildings insurance is renewed annually.

### **RISKS RELATING TO THE STRUCTURE**

#### **The required subordination for a class of notes may be changed**

Under the terms of the transaction documents, the issuer may change the required subordinated amount for any class of issuer rated notes, or the method of calculating the required subordinated amount for such class, at any time without the consent of any noteholders if certain conditions are met, including confirmation from each rating agency that such change would not cause an adverse effect on its then current

rating of any outstanding issuer rated notes that would be affected by such change (subject to the provisions regarding non-responsive rating agencies described below under “**Ratings confirmation in respect of notes**”). Consequently, the issuer could effectuate modifications to the required subordinated amount, including the method of calculating such amount, which affect your interests in any notes without your consent, and any such modifications will be binding on all noteholders. There can be no assurance that the effect of any such modifications will not ultimately adversely affect your interests in any notes.

**Payments of class B, class M, class C, the class D notes and class Z notes may be deferred or reduced in certain circumstances**

Under the terms of the transaction documents and the notes, on any interest payment date on which a payment of principal is due on any series of class B notes, class M notes, class C notes, class D notes or class Z notes, the issuer's obligation to make such principal payments will be subject to the satisfaction of the repayment tests described under “**Cashflows – Distribution of Funding 1 available principal receipts**”, including an arrears test, a general reserve fund requirement and a principal deficiency sub-ledger test to the extent that any class A notes of any series or any other senior ranking notes of any series are outstanding on that interest payment date. This means that payments of interest on any series of class B notes, class M notes, class C notes, class D notes or class Z notes may be reduced or deferred until the earlier of the satisfaction of the repayment tests (if ever) and the final maturity date of the relevant notes. Consequently, if any applicable repayment tests are not satisfied on the relevant interest payment date, timing of payments on the notes may be adversely affected.

**Principal payments on pass-through loan tranches and scheduled amortisation instalments are subject to certain rules**

Under the terms of the transaction documents and the notes, there are certain circumstances in which payment of principal on the notes will be deferred, including upon the occurrence of the following events on a Funding 1 interest payment date: (a) a debit balance on the BB principal deficiency sub-ledger, the BBB principal deficiency sub-ledger, the A principal deficiency sub-ledger or the AA principal deficiency sub-ledger, after application of the Funding 1 available revenue receipts on such Funding 1 interest payment date; or (b) the adjusted general reserve fund level is less than the general reserve required amount; or (c) the aggregate outstanding principal balance of loans in the mortgages trust, in respect of which the aggregate amount in arrears is more than three times the monthly payment then due, is more than 4 per cent. of the aggregate outstanding principal balance of loans in the mortgages trust.

For more details of such circumstances, please see the rules described below in “**Cashflows – Distribution of Funding 1 available principal receipts**”. This means that payments of principal on the notes may be deferred until the relevant circumstances have been remedied (if ever) and the final maturity date of the relevant notes. Consequently, if any such circumstances arise, timing of payments on the notes may be adversely affected.

**The occurrence of an asset trigger event or enforcement of the issuer security or the Funding 1 security may accelerate the repayment of certain notes and/or delay the repayment of other notes**

If an asset trigger event has occurred or the issuer security and/or the Funding 1 security has been enforced, the mortgages trustee will distribute principal receipts on the loans to Funding 1, any further Funding company and the seller proportionally based on their percentage shares of the trust property. Funding 1 will, on each Funding 1 interest payment date (which, if not already the case, shall be a monthly payment date) following the occurrence of an asset trigger event or the service of a note acceleration notice on the issuer or the service of an intercompany loan acceleration notice on Funding 1 and any other date following enforcement of the Funding 1 security, apply those principal receipts received by it from the mortgages trustee, after making higher ranking payments (including in making any requisite repayments under the Funding 1 liquidity facility (if established)), to repay:

- *first*, in no order of priority among them but in proportion to the amounts due, the AAA loan tranches until each of those AAA loan tranches is fully repaid;
- *then*, in no order of priority among them but in proportion to the amounts due, the AA loan tranches until each of those AA loan tranches is fully repaid;
- *then*, in no order of priority among them but in proportion to the amounts due, the A loan tranches until each of those A loan tranches is fully repaid;

- *then*, in no order of priority among them but in proportion to the amounts due, the BBB loan tranches until each of those BBB loan tranches is fully repaid;
- *then*, in no order of priority among them but in proportion to the amounts due, the BB loan tranches until each of those BB loan tranches is fully repaid; and
- *then*, in no order of priority among them but in proportion to the respective amounts due, the NR loan tranches and any Funding 1 loan until each of those NR loan tranches and the Funding 1 loan is fully repaid.

The above priority of payments may cause certain series and classes of notes to be repaid more rapidly than expected and other series and classes of notes to be repaid more slowly than expected and there is a risk that such notes may not be repaid by their final maturity date.

**The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**

If a non-asset trigger event has occurred and until the occurrence of an asset trigger event, the mortgages trustee will distribute all principal receipts to Funding 1 and any further Funding company until the Funding 1 share percentage and the share percentage attributable to each such further Funding company of the trust property are each zero and will thereafter distribute all principal receipts to the seller. Funding 1 will, on each Funding 1 interest payment date (which shall, if not already the case, be a monthly payment date) following the occurrence of a non-asset trigger event, apply these principal receipts received by it from the mortgages trustee, after making higher ranking payments (including in making any requisite repayments under the Funding 1 liquidity facility (if established)), to repay:

- *firstly*, the AAA loan tranches in order of final repayment date, beginning with the earliest final repayment date, until each of those AAA loan tranches is fully repaid;
- *then*, in no order of priority among them, the AA loan tranches until each of those AA loan tranches is fully repaid;
- *then*, in no order of priority among them, the A loan tranches until each of those A loan tranches is fully repaid;
- *then*, in no order of priority among them, the BBB loan tranches until each of those BBB loan tranches is fully repaid;
- *then*, in no order of priority among them, the BB loan tranches until each of those BB loan tranches is fully repaid; and
- *then*, in no order of priority among them but in proportion to the respective amounts due, (i) the NR loan tranches, until each of those NR loan tranches is fully repaid, and (ii) the Funding 1 loan until the Funding 1 loan is fully repaid.

The above priority of payments may cause certain series and classes of notes to be repaid more rapidly than expected and other series and classes of notes to be repaid more slowly than expected and there is a risk that such notes may not be repaid by their final maturity date.

**On the final repayment date of an intercompany loan under the intercompany loan agreement, any amounts remaining unpaid in respect of the AA loan tranches, the A loan tranches, the BBB loan tranches and the NR loan tranches will be extinguished, which would cause a loss on any class B notes, any class M notes, any class C notes, any class D notes and any class Z notes still outstanding**

If there is a shortfall in the amounts payable by Funding 1 to the issuer in respect of a loan tranche under the intercompany loan agreement, then the shortfall will be deemed to be not due and payable under the intercompany loan agreement and the issuer will not have any claim against Funding 1 for the shortfall. If there is such a shortfall in interest and/or principal payments under the intercompany loan agreement, you may not receive the full amount of interest and/or principal which would otherwise be due and payable on the class B notes, the class M notes, the class C notes, the class D notes or the class Z notes outstanding.

### **Issuance of further notes may affect the timing and amounts of payments to you**

The issuer expects to issue further notes from time to time. Further notes may be issued without notice to existing noteholders and without their consent, and may have different terms from outstanding notes. For a description of the conditions that must be satisfied before the issuer can issue further notes, see "**Description of the notes—Issuance**".

The issuance of further notes could adversely affect the timing and amount of payments on the outstanding notes. For example, if further notes of the same class (or sub-class) as the notes (issued after such notes) have a higher interest rate than the notes, this could result in a reduction in the available funds used to pay interest on the notes. Also, when further notes are issued, the voting rights attaching to the notes will be diluted.

### **Loans subject to product switches and further advances may be repurchased by the seller from the mortgages trustee, which will affect the prepayment rate of the loans, and this may affect the yield to maturity of the notes**

Following the delivery of any excluded further advance notice and/or excluded product switch notice, the seller will be obliged to repurchase all loans subject to product switches and further advances until the date on which the relevant excluded further advance notice or excluded product switch notice is revoked (see further "**Description of the transaction documents – The mortgage sale agreement – Excluded further advances and excluded product switches**" below). If any excluded further advance notice or excluded product switch notice is revoked, the loans subject to product switches or further advances (as applicable) will only be repurchased if: (i) as at the date of such product switch or further advance, the relevant loan does not materially comply with the representations and warranties set out in the mortgage sale agreement; and/or (ii) as of the next following trust calculation date, the relevant loan does not comply with the conditions precedent applicable to such loan, as described below in "**Description of the transaction documents – The mortgage sale agreement – Conditions for product switches and further advances**".

If the seller repurchases any such loans and their related security from the mortgages trustee, the repurchase price will be equal to the outstanding principal balance of those loans together with any arrears of interest and accrued and unpaid interest and expenses to the date of purchase of those loans on the distribution date immediately following the date that the related product switch or further advance notice is delivered.

See further "**Description of the transaction documents – The mortgage sale agreement – Product switches and further advances**" below as to the circumstances in which a loan will be subject to a product switch or further advance.

The yield to maturity of the notes may be affected by the repurchase of loans subject to product switches and further advances.

### **Portable loans will be repurchased by the seller from the mortgages trustee, which will affect the prepayment rate of the loans and this may affect the yield to maturity of your notes**

Portable loans will be repurchased if the borrower transfers the loan balance at the same interest rate and subject to all the existing terms and conditions to a new property during any applicable discount rate period, fixed rate period or premium rate period, as described in "**Description of the transaction documents – The mortgage sale agreement – Repurchase of loans under a mortgage account**". If the seller is required to repurchase any such portable loans and their related security from the mortgages trustee, the repurchase price will be equal to the current balance of those loans on the London business day immediately following the date that such portable loan is transferred to the new property.

The yield to maturity of your notes may be affected by the repurchase of portable loans.

### **Failure by Funding 1 to meet its obligations under the intercompany loan agreement would adversely affect payments on the notes**

If Funding 1 does not make payments due and payable on the master intercompany loan, then the issuer may not have enough money to make payments on the notes, and in addition the issuer will have only limited recourse to the assets of Funding 1. If Funding 1 does not pay amounts under the master intercompany loan because it does not have enough money available, those amounts will be deemed not to be due and payable, so there will not be an event of default under the master intercompany loan, and the issuer will not have recourse to the assets of Funding 1 in that instance.

**Refinancing contributions do not necessarily imply anything about the general rate of prepayment of the loans comprising the portfolio**

Funding 1 may agree to accept a refinancing contribution from the seller, provided that, among other things, Funding 1 applies the proceeds of that refinancing contribution to repay (in whole or in part) a loan tranche made to it by the issuer in accordance with its terms of repayment.

The proceeds of such repaid loan tranche must be used by the issuer when it exercises a right to redeem your notes (that correspond to such repaid loan tranche) in accordance with their terms and conditions.

The fact that the issuer has the option to redeem notes using the proceeds of the repayment of a loan tranche by Funding 1 in this way should not necessarily imply anything about the general rate of prepayment of the loans comprising the portfolio.

If a further Funding company enters into new issuer loan tranches that would have the effect of extending the Funding 1 cash accumulation period in respect of any cash accumulation loan tranche of Funding 1 that is, as at the date such new issuer loan tranche is entered into, in a cash accumulation period or which would, as a result of the issue of such new issuer loan tranche, be in a cash accumulation period (each an **affected cash accumulation loan tranche**), then the proceeds of such new issuer loan tranche must be applied to make a refinancing contribution to the mortgages trustee. The mortgages trustee shall apply the proceeds of such refinancing contribution to make a refinancing distribution to Funding 1 in an amount equal to the aggregate cash accumulation requirement of Funding 1 in respect of each affected cash accumulation loan tranche. If such refinancing contribution is made prior to the final maturity date of your notes, your notes could be repaid early (if they correspond to such repaid loan tranche). Any such early repayment could have an adverse effect on the yield on your notes.

**The issuer will only have recourse to the seller if there is a breach of warranty or other obligation by the seller, but otherwise the seller's assets will not be available to the issuer as a source of funds to make payments on the notes**

After a master intercompany loan enforcement notice under the intercompany loan agreement is given (as described in "**Description of the transaction documents – Funding 1 deed of charge**"), the Funding 1 security trustee may sell the Funding 1 share of the trust property. There is no assurance that a buyer would be found or that such a sale would realise enough money to repay amounts due and payable under the intercompany loan agreement.

The issuer, Funding 1 and the mortgages trustee will not have any recourse to the seller of the loans, other than in respect of a breach of warranty or other obligation under the mortgage sale agreement.

The issuer, the mortgages trustee, Funding 1 and the Funding 1 security trustee will not undertake any investigations, searches or other actions on any loan or its related security and each of them will rely instead on the warranties given in the mortgage sale agreement by the seller.

If any of the warranties given by the seller is materially untrue on the date on which a loan is assigned to the mortgages trustee, then the seller may be required by the mortgages trustee to remedy the breach within 20 days of the seller becoming aware of the same or of receipt by it of a notice from the mortgages trustee.

If the seller fails to remedy the breach within 20 days, the mortgages trustee may require the seller to repurchase the loan or loans under the relevant mortgage account and their related security together with any arrears of interest and accrued and unpaid interest and expenses. There can be no assurance that the seller will have the financial resources to repurchase the loan or loans under the relevant mortgage account and their related security. However, if the seller does not repurchase those loans and their related security when required, then the seller's share of the trust property will be deemed to be reduced by an amount equal to the principal amount outstanding of those loans together with any arrears of interest and accrued and unpaid interest and expenses.

Other than as described here, neither you nor the issuer will have any recourse to the assets of the seller.

**There may be risks associated with the fact that the mortgages trustee has no legal title to the mortgages, which may adversely affect payments on the notes**

The sale by the seller to the mortgages trustee of the English mortgages has taken effect (and any sale of English mortgages in the future will take effect) in equity only. The sale by the seller to the mortgages trustee of the Scottish mortgages has taken effect by declarations of trust by the seller (and any sale of Scottish mortgages in the future will be given effect by further declarations of trust) by which the beneficial interest in the Scottish mortgages is transferred to the mortgages trustee. In each case this means that legal title to the loans in the trust property remains with the seller, but the mortgages trustee has all the other rights and benefits relating to ownership of each loan and its related security (which rights and benefits are subject to the trust in favour of the beneficiaries). The mortgages trustee has the right to demand that the seller give it legal title to the loans and the related security in the circumstances described in "**Description of the transaction documents — The mortgage sale agreement — Sale of loans and their related security**". Until then the mortgages trustee will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the English mortgages, and cannot in any event apply to the Registers of Scotland to register or record its beneficial interest in the Scottish mortgages. For more information on the Scottish mortgages see "**Material legal aspects of the loans and their related security—Scottish loans**".

Because the mortgages trustee has not obtained legal title to the loans or their related security, there are the following risks in relation to the repayment of the notes:

- *firstly*, if the seller wrongly sold a loan to another person which has already been assigned to the mortgages trustee, and that person acted in good faith and did not have notice of the interests of the mortgages trustee or the beneficiaries in the loan, then she or he might obtain good title to the loan, free from the interests of the mortgages trustee and the beneficiaries. If this occurred then the mortgages trustee 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. This may affect the ability of the issuer to make payments on the notes; and
- *secondly*, the rights of the mortgages trustee and the beneficiaries may be subject to the rights of the borrowers against the seller, such as the rights of set-off (see in particular "**Set-off risks in relation to flexible loans, delayed cashbacks and reward cashbacks may adversely affect the funds available to the issuer to repay the notes**") which occur in relation to transactions or deposits made between some borrowers and the seller and the rights of borrowers to redeem their mortgages by repaying the loan directly to the seller. If these rights are exercised, the mortgages trustee may receive less money than anticipated from the loans, which may affect the ability of the issuer to make payments on the notes.

However, if a borrower exercises any set-off rights, then an amount equal to the amount set off will reduce the total amount of the seller share of the trust property only, and the minimum seller share has been sized in an amount expected to cover this risk (although there is no assurance that it will).

**No new loans may be sold to the mortgages trustee if the step-up date in respect of any notes issued by any of the issuers has occurred and the relevant issuer has not exercised its option to redeem the relevant notes**

From time to time, the seller may sell new loans and their related security to the mortgages trustee which will be included in the portfolio, for example, to replace loans that have been repurchased in the limited circumstances established in the mortgage sale agreement (for example, as a result of a material breach of a representation or warranty, following the delivery of an excluded product switch notice and/or an excluded further advance notice, or as the loans are non-compliant loans). However, no sale of new loans may occur if, at the relevant sale date, the step-up date in respect of any series of notes has occurred and the relevant issuer has not exercised its option to redeem each relevant class of notes of such series at that date. See "**Description of the transaction documents – The mortgage sale agreement – Conditions for sale of initial loans and new loans**" below for further details of the conditions new loans are required to meet. If the seller share of the trust property is less than the minimum seller share on two consecutive trust calculation dates, then a non-asset trigger event will occur. See also the risk factor "**The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**". If the seller is not permitted to sell new loans to the mortgages trustee to, for example, replace loans that have been repurchased, the portfolio may have different payment characteristics and the ultimate effect of this could be to delay or reduce the payments noteholders receive on the notes.

### **Your notes may not be redeemed on their optional redemption date or any step-up date**

There is no assurance that your notes will be redeemed on their step-up date (if applicable). If a step-up date is specified in respect of a series and class of notes and if such notes are not redeemed on such step-up date, unless otherwise indicated in the applicable final terms in respect of such notes, such notes will become due and payable on such step-up date.

### **RISKS RELATING TO CHANGES TO THE STRUCTURE AND DOCUMENTS**

#### **The structure of the transaction in which you are investing is subject to change without your consent**

The notes represent an indirect investment in a portfolio of mortgages held under a mortgages trust.

The underlying structure of the mortgages trust and the characteristics of the trust property are subject to change. However, your consent may not be required in relation to such changes. In particular (but without limitation), your attention is drawn to the risk factors described in the following sections set out below:

- "Holdings may establish new funding entities, which may become additional beneficiaries under the mortgages trust";
- "If Funding 1 enters into new intercompany loan agreements with new issuers, then the new loan tranches may rank ahead of the current loan tranches as to payment, and accordingly new notes may rank ahead of the notes as to payment";
- "As new loans are assigned to the mortgages trustee or existing loans are repaid or repurchased from the portfolio, the characteristics of the trust property may change from those existing at the date of this base prospectus, and those changes may adversely affect payments on the notes"; and
- "The seller may change the lending criteria relating to loans that are subsequently assigned to the mortgages trustee, which could affect the characteristics of the trust property and which may adversely affect payments on the notes".

In addition, you should also be aware that the terms of the Funding 1 transaction documents may be amended upon a new issue of notes and that your consent will not be required to such amendments, notwithstanding that these changes may affect the cashflow from the mortgages trust and/or Funding 1 that is available to pay amounts due on the notes.

This risk factor is without prejudice to those additional risk factors outside the control of Funding 1, Holdings, the mortgages trustee, the issuer and/or the seller.

#### **The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests**

Pursuant to the terms of the note trust deed, the issuer deed of charge and the Funding 1 deed of charge, the Funding 1 security trustee, the issuer security trustee and/or the note trustee may, without the consent or sanction of the Funding 1 secured creditors (unless party to the relevant transaction document to be modified), the issuer secured creditors (unless party to the relevant transaction document to be modified) and/or the noteholders at any time and from time to time concur with any person in making or sanctioning any modifications to the transaction documents (other than a basic terms modification):

- which in the case of the Funding 1 security trustee it has been directed to do so by the issuer security trustee and which the issuer security trustee has in turn been directed to do so by the note trustee in the circumstances described below;
- which in the case of the issuer security trustee it has been directed to do so by the note trustee in the circumstances described below; and
- which in the sole opinion of the note trustee it may be proper to make provided that (a) in the opinion of the note trustee it will not be materially prejudicial to the interests of the noteholders or, if it is not of that opinion, the noteholders have sanctioned by way of an extraordinary resolution or (b) in the sole opinion of the note trustee is necessary to correct a

manifest error, or is to comply with the mandatory provisions of law, or is of a formal, minor or technical nature.

In the exercise of any of its powers, trusts, authorities and discretions under the note trust deed or any other transaction document (including any direction to the Funding 1 security trustee and/or the issuer security trustee, as applicable), the note trustee shall have regard to the interests of the noteholders (subject to the provisions of the next paragraph), but in the event of a conflict of interest it shall have regard to the interests of the holders of the class of notes with the highest rating, subject to the provisions of the note trust deed.

In determining whether a modification to a transaction document is materially prejudicial to the interests of the noteholders, the note trustee will have regard to confirmations from each of the rating agencies that the then current ratings of the rated notes would not be downgraded, withdrawn or qualified and any other confirmation which it considers, in its sole and absolute discretion, is necessary and/or appropriate (subject to the provisions regarding non-responsive rating agencies described below under “**Ratings confirmation in respect of notes**”).

In addition, the note trustee will give its consent (or direct the Funding 1 security trustee and/or the issuer security trustee to give its consent as applicable) to any modifications to the transaction documents (other than a basic terms modification), provided that Funding 1 (or the cash manager on its behalf) or the issuer (or the issuer cash manager on its behalf) certifies to the note trustee, the issuer security trustee and/or the Funding 1 security trustee in writing that such modifications are required in order to accommodate, among other things:

- (i) any loan tranches to be advanced to Funding 1 under the intercompany loan and/or the issue of any notes by the issuer;
- (ii) new intercompany loan agreements of Funding 1 or any further Funding companies and/or the issue of new notes by any new issuer;
- (iii) the addition of other relevant secured creditors of the issuer, Funding 1, any new issuer or any further Funding company;
- (iv) the accession of further Funding companies as beneficiaries to the mortgages trust deed;
- (v) the issue (directly or indirectly) of debt by Funding 1 and/or any further Funding company (other than as referred to in paragraphs (i) and (ii) above);
- (vi) the sale of new types of loans to the mortgages trustee;
- (vii) changes to the general reserve required amount and/or any additional amounts for the purposes of an arrears or step-up trigger event and/or the liquidity reserve fund required amount and/or the manner in which each of such amounts are funded;
- (viii) any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation (**EMIR**), as amended by EMIR Refit Regulation (EU) 2019/834 (**EMIR Refit 2.1**) and which accordingly are mandatory under EMIR other than in respect of a basic terms modification (any such modification, an **EMIR amendment**);
- (ix) the establishment of the Funding 1 liquidity facility;
- (x) changes to the asset trigger events and non-asset trigger events;
- (xi) the removal of any one of the rating agencies (a **removed rating agency**) from rating notes issued on or after 29 April 2016 (an **existing rating agency removal**);
- (xii) the reappointment of any such removed rating agency or substitute any such removed rating agency for one of the remaining two rating agencies (an **existing rating agency reappointment**, and each of an existing rating agency removal and an existing rating agency reappointment, a **ratings modification event**); and/or
- (xiii) changes to the base rate of such floating rate notes to an alternative base rate under certain circumstances (broadly related to LIBOR or EURIBOR dysfunction or discontinuation) (a **base rate modification**),

in each case, subject to applicable conditions.

The modifications required to give effect to such matters may include, among other matters, amendments to the provisions of the mortgages trust deed and the Funding 1 deed of charge relating to the allocation of and entitlement to monies. There can be no assurance that the effect of such modifications to the transaction documents will not ultimately adversely affect noteholders' interests.

**Holdings may establish further Funding entities, which may become additional beneficiaries under the mortgages trust**

Holdings may in the future establish further Funding companies, which may raise debt from time to time and use the proceeds thereof to acquire or increase their shares in the trust property. However, any such increase will be subject to obtaining prior written confirmation from each of the rating agencies that the then current ratings of the rated notes then outstanding (and any new rated notes, where applicable) will not be withdrawn, downgraded or qualified as a result of the relevant Funding company acquiring or increasing its share of trust property.

As beneficiaries, the seller, Funding 1 and any further Funding companies will have a joint and undivided interest in the trust property but their entitlement to the proceeds from the trust property will be in proportion to their respective shares of the trust property. However, if any Funding company besides Funding 1 has a cash accumulation requirement at a time when Funding 1 has no cash accumulation requirement, then such further Funding company will receive principal receipts from the mortgages trustee in priority to Funding 1. In addition, if any Funding company besides Funding 1 is in a cash accumulation period, this will affect the amount of principal receipts payable to Funding 1 and the ability of Funding 1 to repay the pass-through loan tranches.

On each distribution date, the mortgages trustee will distribute revenue receipts and principal receipts to the beneficiaries, subject to the terms of the mortgages trust deed.

Amendments would be made to a number of the transaction documents as a result of the inclusion of a further Funding company as a beneficiary of the mortgages trust. In particular (but without limitation), amendments would be made to:

- the mortgage sale agreement to enable (among other things) the purchase by the further Funding company of interests in the trust property by paying the purchase price for new loans and their related security sold by the seller from time to time and to give the further Funding company the benefit of the covenants in the mortgage sale agreement;
- the mortgages trust deed (i) to establish the further Funding company as a beneficiary of the mortgages trust, (ii) to enable the acquisition by the further Funding company of interests in the trust property from time to time and (iii) to regulate the distribution of revenue receipts and principal receipts in the trust property to the further Funding company and the other beneficiaries of the trust property;
- the cash management agreement to regulate the application of monies to the further Funding company;
- the servicing agreement, to ensure that the further Funding company receives the benefit of the servicer's duties under that agreement;
- the master definitions and construction schedule; and
- the Funding 1 deed of charge.

There may be conflicts of interest between Funding 1 and any further Funding companies, in which case it is expected that the mortgages trustee will follow the directions given by the relevant beneficiary (excluding the seller) that has the highest ranking class of notes then outstanding and, if each relevant beneficiary represents one or more issuers (as applicable) with the same class as their highest ranking class of notes then outstanding, then the mortgages trustee will follow the directions given by the beneficiary representing the issuer with the greatest outstanding principal balance of the highest ranking class of notes. The interests of Funding 1 may not prevail, which may adversely affect your interests.

Where it is provided in the transaction documents that, following any further Funding company becoming a beneficiary of the mortgages trust, both Funding 1 and the further Funding company, acting

together, or the Funding 1 security trustee and the further Funding security trustee, acting together, may provide or exercise, as applicable, directions, rights, powers, benefits and/or discretions (or any equivalent thereof) (including, without limitation, agreeing to any amendment or waiver of any provision thereof and/or giving its consent, approval or authorisation of any event, matter or thing requested thereunder), then (irrespective of whether or not Funding 1 and the further Funding company or, as the case may be, the Funding 1 security trustee and the further Funding security trustee shall so act together with any other parties to the transaction documents) such directions, rights, powers, benefits and/or discretions (or their equivalent) shall be provided and/or exercised by Funding 1 and the further Funding company or, as the case may be, the Funding 1 security trustee and the further Funding security trustee in accordance with the controlling beneficiary deed. Therefore, in circumstances, following any further Funding company becoming a beneficiary of the mortgages trust, where there is a conflict of interest, the directions of Funding 1 or the Funding 1 security trustee (acting on behalf of the Funding 1 secured creditors) may not prevail over the directions of the further Funding company or the further Funding security trustee (acting on behalf of the relevant secured creditors of the further Funding company), which may adversely affect your interests.

**If Funding 1 enters into new intercompany loan agreements with new issuers, then the new loan tranches may rank ahead of the current loan tranches as to payment, and accordingly new notes may rank ahead of the notes as to payment**

Subject to satisfaction of certain conditions, Holdings may, in the future, establish additional wholly owned subsidiary companies that will issue new notes to investors. The proceeds of such issue of new notes may be advanced by way of a new intercompany loan to Funding 1 and/or any further Funding company. Where such proceeds are advanced to Funding 1, Funding 1 will use the proceeds of the new intercompany loan to:

- pay the seller for new loans and their related security to be assigned to the mortgages trustee;
- pay the seller for a part of the seller's share of the trust property to be assigned to Funding 1;
- refinance all or part of the intercompany loan outstanding at that time (and if any intercompany loan (or any part thereof) is refinanced, noteholders could be repaid early); and/or
- deposit funds in one or more of the reserve funds.

It is expected that the payment of the amounts owing by Funding 1 under any new intercompany loan will be funded from amounts received by Funding 1 from the trust property. Noteholders should note that the obligation to make such payments may rank equally or in priority with payments made by Funding 1 to the issuer under other intercompany loan agreements or to any new issuing entities under new intercompany loan agreements. The terms of the new notes issued by any new issuer and the related new intercompany loan may result in such new notes and their related new intercompany loan being repaid prior to the repayment of the notes issued by the issuer under this base prospectus and the relevant final terms or drawdown prospectus and prior to the repayment of their related intercompany loans.

You will not have any right of prior review or consent with respect to those new intercompany loans or the corresponding issuance by new issuing entities of new notes. Similarly, the terms of the Funding 1 transaction documents (including, but not limited to, the mortgage sale agreement, the mortgages trust deed, the Funding 1 deed of charge, the cash management agreement, the definitions of the trigger events and the criteria for the assignment of new loans to the mortgages trustee) may be amended to reflect such new issuance. Your consent to these changes will not be required. There can be no assurance that these changes will not affect cashflow available to pay amounts due on the notes. See **“The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests”** above.

Before issuing new notes, however, a new issuer will be required to satisfy a number of conditions, including:

- obtaining a written confirmation from each of the rating agencies that the then current ratings of the issuer rated notes outstanding at that time will not be adversely affected because of the new issue;

- that no event of default under any of the intercompany loan agreements outstanding at that time has occurred which has not been remedied or waived and no event of default will occur as a result of the issue of the new notes; and
- as at the most recent interest payment date, that no principal deficiency (which remains outstanding) is recorded on the principal deficiency ledger in relation to the loan tranches (other than the NR loan tranches) outstanding at that time.

### Ratings modification event

The issuer may, at any time, without the consent or sanction of any of the noteholders or any other issuer secured creditor:

- remove any one of the rating agencies from rating notes issued on or after the date of this base prospectus; and/or
- reappoint any such removed rating agency or substitute any such removed rating agency for one of the remaining two rating agencies,

provided that, in each case and at all times, each series and class of notes continues to be rated by at least two rating agencies.

In the event of an existing rating agency removal, all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to the removed rating agency shall cease to apply (as they relate to each series and class of notes issued on or after the date of this base prospectus) and the issuer may make such consequential modifications to the terms and conditions of the relevant notes or any transaction document as are necessary to implement the removal of the relevant rating agency and all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to such removed rating agency.

In the event of an existing rating agency reappointment, all then-current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to the reappointed rating agency shall apply (in relation to each series and class of notes issued on or after the date of this base prospectus) and the issuer may make such consequential modifications to the terms and conditions of the relevant notes or any transaction document as are necessary to implement the reappointment of the relevant rating agency and all then-current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to such reappointed rating agency.

Any modifications to the terms and conditions of any series and class of notes issued on or after the date of this base prospectus and/or any transaction document to implement a ratings modification event will not require the consent or sanction of any noteholder or any other issuer secured creditor. This ability to remove a rating agency may have an unpredictable effect on your notes. Investors should consider the extent to which such a modification and the resulting impact on ratings criteria, rating tests, rating triggers and other requirements relating to any removed rating agency may impact their decision to invest in the notes.

As used in this base prospectus, the term **rating agencies** means, at any time, the rating agencies then rating the relevant series and class of notes, being, in respect of the notes issued on or after the date of this base prospectus, two or three of Standard & Poor's, Moody's and Fitch and, in respect of the notes issued prior to the date of this prospectus (the **existing notes**), each of Standard & Poor's, Moody's and Fitch, and the term **rating agency** means any one of Standard & Poor's, Moody's and Fitch (provided that such rating agency is then rating the relevant series and class of notes).

The above provisions relating to a ratings modification event (together with consequential modifications to the terms and conditions of a series and class of notes and/or the transaction documents) do not apply in respect of (i) the existing notes and (ii) any notes issued on or after the date of this prospectus which will be consolidated with and form a single series with any existing notes.

See further "**The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests**" below.

**There may be conflicts between your interests and the interests of any of the issuer's other secured creditors (including more senior noteholders), and the interest of those issuer secured creditors may prevail over your interests**

The issuer deed of charge requires the issuer security trustee to consider the interests of each of the issuer secured creditors in the exercise of all of its powers, trusts, authorities, duties and discretions, but requires the issuer security trustee, in the event of a conflict between the interests of the holders of the notes and the interests of any of the other issuer secured creditors, to consider only the interests of the holders of the notes, except in the event of a proposed waiver of any breach of the provisions of the issuer transaction documents or a proposed modification to any of the issuer transaction documents. In these circumstances, the issuer security trustee is also required to consider whether the proposed waiver or modification would be materially prejudicial to the interests of an issuer swap provider and, if so, the issuer security trustee is required to get its or their written consent to the proposed waiver or modification.

**There may be conflicts between the issuer and any new issuing entities, and the issuer's interests may not prevail, which may adversely affect payments on the notes**

The issuer and any new issuers that enter into new loan agreements with Funding 1 will share in the Funding 1 security. In the exercise of its rights, powers or discretions under any of the transaction documents and subject as provided below, the Funding 1 security trustee shall act on the directions of the issuer security trustees and the issuer security trustees will in turn act on the directions of the respective note trustees. In the event of a conflict between the directions of the note trustees and the corresponding directions of the issuer security trustees, the Funding 1 security trustee will act only on the directions of the issuer security trustees acting as directed by the respective note trustees for the holders of notes of the highest ranking outstanding class at that time (unless expressly provided otherwise) and provided that the Funding 1 security trustee is indemnified and/or secured and/or pre-funded to its satisfaction. If the Funding 1 security trustee receives conflicting directions from two or more such issuer security trustees because such issuer security trustees receive conflicting directions from the respective note trustees, it will follow the directions given by one or (if in agreement) more of the issuer security trustees directed by one or (if in agreement) more of the note trustees acting for the holders of notes and new notes (as applicable) of the highest ranking outstanding class at that time the aggregate principal amount outstanding of which exceeds the aggregate principal amount outstanding of notes and new notes (as applicable) of the highest ranking outstanding class at that time for the holders of notes and new notes (as applicable) which the note trustee(s) have given directions to the respective issuer security trustee(s) which conflict with such directions. If the note trustee(s) whose directions prevail does not act as trustee for holders of notes issued by the issuer, then the interests of the holders of the notes will not prevail. This could ultimately cause a reduction in the payments you receive on your notes.

**There may be conflicts between the interests of the holders of the various classes of notes, and the interests of the holders of other classes of notes may prevail over your interests**

The note trust deed provides and the terms of the notes will provide that the note trustee and the issuer security trustee are to have regard to the interests of the holders of all the classes of notes as regards all powers, trusts, authorities, duties and discretions of the note trustee under the terms of the notes or any of the transaction documents (except where expressly provided otherwise). There may be circumstances, however, where the interests of one class of noteholders conflicts with the interests of another class(es) of noteholders. The note trust deed provides and the terms of the notes will provide that where, in the opinion of the note trustee or the issuer security trustee, there is such a conflict, then the note trustee or the issuer security trustee (as applicable) is to have regard only to the interests of:

- the class A noteholders in the event of a conflict between the interests of the class A noteholders on the one hand and the class B noteholders, the class M noteholders, the class C noteholders, the class D noteholders and/or the class Z noteholders on the other hand;
- subject to the preceding paragraph, the class B noteholders in the event of a conflict between the interests of the class B noteholders on the one hand and the class M noteholders, the class C noteholders, the class D noteholders and/or the class Z noteholders on the other hand;
- subject to the preceding paragraph, the class M noteholders in the event of a conflict between the interests of the class M noteholders on the one hand and the class C noteholders, the class D noteholders and/or the class Z noteholders on the other hand;

- subject to the preceding paragraph, the class C noteholders in the event of a conflict between the interests of the class C noteholders on the one hand and the class D noteholders and the class Z noteholders on the other hand; and
- subject to the preceding paragraph, the class D noteholders in the event of a conflict between the interests of the class D noteholders on the one hand and the class Z noteholders on the other hand.

As such, if there is a conflict between the interests of the holders of the various classes of notes, in exercising its powers, trusts, authorities, duties and discretions under the terms of the notes or any of the transaction documents, the note trustee may have regard to the interests of the holders of other classes of notes over your interests. Consequently, the note trustee could exercise its powers, trusts, authorities, duties and discretions in a manner which affect your interests in any notes without your consent and there can be no assurance that the effect of any such action will not ultimately adversely affect your interests in any notes.

**There may be a conflict between the interests of the holders of each series and/or sub-class of a class of notes, and the interests of other series and/or sub-classes of noteholders of the same class may prevail over your interests**

There may be circumstances where the interests of the noteholders of one series and/or sub-class of the notes conflict with the interests of the noteholders of another series and/or sub-class of the same class of notes. The note trust deed provides and the terms of the notes will provide that where, in the opinion of the note trustee or the issuer security trustee, there is such a conflict, then a resolution directing the note trustee or, as applicable, the issuer security trustee to take any action must be passed at separate meetings of the holders of each series and/or sub-class (as applicable) of the relevant class of notes. A resolution may only be passed at a single meeting of the noteholders of each series and/or sub-class (as applicable) of the relevant class if the note trustee or, as applicable, the issuer security trustee is satisfied that there is no conflict between them.

Similar provisions will apply in relation to requests in writing from holders of a specified percentage of the principal amount outstanding of the notes of each class (the principal amount outstanding being converted into sterling for the purposes of making the calculation).

As such, if there is a conflict between the interests of the holders of each series and/or sub-class of a class of notes, then the interests of noteholders of other series and/or sub-class of the same class of notes may prevail over your interests in connection with the sanctioning of a resolution. Consequently, the note trustee or the issuer security trustee could exercise its powers, trusts, authorities, duties and discretions in a manner which affect your interests in any notes without your consent and there can be no assurance that the effect of any such action will not ultimately adversely affect your interests in any notes.

**Fixed charges subsequently re-characterised as floating charges may adversely affect payments on the notes**

Fixed charges over bank accounts may take effect under English law as floating charges. Under the terms of the issuer deed of charge and the Funding 1 deed of charge respectively, the issuer and Funding 1 purport to grant, among other things, fixed charges in favour of the issuer security trustee and, in the case of Funding 1, the Funding 1 security trustee over, in the case of the issuer, the issuer's interest in the transaction account and, in the case of Funding 1, Funding 1's interest in the Funding 1 transaction account.

The law in England and Wales relating to the re-characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the issuer and Funding 1 (other than by way of assignment in security) will take effect under English law only as floating charges if it is determined that the issuer security trustee or, in the case of Funding 1, the Funding 1 security trustee, does not exert sufficient control over the relevant account, or the proceeds thereof, for the security to be said to "fix" over those assets (although it should be noted that there is no equivalent concept of re-characterisation of fixed security as floating charges under Scots law). As the issuer and Funding 1 are signatories to the accounts, there is a risk that a court will consider that the issuer security trustee does not exert a sufficient degree of control to ensure that the charges over those accounts are held to be fixed charges. If the charges take effect as floating charges instead of fixed charges, then certain matters, which are given priority over floating charges by law, will be given priority over the claims of the floating chargeholder.

In addition, if assets in respect of which the issuer or Funding 1 has granted a fixed charge are paid into a bank account the charge over which is subsequently re-characterised as a floating charge, the original fixed charge in relation to the assets may also be re-characterised as a floating charge.

## COUNTERPARTY RISKS

**If certain parties to the transaction documents cease to satisfy various criteria then the rights and obligations of such party pursuant to the relevant transaction document may have to be transferred to a replacement entity under terms that may not be as favourable as those currently offered under the relevant transaction document**

Those parties to the transaction documents who receive and hold monies pursuant to the terms of such documents are required to satisfy certain criteria in order that they can continue to receive and hold monies.

These criteria include requirements as to such parties being authorised and regulated under the FSMA, their on-going compliance with rules and guidance under the FSMA as well as requirements in relation to the ratings ascribed to each such party by Standard & Poor's, Fitch and Moody's. The table beginning at page 57 sets out more particularly such rating requirements. If the party concerned ceases to satisfy the applicable criteria, including the rating criteria detailed in the table beginning at page 57, then the rights and obligations of that party (including the right and/or obligation to receive monies) may need 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 provided by the original party pursuant to the relevant transaction document.

In addition, you should also be aware that, should the applicable criteria cease to be satisfied as detailed above, the parties to the relevant transaction document may agree to amend or waive certain of the terms of such documents and the applicable criteria in order to avoid the need for a replacement entity to be appointed. Your consent may not be required in relation to such amendments and/or waivers.

The major credit rating agencies have downgraded and changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum, and that has not changed. The rating of the sovereign affects the ratings of the entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades may cause downgrades to counterparties on the programme meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the programme with others who have the required ratings on similar terms or at all.

**The issuer and Funding 1 rely on third parties in order to meet their obligations, and you may be adversely affected if they fail to perform their obligations**

The issuer and Funding 1 are, and will be, parties to contracts with a number of third parties that have agreed or will agree to perform services in relation to the intercompany loan (in respect of Funding 1) and the notes (in respect of the issuer). For example, both the Funding 1 swap provider and the issuer swap providers have agreed or will agree to provide certain interest rate and currency swaps (as applicable) to Funding 1 and the issuer (respectively), the Funding 1 corporate services provider and the corporate services provider have agreed to provide corporate services to Funding 1 and the issuer (respectively); and the paying agents and the agent bank have agreed to provide payment and calculation services to the issuer in connection with the notes. In the event that any of these parties were to fail to perform their obligations under the respective agreements to which they are a party, then the issuer may be unable to perform its obligations under the notes, including its obligations to make timely payments on your 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 seller has been appointed by the mortgages trustee and the beneficiaries as servicer to service the loans. If the servicer breaches the terms of the servicing agreement, then the mortgages trustee and the beneficiaries will be entitled to terminate the appointment of the servicer and appoint a new servicer in its place.

There can be no assurance that a substitute servicer would be found who would be willing and able to service the loans on the terms of the servicing agreement. In addition, any substitute servicer would be required to be authorised under the FSMA as mortgage administration is a regulated activity. The ability of a substitute servicer fully to 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.

You should note that the servicer has no obligation itself to advance payments that borrowers fail to make in a timely fashion.

Neither the Funding 1 security trustee nor the note trustee is obliged in any circumstances to act as a servicer or to monitor the performance by the servicer of its obligations.

**Termination payments on the swaps may adversely affect the funds available to make payments on the notes**

If any of the swaps terminates, the issuer may as a result be obliged to pay a termination payment to the relevant issuer swap provider. The amount of the termination payment will be based on the cost of entering into a replacement swap. Under the intercompany loan agreement, Funding 1 will be required to pay the issuer an amount equal to any termination payment due from the issuer to the relevant issuer swap provider. Funding 1 will also be obliged to pay the issuer any extra amounts which it may be required to pay to enter into a replacement swap.

No assurance can be given that Funding 1 will have the funds available to make such payments or that the issuer will have sufficient funds available to make any termination payment under any of its swaps or to make subsequent payments to you in respect of the relevant series and class (or sub-class) of notes. Nor can any assurance be given that the issuer will be able to enter into a replacement swap or, if one is entered into, that the credit rating of the replacement issuer swap provider will be sufficiently high to prevent a downgrading of the then current ratings of the issuer rated notes by the rating agencies.

Except where the relevant issuer swap provider has caused the relevant swap to terminate by its own default or following a downgrade termination event, any termination payment due from the issuer will rank equally not only with payments due to the holders of the series and class (or sub-class) of notes to which the relevant swap relates but also with payments due to the holders of any other series and class (or sub-class) of notes which rank equally with the series and class (or sub-class) of notes to which the relevant swap relates. Any additional amounts required to be paid by the issuer following termination of the relevant swap (including any extra costs incurred (for example, from entering into spot currency or interest rate swaps) if the issuer cannot immediately enter into a replacement swap) will also rank equally not only with payments due to the holders of the series and class (or sub-class) of notes to which the relevant swap relates but also with payments due to the holder of any other series and class (or sub-class) of notes which rank equally with the series and class (or sub-class) of notes to which the relevant swap relates. Furthermore, any termination payment or additional payment or additional amounts required to be paid by the issuer following termination of a swap will rank ahead of payments due to the holders of any series and class (or sub-class) of notes which ranks below the series and class (or sub-class) of notes to which the relevant swap relates. Therefore, if the issuer is obliged to make a termination payment to the relevant issuer swap provider or to pay any other additional amount as a result of the termination of the relevant swap, this may affect the funds which the issuer has available to make payments on the notes of any class and any series.

**You may be subject to risks relating to exchange rates or interest rates on the notes or risks relating to reliance on a 2a-7 swap provider**

Repayments of principal and payments of interest on a series and class (or sub-class) of notes may be made in a currency other than sterling but the loan made by the issuer to Funding 1 and repayments of principal and payments of interest by Funding 1 to the issuer under the intercompany loan agreement will be in sterling. In addition, interest due and payable by Funding 1 to the issuer on any loan tranche under the intercompany loan agreement will be calculated by reference to LIBOR for three-month sterling deposits or Compounded Daily SONIA (unless specified otherwise in the relevant final terms or drawdown prospectus) but interest due and payable on a series and class (or sub-class) of notes may be calculated by reference to a fixed or floating rate (as set out in the relevant final terms or drawdown prospectus).

To hedge the issuer's currency exchange rate exposure and/or interest rate exposure in such cases, on the relevant closing date for a series and class (or sub-class) of notes, the issuer will, where applicable, enter into appropriate currency and/or interest rate swap transactions for such notes with an issuer swap provider as specified in the relevant final terms or drawdown prospectus. See "**Description of the transaction documents – The swap agreements**".

Each issuer swap provider is obliged to make payments under a swap only for so long as and to the extent that the issuer makes timely payments under it. If such issuer swap provider is not obliged to make payments of, or if it defaults in its obligations to make payments of, amounts equal to the full amount scheduled to be paid to the issuer on the dates for payment specified under the relevant swap or such swap

is otherwise terminated, the issuer will be exposed to changes in the exchange rates between sterling and the currency in which such notes are denominated and in the relevant interest rates. Unless a replacement swap transaction is entered into, the issuer may have insufficient funds to make payments due on the corresponding series and class (or sub-class) of notes.

If a 2a-7 swap provider swap arrangement is specified as applying to a certain series and class (or sub-class) of notes in the relevant final terms or drawdown prospectus, the 2a-7 swap provider will be required to make a principal payment under the relevant issuer swap agreement to the issuer to enable the issuer to redeem a class of notes in full on their bullet repayment date (unless an asset trigger event has occurred prior to that date) notwithstanding that the 2a-7 swap provider has not received the corresponding principal payment required to be made by the issuer under the relevant issuer swap agreement. A failure by the issuer to make the full principal repayment on the bullet repayment date of the loan tranche corresponding to the relevant class (or sub-class) of notes for which the relevant issuer swap was entered into will not constitute an event of default or a termination event under that swap. In such circumstances, noteholders in respect of such notes will be dependent on the performance of the 2a-7 swap provider and no assurance can be given that the issuer will have sufficient funds to make payments due on the corresponding series and class (or sub-class) of notes.

## **ORIGINATOR RISKS**

### **General impact of regulatory changes on Santander UK in its various roles under the programme**

As noted above, Santander UK performs various roles in the programme, including as seller of loans to the mortgages trust, servicer of such loans, cash manager to Funding 1 and the mortgages trustee, cash manager to the issuer, the sterling account bank and the non-sterling account bank, the mortgages trustee account bank, account bank B in respect of the Funding 1 GIC account, the Funding 1 swap provider and an issuer swap provider.

As a financial services group, Santander UK, together with its subsidiaries (the **Santander UK Group**), are subject to extensive financial services laws, regulations, administrative actions and policies in the United Kingdom, the European Union and in each other location in which they operate. In addition, as part of the Banco Santander group, the Santander UK Group is also impacted through regulation by the Banco de España (the **Bank of Spain**) and by the ECB, and various legal and regulatory regimes (including the US) that have extra-territorial effect.

During periods of market turmoil in the past 10 years, there have been unprecedented levels of government and regulatory intervention and scrutiny, and changes to the regulations governing financial institutions and the conduct of business. Financial services laws, regulations and policies are still evolving, and the laws, regulations and policies to which the Santander UK Group is subject may be changed at any time. In addition, the interpretation and the application of those laws, regulations and policies by regulators are also subject to change. Furthermore, there is uncertainty regarding the on-shoring of EU regulations into the UK upon the UK's exit from the EU and the changes that will be implemented in that process (including the further powers that will be given to UK regulators), as well as regarding the level of convergence or divergence with EU regulations, initiatives and reforms (including during any transitional period). Extensive legislation and implementing regulations affecting the financial services industry have recently been adopted in regions that directly or indirectly affect Santander UK Group's business, including the UK, Spain, the US, the EU, Latin America and other jurisdictions, and new laws and regulations are in the process of being implemented.

Any legislative or regulatory actions and any required changes to the business operations of the Santander UK Group resulting from such laws, regulations and policies as well as any deficiencies in its compliance with such laws, regulations and policies, could result in significant loss of revenue, higher operational and compliance costs, limitations on its ability to pursue business opportunities in which it might otherwise consider engaging, limitations on its ability to provide certain products and services, or otherwise adversely affect its operations, financial condition and prospects. No assurance can be given generally that laws, regulations or supervisory policies will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on the Santander UK Group's operations, financial condition and prospects.

In addition, the UK Financial Services (Banking Reform) Act 2013 (the **Banking Reform Act**) established a ring-fencing framework under the FSMA pursuant to which UK banking groups that hold significant retail deposits were required to separate or "ring-fence" their retail banking activities from their wholesale banking activities by 1 January 2019. The Santander UK Group is subject to the ring-fencing regulatory regime introduced under the Banking Reform Act and adopted through secondary legislation. Accordingly, the Santander UK Group completed its ring-fencing plans in advance of the legislative deadline

of 1 January 2019. However, given the complexity of the ring-fencing regulatory regime and the material impact on the way the Santander UK Group now conducts its business operations in the UK, there is a risk that Santander UK may be found to be in breach of one or more ring-fencing requirements. This might occur, for example, if prohibited business activities are found to be taking place within the ring-fence or core retail banking activities are found being carried on in a UK entity outside the ring-fenced part of the Santander UK Group. If the Santander UK Group were found to be in breach of any of the ring-fencing requirements placed upon it under the ring-fencing regime, it could be subject to enforcement action by the PRA, the consequences of which might include substantial financial penalties, imposition of a suspension or restriction on the Santander UK Group's UK activities or, in the most serious of cases, forced restructuring of the Santander UK Group, entitling the PRA (subject to the consent of the UK Government) to require the sale of a Santander ring-fenced bank or other parts of the Santander UK Group. Any of those sanctions could, if imposed, have a material adverse effect on Santander UK Group's operations, financial condition and prospects.

Santander UK as seller and servicer is also required to hold and holds authorisation and permission to enter into and to administer and, where applicable, to advise in respect of regulated mortgage contracts (See "**Material Information Relating to the Regulation of Mortgages in the UK**"). Failure by the seller or the servicer to hold the relevant authorisations and permissions under the FSMA in relation to regulated mortgage contracts and regulated consumer credit agreements may have an adverse effect on enforcement of mortgage contracts.

Any regulatory changes or developments may have a material adverse effect on Santander UK's operations, financial condition and prospects, which could, in turn, have a material adverse effect on its ability to perform its various roles under the programme (and in particular as seller of loans to the mortgages trust and servicer of such loans). This may adversely affect the issuer's ability to perform its obligations in respect of the notes. For example, Santander UK, as seller of loans to the mortgages trust, is obliged under certain circumstances to repurchase loans from the mortgages trustee. Should Santander UK be unable to repurchase loans when required, this could have a material adverse effect on the portfolio which could, in turn, effect the issuer's ability to make payments in full when due on the notes.

### **Competition in the UK mortgage loan industry could increase the risk of an early redemption of the notes**

The mortgage loan industry in the UK is highly competitive. Both traditional and new lenders use heavy advertising, targeted marketing, aggressive pricing competition and loyalty schemes in an effort to expand their presence in or to facilitate their entry into the market and compete for customers. Also the FCA has the statutory operational objective, amongst others, of promoting effective competition in the interests of consumers in the markets for regulated financial services. In addition, a mechanism has been established under the Financial Services Act 2012 by which the FCA can be alerted to competition issues, or matters adversely affecting the interests of consumers, and then be held accountable for its response. This is known as the super-complaints regime and allows designated consumer bodies to make a reference where a feature of a market appears to be significantly harming the interests of consumers.

A strong political and regulatory will to foster consumer choice in retail financial services could lead to even greater competition in the UK mortgage loan market.

This competitive environment may affect the rate at which the seller originates new loans and may also affect the level of loss of the seller's existing borrowers as customers. If the rate at which new loans are originated declines significantly or if existing borrowers refinance their loans with lenders other than the seller, then the risk of a non-asset trigger event occurring increases, which could result in an early redemption of the notes.

## **MACRO-ECONOMIC AND MARKET RISKS**

### **Lack of liquidity in the secondary market may adversely affect the market value of your notes**

The secondary market for mortgage-backed securities has over the past decade experienced disruptions as a result of reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities experiencing at times very limited liquidity and a material increase in the price of credit protection on mortgage-backed securities through credit derivatives. Limited liquidity in the secondary market may continue to have an adverse impact on the market value of mortgage-backed securities, especially

those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of certain categories of investors.

If there is a lack of liquidity in the secondary market, an investor in the notes may not be able to sell or acquire credit protection on its notes readily, and market values of the notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor. Accordingly, no assurance can be given as to the development or liquidity of any market for the notes.

**Ratings assigned to the issuer rated notes may be lowered or withdrawn after you purchase the issuer rated notes, which may lower the market value of the issuer rated notes**

The ratings assigned by Standard & Poor's and Fitch to each class (or sub-class) of issuer rated notes address the likelihood of full and timely payment to you of all payments of interest on each interest payment date under that class (or sub-class) of issuer rated notes in accordance with the terms of the issuer transaction documents and the conditions of the issuer rated notes. The ratings also address the likelihood of ultimate payment of principal by the final maturity date of each class (or sub-class) of issuer rated notes. The ratings assigned by Moody's to each class (or sub-class) of issuer rated notes address the expected loss in proportion to the initial principal amount of such class (or sub-class) and express Moody's opinion that the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. The expected ratings of each class (or sub-class) of issuer rated notes on the relevant closing date are set out in the relevant final terms or drawdown prospectus, as applicable.

A credit rating is not a recommendation to buy, sell or hold securities and any rating agency may lower, qualify or withdraw its rating if, in the sole judgment of the rating agency, the credit quality of the issuer rated notes has declined or is in question. If any rating assigned to the issuer rated notes is lowered, qualified or withdrawn, the market value of the issuer rated notes may be reduced and, in the case of money market notes, such money market notes may no longer be eligible for investment by money market funds. A change to the ratings assigned to each class (or sub-class) of issuer rated notes will not affect the loan tranche ratings assigned to each relevant loan tranche under the intercompany loan agreement.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. The ratings assigned to each class of notes will be disclosed in the applicable final terms or drawdown prospectus.

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

## Exposure to UK political developments

Any significant changes in UK Government policies could have a material adverse effect on Santander UK (in one or more of its various roles under the programme and in particular as seller of loans to the mortgages trust and servicer of such loans), the issuer, the mortgages trustee and/or Funding 1 and their respective businesses and operations.

On 23 June 2016, the UK held a referendum (the **UK EU Referendum**) on its membership of the EU, in which a majority voted for the UK to leave the EU. On 29 March 2017, the UK Prime Minister officially gave notice under Article 50(2) of the Treaty on European Union of the UK's intention to withdraw from the EU, triggering a two year period of negotiation to determine the terms of the agreement pursuant to which the UK will exit the EU and the framework for the UK's future relationship with the EU (the **Withdrawal Agreement**).

The Withdrawal Agreement has not yet been ratified by the UK or the European Union; and it remains uncertain whether it will be finalised and ratified prior to the 31 October 2019 deadline. To the extent ratification takes place ahead of 31 October 2019, the UK would leave the EU on the first date of the month following ratification, though it would be allowed to have access to the EU single market until 31 December 2020 (unless a longer transitional period is agreed). If ratification does not take place by 31 October 2019, unless the negotiation period is further extended or the Article 50 notification revoked, the Treaty on the European Union and the Treaty on the Functioning of the EU will cease to apply to the UK and the UK will lose access to the EU single market.

On-going uncertainty within the UK Government and Parliament, and the rejection of the Withdrawal Agreement by the House of Commons, and the risk that this results in the Government falling could cause significant market and economic disruption. Continued ambiguity relating to the UK's withdrawal from the EU, along with any further changes in Government structure and policies, may lead to further market volatility and changes to the fiscal, monetary and regulatory landscape in which the issuer and Santander UK operate.

These developments, or the perception that they could occur, could have a material adverse effect on economic conditions and the stability of financial markets, and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets. Asset valuations, currency exchange rates and credit ratings may be particularly subject to increased market volatility if the negotiation of the UK's exit from the EU continues as a result of Parliament's non-ratification of the Withdrawal Agreement. A more pessimistic economic outlook for the UK in general could lead to increased concerns around the future performance of the portfolio and accordingly the ability of the issuing entity to pay interest and repay principal to noteholders and the ratings assigned to the notes could be adversely affected.

In addition, the issuer, Funding 1 and Santander UK in its capacities as seller, cash manager, servicer, account bank and issuer swap provider are subject to substantial EU-derived regulation and oversight. Although legislation has now been passed transferring the EU acquis into UK law, there remains significant uncertainty as to the respective legal and regulatory environments in which the issuer and Santander UK will operate when the UK is no longer a member of the EU, and the basis on which cross-border financial business will take place after the UK leaves the EU.

Due to the on-going political uncertainty, it is not currently possible to determine the precise impact that the UK's departure from the European Union may have on general economic conditions in the UK, including the performance of the UK housing market. It is also not possible to determine the precise impact that these matters will have on the business of the issuer (including the performance of the underlying loans), any other party to the transaction documents and/or any borrower in respect of the underlying loans, or on the regulatory position of any such entity or of the transactions contemplated by the transaction documents under EU regulation or more generally.

No assurance can be given that any of the matters outlined above would not adversely affect the ability of the issuer to satisfy its obligations under the notes and/or the market value and/or liquidity of the notes in the secondary market.

## General volatility in the wholesale funding markets

Over recent years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to reduced liquidity, greater volatility (such as volatility in spreads) and, in some cases, a lack of price transparency on interbank lending rates.

Conditions in the capital markets and the economy generally in the eurozone, though improving recently, continue to show signs of fragility and volatility. Interest rate differentials among eurozone countries indicate continued doubts about some governments' ability to fund themselves and affect borrowing rates in those economies. The UK EU referendum caused significant volatility in the global stock and foreign exchange markets (see "**Exposure to UK political developments**" above). This volatility could re-occur depending on the outcome of the continuing exit negotiations. In the past, the European Central Bank (the **ECB**) and the European Council have taken actions with the aim of reducing the risk of contagion in the eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone and other nations which may be under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions.

In response to the financial crisis, central banks around the world, including the Bank of England, the ECB and the U.S. Federal Reserve Bank (the **Fed**), made coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and ensuring that currency swaps markets remain liquid. Over the course of 2018, central banks either started or continued to unwind such stimulus. Towards the end of 2018, however, the near-term outlook for global growth started to show signs of softening, which could lead to a slowdown in the expected tightening of global monetary policy. The Bank of England increased its base rate in August 2018 to 0.75% which remains unchanged as at the date of this base prospectus, the only UK rate rise in 2018. Additionally the Bank of England voted to maintain the stock of the quantitative easing programme of £445bn of assets, comprising £10bn of corporate bonds and £435bn of gilts. In December 2018, the ECB confirmed that it would end its asset purchase programme. In the US, the Fed increased its short-term interest rate by 25 basis points in each of March, June, September and December 2018, to 2.50%, and in January 2019 indicated that it would keep its target range for its benchmark interest rate at 2.25% to 2.5%. A rapid removal or significant reduction in outstanding quantitative easing asset purchase programmes could have an adverse effect on the ability of institutions to access liquidity and on their funding costs, with possible adverse consequences for global financial market conditions.

Whilst central bank schemes such as, amongst others, the Bank of England's Sterling Monetary Framework, the Funding for Lending Scheme, the Term Funding Scheme and the ECB's liquidity scheme have provided an important source of liquidity in respect of eligible securities, the drawdown period for the Bank of England's Term Funding Scheme closed on 28 February 2018 and no assurance can be given that the notes will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for any such central bank schemes.

The possibility of a renewed economic downturn resulting in negative economic growth in the UK remains a real risk, particularly given an agreement for the UK exiting the EU has yet to be reached. This has, to a certain extent, been reflected in the revision down of the Office for Budget Responsibility's forecast for economic growth for 2019, published with the Budget in March 2019, and the earlier downgrade of the UK's sovereign credit rating in September 2017. Uncertainty surrounding the future of the eurozone is less acute than before, but slow growth may pose a risk of a further slowdown in the UK's principal export markets which would have an adverse effect on the broader UK economy and could cause uncertainty in relation to the terms of the UK's exit from the EU. The future trading arrangements agreed between the EU and the UK could also have an adverse impact, particularly if the UK has to resort to using World Trade Organisation (**WTO**) rules.

Despite recent improvements in certain segments of the global economy, uncertainties remain concerning the future economic environment. There can be no assurance that economic conditions in these segments will continue to improve or that the global economic condition as a whole will improve significantly. Additionally, there can be no assurance that the market for mortgage-backed securities, on which Santander UK relies for a proportion of its funding requirements, will continue to recover or recover to the same degree as other recovering global credit market sectors.

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, the existence of a secondary market for the notes and/or the ability of the issuer to satisfy its obligations under the notes.

## Changes or uncertainty in respect of LIBOR and/or EURIBOR and/or other interest rate benchmarks may affect the value or payment of interest under the notes

Various interest rate and other indices which are deemed to be "benchmarks" (including the London Inter-Bank Offered Rate (**LIBOR**) and the Euro Interbank Offered Rate (**EURIBOR**)) are the subject of recent national, international and other regulatory reforms and proposals for reform. Some of these reforms are already effective, including the EU Benchmarks Regulation (EU) 2016/1011 (the **Benchmarks Regulation**), whilst others are still to be implemented. The scope of the Benchmarks Regulation is wide and, in addition to so called "critical benchmark" indices, such as LIBOR or EURIBOR, applies to many interest rates, foreign exchange rate indices and other indices where used to determine the amount payable under or the value or performance of certain financial instruments.

The FCA has indicated in a series of statements and speeches that it will no longer guarantee LIBOR publication after 2021. Since January 2018, the Bank of England and the FCA's Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (**SONIA**) across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

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

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

- (a) any of these reforms or pressures described above or any other changes to a relevant interest rate benchmark (including LIBOR and EURIBOR) could affect the level of the published rate, including by causing it to be lower and/or more volatile than it would otherwise be;
- (b) if either of LIBOR or EURIBOR is discontinued (which is likely in the case of LIBOR) or is otherwise unavailable and an amendment as described in paragraph (c) below has not been made at the relevant time, then the rate of interest on the floating rate notes will be determined for a period by the fall-back provisions provided for under Condition 5.2 (Interest on Floating Rate Notes), although such provisions, being dependent in part upon the provision by reference banks of offered quotations for leading banks in the relevant interbank market, may not operate as intended (depending on market circumstances and the availability of rates information at the relevant time) and may result in the effective application of a fixed rate;
- (c) while an amendment may be made under Condition 11.5(b) (Modifications and Determinations by Note Trustee) to change the base rate on the floating rate notes from LIBOR or EURIBOR to an alternative base rate under certain circumstances broadly related to LIBOR or EURIBOR dysfunction or discontinuation and subject to certain conditions being satisfied (including with respect to the absence of noteholder objection) (in this regard, please also refer to the risk factor above entitled "**The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests**"), 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 floating rate notes or (ii) will be made prior to any date on which any of the risks described in this risk factor may become relevant; and
- (d) if LIBOR, EURIBOR or any other relevant interest rate benchmark is discontinued (which is likely in the case of LIBOR), and whether or not an amendment is made under Condition 11.5(b) (Modifications and Determinations by Note Trustee) to change the base rate with respect to the floating rate notes as described in paragraph (c) above, there can be no assurance that the applicable fall-back provisions under the swap agreements would operate to allow the transactions under the swap agreements to effectively mitigate interest rate risk in respect of the floating rate notes.

In addition, it should be noted that broadly divergent interest rate calculation methodologies may develop and apply as between the notes and the swap agreements due to applicable fall-back provisions or

other matters and the effects of this are uncertain but could include a reduction in the amounts available to the issuer to meet its payment obligations in respect of the notes.

Moreover, any of the above matters or any other significant change to the setting or existence of LIBOR, EURIBOR or any other relevant interest rate benchmark, 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 of, return on and/or liquidity of the notes. Changes in the manner of administration of LIBOR, EURIBOR or any other relevant interest rate benchmark could result in an adjustment to the Conditions, early redemption, discretionary valuation by the calculation agent, delisting or other consequences in relation to the floating rate notes. No assurance may be provided that relevant changes will not occur with respect to LIBOR, EURIBOR or any other relevant interest rate benchmark and/or that such benchmarks will continue to exist. Investors should consider these matters when making their investment decision with respect to the notes.

### **The market continues to develop in relation to SONIA as a reference rate for floating rate notes**

Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the terms and conditions of the notes and used in relation to floating rate notes that reference a SONIA rate issued under this base prospectus. Interest on notes which reference a SONIA rate is only capable of being determined at the end of the relevant observation period and immediately prior to the relevant interest payment date. It may be difficult for investors in notes which reference a SONIA rate to reliably estimate the amount of interest which will be payable on such notes. Further, if the floating rate notes become due and payable under conditions 10 (*Events of Default*) or 11 (*Enforcement of Master Notes*) of the notes, the rate of interest payable shall be determined on the date the notes became due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to any such floating rate notes.

### **The Secured Overnight Financing Rate used to calculate SOFR may be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the notes**

The Secured Overnight Financing Rate is published by the Federal Reserve Bank of New York (the **Federal Reserve**) and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Federal Reserve reports that the Secured Overnight Financing Rate includes all trades in the Broad General Collateral Rate, plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the **FICC**), a subsidiary of the Depository Trust and Clearing Corporation (**DTCC**). The Secured Overnight Financing Rate is filtered by the Federal Reserve to remove a portion of the foregoing transactions considered to be "specials".

The Federal Reserve reports that the Secured Overnight Financing Rate is calculated as a volume-weighted median of transaction-level tri-party repurchase agreement data collected from The Bank of New York Mellon as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC's delivery-versus-payment service. The Federal Reserve notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve notes on its publication page for the Secured Overnight Financing Rate that use of the Secured Overnight Financing Rate is subject to important limitations and disclaimers, including that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of the Secured Overnight Financing Rate at any time without notice.

Because Secured Overnight Financing Rate is published by the Federal Reserve based on data received from other sources, the issuer has no control over its determination, calculation or publication. There can be no guarantee that the Secured Overnight Financing Rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in floating rate notes linked to SOFR. If the manner in which the Secured Overnight Financing Rate is calculated is changed, that change may result in a reduction of the amount of interest payable on the notes and the trading prices of such notes. If the rate at which interest accrues on any day declines to zero or becomes negative, no interest will be payable on such notes in respect of that day.

The Federal Reserve began to publish the Secured Overnight Financing Rate in April 2018. The Federal Reserve has also begun publishing historical indicative Secured Overnight Financing Rates going

back to 2014. Investors should not rely on any historical changes or trends in the Secured Overnight Financing Rate as an indicator of future changes in the Secured Overnight Financing Rate. Also, since the Secured Overnight Financing Rate is a relatively new market index, the notes will likely have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to the Secured Overnight Financing Rate, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the notes may be lower than those of later-issued indexed debt securities as a result. Similarly, if the Secured Overnight Financing Rate does not prove to be widely used in securities like the notes, the trading price of the notes linked to SOFR may be lower than those of notes linked to indices that are more widely used. Investors in the notes may not be able to sell such notes at all or may not be able to sell such notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

### **Ratings confirmation in respect of notes**

The terms of certain transaction documents require the rating agencies to confirm that any action proposed to be taken by the mortgages trustee, the Funding 1 security trustee, the issuer security trustee, the note trustee, a Funding 1 company or any issuer will not have an adverse effect on the then current rating of the issuer rated notes (a **ratings confirmation**).

By acquiring the notes, you acknowledge and agree that, notwithstanding the foregoing, a credit rating is an assessment of credit risk and does not address other matters that may be of relevance to you. The transaction documents provide that none of the Funding 1 secured creditors, the issuer secured creditors (including the noteholders), the mortgages trustee, the Funding 1 security trustee, the issuer security trustee, the note trustee or any other person whether by way of contract or otherwise shall acquire any actual or contingent rights against any rating agency (nor shall any rating agency assume any actual or contingent liability to any of the Funding 1 secured creditors, the issuer secured creditors (including the noteholders), the mortgages trustee, the Funding 1 security trustee, the issuer security trustee or the note trustee), notwithstanding the fact that any of the Funding 1 security trustee, the issuer security trustee and the note trustee may be entitled to assume that any matter or event is not materially prejudicial to the interests of any class of noteholders if the then current rating agencies have confirmed that the then current rating of a relevant class of rated notes would not be adversely affected by such matter or event.

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

If a ratings confirmation or response from the rating agencies is a condition to any action or step under any transaction document and a written request for such confirmation or response is delivered to each rating agency by or on behalf of the issuer and one or more of the rating agencies (each, a **non-responsive rating agency**) indicates that it does not consider such confirmation or response necessary in the circumstances or, within 30 days of delivery of such request, such request elicits no confirmation or response and/or such request elicits no statement by one or more of the rating agencies that such confirmation or response could not be given, and at least one of Moody's, Fitch or Standard & Poor's gives such a confirmation or response based on the same facts, then such condition shall be deemed to be modified with respect to the facts set out in the request so that there shall be no requirement for the confirmation or response from any such non-responsive rating agency.

## **LEGAL RISKS**

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

The EU has introduced securitisation reforms through the implementation of a new regime regulating securitisations, the Securitisation Regulation, which in general applies from 1 January 2019 (although some legislative measures necessary for the full implementation of the new regime have not yet been finalised and compliance with certain new requirements is subject to the application of transitional provisions). Among other things, the new regime sets out the new criteria and procedures applicable to EU securitisations seeking the designation as "simple, transparent and standardised" (**STS**) securitisations, and includes

provisions that harmonise and replace the risk retention and due diligence requirements applicable to certain EU-regulated investors. If the Securitisation Regulation regime applies with respect to the issuance of a series of notes, then certain EU-regulated investors are restricted from investing in such notes unless that investor is able to demonstrate that it has undertaken certain due diligence assessments and verified various matters (see “**Regulatory initiatives may have an adverse impact on the regulatory treatment of the notes**” below).

Santander UK, in its capacity as originator for the purposes of the Securitisation Regulation, may procure an STS notification (an **STS notification**) to be submitted to ESMA in accordance with Article 27 of the Securitisation Regulation, and to the FCA, that the requirements of Articles 19 to 22 of the Securitisation Regulation (the **STS requirements**) have been satisfied with respect to the issuance of a series of notes. No assurance is given that the originator will seek an STS designation with respect to any series of notes issued under this base prospectus and the relevant final terms. The originator may decide at its discretion whether an STS notification will be submitted in respect of an issuance of a series of notes at the time of such issuance. Accordingly, notes may, and are capable of, being issued under this base prospectus without them being compliant with the STS requirements or any notification being submitted to ESMA by or on behalf of the originator that the STS requirements are satisfied. In the event that the originator makes an STS notification with respect to a series of notes, no assurance can be given that such series of notes meeting the STS requirements applicable at the time of such STS notification will remain compliant because the STS requirements may change over time. In addition, (i) no assurance can be given on how competent authorities will interpret and apply the STS requirements, (ii) any international or national regulatory guidance may be subject to change following the initial STS notification, and (iii) related regulations such as the Capital Requirements Regulation and the LCR Regulation are subject to change and, therefore, what is or will be required to demonstrate compliance with the STS requirements to national regulators remains unclear.

In addition, following any withdrawal of the UK from the European Union, the Securitisation Regulation and other related regulations are expected to be adopted into UK law (and subject to the publication of national regulatory guidance), and, therefore, any series of notes which satisfied the STS requirements as adopted by the EU at the time the initial STS notification was published by ESMA may no longer satisfy such requirements under EU law and/or UK law, as applicable. The STS status of any series of notes is not static and prospective investors should verify the current status of such notes on ESMA’s website. Investors need to make their own independent assessment of the impact on the capital treatment of any series of notes which satisfied the STS requirements under EU law on issuance but which no longer satisfy such requirements following any withdrawal of the UK from the European Union.

Failure by an investor to comply with any due diligence requirements applicable to it will result in various penalties, including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor.

With respect to an STS notification, the seller may or may not obtain a verification of compliance of the relevant notes with the STS requirements, as well as with relevant provisions of Article 243 and Article 270 of the Capital Requirements Regulation and/or Article 7 and Article 13 of the LCR Regulation (an **STS verification**), from a third party verification agent authorised under Article 28 of the Securitisation Regulation (an **authorised verification agent**). If an authorised verification agent is appointed to prepare an STS verification with respect to any notes issued under the programme, the name of such agent will be disclosed in the relevant STS notification (and relevant final terms) and the corresponding STS verification will be publicly available. It is important to note that the involvement of an authorised verification agent is not mandatory and the responsibility for compliance with the Securitisation Regulation remains with the relevant institutional investors, originators, sponsors, funding entities and issuers, as applicable in each case. An STS verification will not absolve such entities from making their own verification and verifications with respect to the Securitisation Regulation, the relevant provisions of Article 243 and Article 270 of the Capital Requirements Regulation and/or Article 7 and Article 13 of the LCR Regulation, and an STS verification cannot be relied on to determine compliance with the foregoing regulations in the absence of such verifications by the relevant entities. Further, an STS verification is not an opinion on the creditworthiness of the relevant notes or on the level of risk associated with an investment in the relevant notes. It is also not an indication of the suitability of the relevant notes for any investor and/or a recommendation to buy, sell or hold notes. Institutional investors that are subject to the due diligence requirements of the Securitisation Regulation need to make their own independent assessment and may not solely rely on any STS verification, the STS notification or other disclosed information.

### **The Dodd-Frank Wall Street Reform and Consumer Protection Act**

Legislation and regulations adopted by the United States federal government following the financial crisis continue to create uncertainty in the credit and other financial markets. These actions include, but are

not limited to, the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the **Dodd-Frank Act**), which imposed a new regulatory framework over the U.S. financial services industry and the consumer credit markets in general, and the adoption of its related regulations. In addition, there is also uncertainty regarding the nature and timing of additional regulations that are required under the Dodd-Frank Act but have yet to be promulgated. Given the broad scope and sweeping nature of these changes, significant unresolved questions regarding the proper application of the regulations that have been adopted and the fact that final implementing rules and regulations have not yet in certain cases been enacted or come into effect, the potential impact of these actions on the issuer, any of the notes or any owners of interests in the notes is unknown, and no assurance can be made that the impact of such changes would not have a material adverse effect on the prospects of the issuer or the value or marketability of the notes. In particular, if existing transactions are not exempted from any such new rules or regulations, the costs of compliance with such rules and regulations could have a material adverse effect on the issuer and the noteholders.

Pursuant to the Dodd-Frank Act, regulators in the United States have promulgated or are expected to promulgate a range of new regulatory requirements that may affect the pricing, terms, Funding 1 and compliance costs associated with swap transactions and the availability of such swap transactions that may be entered into by the issuer from time to time. The Dodd-Frank Act also significantly expands the coverage and scope of regulations that limit affiliate transactions within a banking organisation, including coverage of the credit exposure on derivatives transactions, repurchase and reverse repurchase agreements and securities borrowing and lending transactions. Some or all of the issuer's swap agreements may be affected by (i) requirements for central clearing with a derivatives clearinghouse organisation, (ii) initial or variation margin requirements of clearing organisations or initial or variation margin requirements with respect to uncleared swaps and (iii) swap reporting and recordkeeping obligations, and other matters. These new requirements may significantly increase the cost to the issuer of entering into swap transactions, have unforeseen legal consequences on the issuer or have other material adverse effects on the issuer or the noteholders.

Furthermore, regulations requiring the posting of variation margin on uncleared swaps entered into by entities such as the issuer went into effect in the United States on 1 March 2017. The application of US regulations to a swap transaction or a proposed swap transaction could have a material adverse effect on the issuer's ability to hedge its interest and currency rate exposure, or on the cost of such hedging.

The final regulations implementing Section 619 of the Dodd-Frank Act (commonly referred to as the **Volcker Rule**) generally prohibit "banking entities" (broadly defined to include U.S. banks, bank holding companies and foreign banking organizations, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in, or sponsoring, a "covered fund", and (iii) entering into certain relationships with such funds, subject to certain exceptions and exclusions. See "**The Notes**" on the cover of this base prospectus for information on the issuer's status under the Volcker Rule. The Federal Reserve and other federal regulators have requested comment on proposed modifications to the Volcker Rule, including modifications to the scope of restrictions on proprietary trading and investments in covered funds. It cannot be predicted at this time what, if any, modifications to the Volcker Rule may be adopted or what the impact of such changes will be. Any prospective investor in any notes, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisors regarding the effect of the Volcker Rule.

### **U.S. credit risk retention**

On 21 October 2014, regulators in the United States adopted a final rule implementing Section 15G of the Exchange Act (the **U.S. Credit Risk Retention Requirements**). The U.S. Credit Risk Retention Requirements generally require "securitizers" to retain not less than 5 per cent. of the credit risk of the mortgage loans securitized and generally prohibit securitizers from directly or indirectly eliminating or reducing their credit exposure by hedging or otherwise transferring the credit risk that the securitizer is required to retain. The U.S. Credit Risk Retention Requirements became effective for residential mortgage-backed securities on 24 December 2015. As described under "**Regulatory requirements**", the seller, in its capacity as originator, will initially comply with this requirement by maintaining a seller share in the master trust calculated in accordance with such regulations that will equal not less than 5 per cent. of the aggregate outstanding principal balance of all notes, with certain exceptions. If the seller share does not equal at least 5 per cent. of this amount, with certain exceptions, at the closing of each issuance of notes or when tested on a monthly basis on each trust calculation date, or if the seller reduces or limits its financial exposure to the seller share in certain circumstances, the U.S. Credit Risk Retention Requirements will not be satisfied. If the seller fails to retain credit risk in accordance with the U.S. Credit Risk Retention Requirements, the value and liquidity of the notes may be adversely impacted. In addition, in the event that the seller share does not equal at least 5 per cent. of the aggregate outstanding principal balance of all notes, with certain exceptions, and

such deficiency persists for two consecutive trust calculation dates, a non-asset trigger event will occur. See “**Regulatory requirements**” in this base prospectus for information on how the seller complies with the U.S. Credit Risk Retention Requirements.

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

In 1988, the Basel Committee on Banking Supervision (the **Basel Committee**) adopted capital guidelines specifying the relationship between a bank’s capital and its credit risks (known as **Basel I**). In June 2006, the Basel Committee finalised and published new risk-adjusted capital guidelines (**Basel II**). The Basel Committee approved a series of significant changes to the Basel regulatory capital and liquidity framework (such changes being referred to by the Basel Committee as **Basel III**), including revisions to the securitisation framework which may result in increased regulatory capital requirements in respect of certain positions. Basel III continues to include and build on the securitisation framework introduced in earlier Basel standards.

Basel III, as implemented in the EU through the Capital Requirements Regulation (575/2013) (**CRR**) and the associated directive, the Capital Requirements Directive (2013/36/EU) (**CRD IV**), provides for a substantial strengthening of existing prudential rules relating to liquidity and funding. These rules have been further strengthened by the Capital Requirements Regulation II (2019/876) (**CRR II**) and the associated directive, Directive 2019/878 (**CRD V**), both of which were published in the Official Journal of the EU on 7 June 2019. CRR II and CRD V introduce a new market risk framework, revisions to the large exposures regime and a Net Stable Funding Ratio (**NSFR**). The NSFR is intended to ensure that institutions are not overly reliant on short-term funding. CRR II amends CRR and is directly applicable in all EU member states, and its application is staggered in accordance with Article 3 of the CRR II from 27 June 2019 to 28 June 2023. CRD V amends CRD IV and requires national transposition of the vast majority of its provisions by 28 December 2020

In December 2017, the Basel Committee published a package of proposals to update Basel III (referred to as **Basel IV**). Basel IV proposes to amend the way in which institutions approach the calculation of their risk weighted assets as well as setting regulatory capital floors. The Basel Committee is currently proposing a phased-in implementation of Basel IV by 2027.

The changes approved by the Basel Committee may have an impact on the capital requirements in respect of the notes and/or on incentives to hold the notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the notes.

As any changes provided for under the Basel framework can only be implemented in each jurisdiction through the passing of national legislation, the final rules and the timetable for their implementation in each jurisdiction, as well as the treatment of asset-backed securities under such rules, may be subject to some level of national variation.

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

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

### **The UK Banking Act 2009 and similar European legislation may affect the effectiveness of obligations of certain entities under the transaction documents and result in modifications to such documents**

The Banking Act 2009 (as amended) (the **Banking Act**) includes provision for a special resolution regime pursuant to which specified UK authorities have extensive tools to deal with the failure (or likely failure) of certain UK incorporated entities, including authorised deposit-taking institutions, investment firms and branches of third-country financial institutions, and powers to take certain resolution actions in respect of third country institutions. The relevant transaction entities for these purposes include the seller, the servicer, the cash manager, the issuer cash manager, account bank B, the mortgages trustee account bank, the issuer account bank, the Funding 1 swap provider and certain of the issuer swap providers and, in certain circumstances, their holding companies. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution or in the same group as an EEA credit institution or investment firm.

The tools available under the Banking Act include (a) private sector transfer of all or part of the business or shares of the relevant entity; (b) transfer of all or part of the business of the relevant entity to a “bridge bank” established by the Bank of England; (c) transfer of all or part of the business of the relevant entity to an asset management vehicle wholly or partly owned by HM Treasury or the Bank of England; (d) the bail-in tool and (e) temporary public ownership (nationalisation). The Banking Act also provides for special insolvency procedures which may be commenced by the UK authorities. 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. The UK authorities also have a duty to write down or convert capital of the relevant entity before exercising certain of the stabilisation tools (including bail-in powers and share and property transfer powers) if the entity is failing or likely to fail.

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 UK. 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 the seller, the servicer, the cash manager, the account banks, the issuer cash manager, account bank B, the mortgages trustee account bank, the Funding 1 swap provider or an issuer swap provider, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the transaction documents and/or result in the cancellation, modification or conversion of certain unsecured liabilities of such entity under the transaction documents or in other modifications to such documents without your consent. 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 UK authorities’ powers may be used in respect of certain banking group companies provided certain conditions are met. If any of the issuer, Funding 1 or the mortgages trustee were regarded as 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 powers (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, Funding 1 and the mortgages trustee, although aspects of the relevant provisions are not entirely clear.

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 they will make any such instrument or order, 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.

The Banking Act may be subject to amendment as a result of the recently enacted Directive (EU) 2019/879 (**BRRD II**) that introduced changes to Directive 2014/59/EU (**BRRD**), which include (i) a revision of the existing minimum requirement for own funds and eligible liabilities (or **MREL**) regime to align it with the globally agreed standards (i.e. the total loss absorbing capacity (or **TLAC**) standard for globally systemically important banks set by the Financial Stability Board), (ii) amendments to the requirements on the contractual recognition of bail-in (Article 55 of BRRD), (iii) introduction of new moratorium powers for resolution

authorities and (iv) introduction of new requirements in relation to contractual recognition of resolution stay powers. BRRD II is set to be transposed by EU member states into national laws by 28 December 2020. There may also be significant revisions to the Banking Act as a result of Brexit. The precise nature of such changes is currently uncertain but they could have a material adverse effect on Santander UK's business, financial condition and operations.

### **Impact of recent derivative reforms on the issuer swaps or the Funding 1 swaps**

As noted above, the notes will have the benefit of certain derivative instruments, namely the Funding 1 swaps and any issuer currency and interest rate swaps in respect of the relevant series and class of notes as specified in the relevant final terms. In this regard, it should be noted that the derivatives markets are subject to extensive and recently implemented regulation in a number of jurisdictions, including in Europe pursuant to EMIR (which was recently amended by EMIR Refit 2.1 and in the U.S. under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010).

It is possible that such regulation will increase the costs of and restrict participation in the derivatives markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivatives markets. If applicable in the context of the swap agreements, such additional requirements, corresponding increased costs and/or related limitations on the ability of Funding 1 and/or the issuer to hedge certain risks may reduce amounts available to Funding 1 and/or the issuer to meet its obligations and may result in investors' receiving less interest or principal than expected.

With respect to the risks referred to above, see also "Impact of EMIR on the issuer swaps and the Funding 1 swaps" below for further details.

### **Impact of EMIR on the issuer swaps and the Funding 1 swaps**

EMIR and EMIR Refit 2.1 introduced 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 applicability of such regulatory requirements in respect of the issuer swaps and/or the Funding 1 swaps will depend on the classification of the counterparties to such derivative transactions.

Pursuant to 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 (**SFCs**), and (ii) non-financial counterparties (**NFCs**). The category of "NFC" is further split into: (i) non-financial counterparties above the "clearing threshold" (**NFC+s**), and (ii) non-financial counterparties below the "clearing threshold" (**NFC-s**). Whereas FCs and NFC+ entities may be subject to the Clearing Obligation or, to the extent that the relevant swaps are not subject to clearing, to the collateral exchange obligation and the daily valuation obligation under the Risk Mitigation Requirements, such obligations do not apply in respect of NFC- entities.

Each of the issuer and Funding 1 is currently categorised as an NFC- (although a change in its position cannot be ruled out). Should the status of the issuer and/or Funding 1 change to NFC+ or FC, this may result in the application of the Clearing Obligation or the collateral exchange obligation under the Risk Mitigation Requirements (although it seems unlikely that any of the swap agreements would be a relevant type of OTC derivative contract that would be subject to the Clearing Obligation under the relevant implementing measures made to date). However, no assurances can be given that any future changes made to EMIR, including technical standards published under EMIR Refit, would not cause the status of the issuer and/or Funding 1 to change and lead to some or all of the potentially adverse consequences (including the application of the Clearing Obligation or the Risk Mitigation Requirements) outlined above. Notwithstanding such qualifications, the position of the swap agreements under each of the Clearing Obligation and collateral exchange obligation is not entirely clear and may be affected by further measures still to be made. If the classification of the issuer or Funding 1 changes and, to the extent relevant, one or more of the swap agreements is regarded to be in-scope, then a swap agreement entered into or materially amended at a relevant time may become subject to the Clearing Obligation or, more likely, to the collateral exchange obligation.

Prospective investors should note that there is some uncertainty with respect to the ability of each of the issuer and Funding 1 to comply with the Clearing Obligation and the collateral exchange obligation were they to be applicable, which may (i) lead to regulatory sanctions, (ii) adversely affect the ability of the issuer or Funding 1 to continue to be party to a swap agreement (possibly resulting in a restructuring or termination of the swap) or to enter into swap agreements and/or (iii) significantly increase the cost of such

arrangements, thereby negatively affecting the ability of the issuer or Funding 1 to hedge certain risks. As a result, the amounts available to Funding 1 and/or the issuer to meet its obligations may be reduced, which may in turn result in investors receiving less interest or principal than expected.

It is possible that such regulation will increase the costs of and restrict participation in the derivatives markets, thereby increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivatives markets. If applicable in the context of the swap agreements, such additional requirements, corresponding increased costs and/or related limitations on the ability of Funding 1 and/or the issuer to hedge certain risks may reduce amounts available to Funding 1 and/or the issuer to meet its obligations and may result in investors' receiving less interest or principal than expected.

It should also be noted that the Securitisation Regulation makes certain provisions for the development of technical standards in connection with the EMIR regime specifying (i) an exemption from clearing obligations and (ii) a partial exemption from the collateral exchange obligations for non-cleared OTC derivatives, in each case for "simple, transparent and standardised" (STS) securitisation swaps. The final draft technical standards are now subject to the EU political negotiation process.

As a result, the date of application of the new technical standards is unknown at this point. The seller (as originator) may procure an STS notification to be submitted to ESMA, and to the FCA, with respect to the issuance of a series of notes. However, until the final new technical standards referred to above are in force, no assurance can be given that the issuer swaps and/or Funding 1 swaps will meet the applicable exemption criteria provided therein, to the extent applicable to an issuance of a series of notes.

Notwithstanding the STS designation (to the extent applicable to a series of notes) and the ability, as a result, to rely on the exemptions from clearing and collateral exchange obligations under the EMIR regime, the expectation is that the issuer and/or Funding 1 should not be required to comply with the EMIR collateral exchange obligations and clearing requirements for the reasons outlined above (being their NFC- status) in any event. The STS designation (to the extent applicable to a series of notes) and the related forthcoming exemptions from collateral exchange obligations and clearing requirements are only likely to become relevant should the status under the EMIR of the issuer and/or Funding 1 change from NFC- to NFC+ or FC and, if applicable, should the issuer swaps and/or Funding 1 swaps be regarded as a type that is subject to the Clearing Obligation.

Additionally, EMIR-related amendments may be made to the transaction documents and/or the terms and conditions applying to notes of any one or more series without the consent of the noteholders of any series and without the consent of the other issuer secured creditors. Furthermore, EMIR amendments may be made to the transaction documents by the Funding 1 security trustee without the consent of the Funding 1 secured creditors. In each case, EMIR amendments may be made irrespective of whether such modifications are materially prejudicial to the interests of any noteholder or any other secured creditor, provided such modifications do not relate to a basic terms modification.

The Funding 1 secured creditors, the issuer secured creditors and the noteholders shall be deemed to have instructed the note trustee or the Funding 1 security trustee, as applicable, to concur with such modifications and shall be bound by such modifications regardless of whether or not such modifications are materially prejudicial to the interests of the Funding 1 secured creditors, the issuer secured creditors and/or the noteholders. Consequently, modifications which affect your interests in any notes may be effected without your consent, and any such modifications will be binding on all noteholders. There can be no assurance that the effect of any such modifications will not ultimately adversely affect your interests in any notes.

### **Changes of law may adversely affect your interests**

The transactions described in this base prospectus (including the issue of notes) and the ratings which are to be assigned to the issuer rated notes are based on the relevant law and administrative practice in effect as at the date of this base prospectus and having regard to the expected tax treatment of all relevant entities under such law and practice. The issuer cannot provide assurance as to the impact of any possible change to the relevant law (including any change in regulation, guidance or regulatory approach which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this document nor can the issuer provide any assurance as to whether any such change would adversely affect the ability of the issuer to make payments under the notes. In addition, it should be noted that regulatory requirements (including any applicable retention, due diligence or disclosure obligations) may be recast or amended and there can be no assurance that any such changes will not adversely affect the compliance position of a transaction described in this base prospectus or of any party under any applicable law or regulation.

## Insolvency Act 2000

Significant changes to the insolvency regime in England and Wales and Scotland have been enacted in past years, including the Insolvency Act 2000. The Insolvency Act 2000 allows certain "small" companies to seek protection from their creditors for a period of 28 days, for the purposes of putting together a company voluntary arrangement, with the option for creditors to extend the moratorium for a further two months. A "small" company is defined as one which satisfies, with respect to the calendar year ending with the date on which such company's annual accounts are filed with the Registrar of Companies and such company's previous financial year, two or more of the following criteria: (i) its turnover is not more than £6.5 million, (ii) its balance sheet total is not more than £3.26 million and (iii) the number of employees is not more than 50. Whether or not a company is a "small" company may change from period to period and consequently no assurance can be given that the issuer, the mortgages trustee or Funding 1 will not, at any given time, be determined to be a "small" company. The Secretary of State for Business, Innovation and Skills may by regulation modify the eligibility requirements for "small" companies and has the power to make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of noteholders.

Secondary legislation has now been enacted which excludes certain special purpose companies in relation to capital markets transactions from the optional moratorium provisions. Such exceptions include (amongst other matters): (i) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in the secondary legislation) under which (a) a party has incurred or when the agreement was entered into was expected to incur a debt of at least £10 million under the arrangement and (b) the arrangement involves the issue of a capital market investment (also defined, but generally, a rated, listed or traded bond) and (ii) a company which, at the time of filing for a moratorium, has incurred a liability (including a present, future or contingent liability) of at least £10 million. While the issuer, the mortgages trustee and Funding 1 should fall within the exceptions, there is no guidance as to how the legislation will be interpreted by a court and the Secretary of State for Business, Innovation and Skills may by regulation modify the exceptions. No assurance may be given that any modification of the exceptions and/or the eligibility requirements for "small" companies will not be detrimental to the interests of noteholders.

If the issuer and/or the mortgages trustee and/or Funding 1 is determined to be a "small" company and is determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the issuer security by the issuer security trustee or the enforcement of the Funding 1 security by the Funding 1 security trustee may, for a period, be prohibited by the imposition of a moratorium.

## Enterprise Act 2002

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 (the **Enterprise Act**) came into force, amending certain provisions of the Insolvency Act 1986, as amended (the **Insolvency Act**). These provisions introduced significant reforms to corporate insolvency law. In particular the reforms restrict the right of the holder of certain types of floating charge created after 15 September 2003 to appoint an administrative receiver (unless an exception applies) and instead gives primacy to collective insolvency procedures (in particular, administration).

The holder of a floating charge created before 15 September 2003 over the whole or substantially the whole of the assets of a company (such as the Funding 1 security trustee under the Funding 1 deed of charge) retains the ability to block the appointment of an administrator by appointing an administrative receiver, who has a duty to act primarily in the interests of the floating charge holder.

The amendments to the Insolvency Act introduced by the Enterprise Act 2002 include an exception allowing for the appointment of an administrative receiver in relation to a floating charge created on or after 15 September 2003 in respect of certain transactions in the capital markets. The right to appoint an administrative receiver is retained for certain types of security (such as the issuer security under the issuer deed of charge) that form part of a capital markets arrangement (as defined in the Insolvency Act) that involves (i) indebtedness of at least £50,000,000 (or, when the relevant security document was entered into (being in respect of the transactions described in this base prospectus, the issuer deed of charge), a party to the relevant transaction (such as the issuer) was expected to incur a debt of at least £50,000,000) and (ii) the issue of a capital markets investment (also defined but generally a rated, listed or traded bond). The Secretary of State for Business, Innovation and Skills may, by secondary legislation, modify this exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this base prospectus, will not adversely affect the interests of noteholders and other secured creditors of the issuer. While the issuer security should fall within the relevant exception, as

the provisions of the Enterprise Act in relation to the capital market exception have never been considered judicially, no assurance can be given as to whether the Enterprise Act could have a detrimental effect on the transactions described in this base prospectus or on the interests of noteholders.

The Insolvency Act also contains an out-of-court route into administration for a qualifying floating charge holder, the directors or the company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the administrator proposed by the directors of the company or appoint an alternative administrator, although the moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating charge holder does not respond to the directors' or company's notice of intention to appoint, the directors', or as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure), by appointing an administrative receiver prior to the appointment of the administrator being completed.

The provisions of the Insolvency Act introduced by the Enterprise Act give primary emphasis to the rescue of the company as a going concern. The purpose of realising property to make a distribution to one or more secured creditors is subordinated to the primary purposes of rescuing the company as a going concern or achieving a better result for the creditors as a whole than would be likely if the company were wound up. No assurance can be given that such primary purpose will not conflict with the interests of noteholders were the issuer or Funding 1 ever subject to administration.

In addition to the restrictions on the appointment of an administrative receiver set out above, Section 176A of the Insolvency Act provides that in relation to floating charges created from and including 15 September 2003 any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the fees or expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, provided that such amount may not exceed £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. In such a case, the relevant officeholder may apply to court for an order that the provisions of Section 176A of the Insolvency Act should not apply.

Floating charge realisations upon the enforcement of the issuer security may be reduced by the operation of the "ring fencing" provisions described above.

### **Land registration reform in Scotland**

The Land Registration etc. (Scotland) Act 2012 (the **2012 Act**) received Royal Assent on 10 July 2012 and the majority of its provisions came into force in Scotland on 8 December 2014. One of the policy aims of the 2012 Act is to encourage the transfer of property titles recorded in the historic General Register of Sasines to the more recently established Land Register of Scotland with the aim of closing the General Register of Sasines by 2024.

Previously, title to a residential property that was recorded in the General Register of Sasines would usually only require to be moved to the Land Register of Scotland (a process known as 'first registration') when that property was sold or if the owner decided voluntarily to commence first registration. However, the 2012 Act sets out, in provisions which are being brought into effect in stages, additional circumstances which will trigger first registration of properties recorded in the General Register of Sasines, including (i) the recording of a standard security or (ii) the recording of an assignation of a standard security (which, in the latter case, would extend to any assignation granted by the seller in favour of the mortgages trustee in respect of Scottish mortgages in the portfolio recorded in the General Register of Sasines, pursuant to the terms of the mortgage sale agreement (a **Scottish Sasine transfer**)).

The relevant provisions of the 2012 Act relating to the recording of standard securities came into force on 1 April 2016 (the **commencement date**). As of this date, the General Register of Sasines is now closed to the recording of standard securities. Notwithstanding the provisions of the 2012 Act mentioned

above, for the time being other deeds such as assignments of standard securities (including Scottish Sasine transfers) will continue to be accepted in the General Register of Sasines indefinitely (although Registers of Scotland have reserved the right to consult further on this issue in the future).

If the General Register of Sasines becomes closed to assignments of standard securities at any time after the date of this base prospectus, then this would also have an impact on the registration of Scottish Sasine transfers, with the probability of higher legal costs and a longer period required to complete registration than would currently be the case.

As noted above, such events will only occur following a trigger event to perfect legal title of the loans and, given that the proportion of residential properties in Scotland which remain recorded in the General Register of Sasines continues to decline (The Registers of Scotland estimate that, in April 2018, around 65 per cent. of property titles in Scotland were registered in the Land Register of Scotland), it is likely that, in relation to the current portfolio, where, as at 31 December 2018, 5.57 per cent. of the mortgaged properties were located in Scotland, only a minority of the Scottish mortgages will be recorded in the General Register of Sasines.

In addition, the 2012 Act introduced provision for Registers of Scotland to transfer a property title currently registered in the General Register of Sasines to the Land Register of Scotland without any application from the borrower (and in certain circumstances without the borrower being made aware of such transfer), known as "Keeper-induced Registrations". Registers of Scotland have now commenced Keeper-induced Registrations in certain areas of Scotland for both publicly and privately owned properties, and have published a list of affected postcodes on its website.

### **Insolvency proceedings and subordination provisions**

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "**flip clauses**"). Such provisions are similar in effect to the terms in the transaction documents relating to the subordination of swap excluded termination amounts.

The UK Supreme Court has held that a flip clause (as described above) will in certain circumstances be valid under English law. Contrary to this, however, a U.S. Bankruptcy Court has held in separate cases 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. A different U.S. Bankruptcy Court and a U.S. District Court recently reached contrary conclusions in relation to a different transaction structure. Those decisions remain subject to appeal, and the implications of these conflicting judgments remain unresolved.

If a creditor of the issuer (such as an issuer swap provider) or a related entity of such creditor 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 an issuer swap provider's payment rights in respect of issuer swap excluded termination amounts). In particular, based on the decisions 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 swap counterparties (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 were 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 issuer rated notes.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the transaction documents will include terms providing for the subordination of issuer swap excluded termination amounts, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of

the issuer rated notes. If any rating assigned to the issuer rated notes is lowered, the market value of the notes may be reduced.

### **Pensions Act 2004**

Under the Pensions Act 2004 a person that is "connected with" or an "associate" of an employer under an occupational pension scheme can be subject to either a contribution notice or a financial support direction. The issuer, Funding 1 and/or the mortgages trustee may be treated as connected to Santander UK, as an employer, under an occupational pension scheme.

A contribution notice could be served on the issuer, Funding 1 and/or the mortgages trustee if connected to Santander UK and if it were party to an act, or a deliberate failure to act, and either (a) the main purpose or one of the main purposes of which was either (i) to prevent the recovery of the whole or any part of a debt which was, or might become, due from the employer under Section 75 of the Pensions Act 1995 or (ii) to prevent such a debt becoming due, to compromise or otherwise settle such a debt, or to reduce the amount of such a debt which would otherwise become due or (b) in the opinion of the UK Pensions Regulator, it has detrimentally affected in a material way the likelihood of accrued scheme benefits being received. A contribution notice can only be served where the UK Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

A financial support direction could be served on the issuer, Funding 1 and/or the mortgages trustee if connected to Santander UK where the employer is either a service company or insufficiently resourced. An employer is insufficiently resourced if the value of its resources is broadly less than 50 per cent. of the pension scheme's deficit calculated on an annuity buy-out basis and there is at least one connected or associated person whose resources in aggregate at least cover that difference. A financial support direction can only be served where the UK Pensions Regulator considers it is reasonable to do so, having regard to a number of factors.

If a contribution notice or financial support direction were to be served on the issuer, Funding 1 and/or the mortgages trustee this could adversely affect the interests of the noteholders.

### **Regulatory initiatives may have an adverse impact on the regulatory treatment of the notes**

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory position for certain investors in securitisation exposures and/or on the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. In particular, investors should note that the Basel Committee on Banking Supervision (BCBS) has approved a series of significant changes to the Basel regulatory capital and liquidity framework, including revisions to the securitisation framework which may result in increased regulatory capital requirements in respect of certain positions. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the **Liquidity Coverage Ratio** and the **Net Stable Funding Ratio**). BCBS member countries agreed to implement the initial phase of the Basel III reforms from 1 January 2013 and the second phase from 1 January 2022, subject to transitional and phase-in arrangements for certain requirements. As implementation of any changes to the Basel framework (including those made via Basel III) requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of asset-backed securities, may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements have been made for insurance and reinsurance undertakings through participating jurisdiction initiatives, such as the Solvency II framework in Europe.

In addition to the regulatory capital requirements set out in "**Implementation of and/or changes to the Basel framework may affect the capital requirements and/or the liquidity requirements associated with a holding of the notes for certain investors**" above, investors should be aware of the EU risk retention and due diligence requirements which currently apply, or are expected to apply in the future, in respect of various types of EU regulated investors including credit institutions, authorised alternative investment fund managers, investment firms, insurance and reinsurance undertakings, UCITS funds and institutions for occupational retirement provision. Amongst other things, current requirements restrict a relevant investor from investing in asset-backed securities unless (i) that investor is able to demonstrate that it has undertaken certain due diligence in respect of various matters including its note position, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the

investor that it will retain, on an on-going basis, a net economic interest of not less than 5 per cent. in respect of certain specified credit risk tranches or asset exposures. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a penal capital charge on the notes acquired by the relevant investor. Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear.

In this respect, investors, to which the Securitisation Regulation is applicable, should make themselves aware of the requirements of Articles 5 et seqq. of the Securitisation Regulation, in addition to any other regulatory requirements applicable to them with respect to their investment in the notes. Article 5 of the Securitisation Regulation places an obligation on institutional investors (as defined in the Securitisation Regulation) before investing in a securitisation and thereafter, to analyse, understand and stress test their securitisation positions and monitor on an on-going basis and in a timely manner performance information on the exposures underlying their securitisation positions. In addition, the Securitisation Regulation replaced the existing risk retention requirements by one single provision, Article 6 of the Securitisation Regulation, which provides for a new direct obligation on originators to retain risk. Article 5(1)(c) of the Securitisation Regulation requires institutional investors as defined in Article 2(12) of the Securitisation Regulation (which term also includes an insurance or reinsurance undertaking as defined in the Solvency II Regulation and an alternative investment fund manager as defined in the AIFM Regulation) to verify that, if established in the European Union, the originator, sponsor or original lender retains on an on-going basis a material net economic interest in accordance with Article 6 of the Securitisation Regulation and the risk retention is disclosed to the institutional investor in accordance with Article 7(1)(e) of the Securitisation Regulation.

All investors whose investment activities are subject to investment laws and regulations, regulatory capital requirements, or review by regulatory authorities (including the introduction or proposal of risk retention rules) should consult with their own legal, accounting and other advisors in determining whether, and to what extent, the notes are subject to investment or other restrictions, unfavourable accounting treatment, capital charges or reserve requirements. Investors in the notes are responsible for analysing their own regulatory position and none of the issuer, the arranger, the managers or the seller or any of their affiliates 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. Prospective investors should therefore make themselves aware of the changes and requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the notes. The matters described above and any other changes to the regulation or regulatory treatment of the notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the notes in the secondary market.

## **REGULATORY RISKS RELATING TO THE NOTES**

### **Classification of the mortgages trust**

The mortgages trust under the programme is structured as a bare trust. Funding 1 and the seller have day-to-day control of the portfolio and the mortgages trustee acts on their instructions. Therefore, as currently structured, the issuer does not expect that UK regulatory authorities will deem the mortgages trust to be a collective investment scheme. However, the law surrounding the classification of the mortgages trust is uncertain and, if the mortgages trust were deemed to be a collective investment scheme by the UK regulatory authorities, this could result in changes to its tax and/or regulatory treatment.

### **Tax payable by Funding 1 or the issuer may adversely affect the issuer's ability to make payments on the notes**

Companies to which the Taxation of Securitisation Companies Regulations 2006 (the **securitisation tax regime**) apply are taxed broadly by reference to their "**retained profit**" rather than by reference to their accounts. It is expected, and the issuer and Funding 1 have been so advised, that the issuer and Funding 1 should fall within the securitisation tax regime, but if either of them does not (or subsequently ceases to fall into the securitisation-tax regime) then the issuer and/or Funding 1 may be subject to tax liabilities not contemplated in the cashflows for the transactions described in this base prospectus which could adversely affect the ability of the issuer to make payments on the notes.

## The proposed EU financial transaction tax

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

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

The FTT may give rise to tax liabilities for the issuer with respect to certain transactions if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. 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. To the extent that such liabilities may arise at a time when winding up proceedings have been commenced in respect of the issuer, such liabilities may be regarded as an expense of the liquidation and, as such, be payable out of the floating charge assets of the issuer (and its general estate) in priority to the claims of noteholders and other secured creditors. It should also be noted that the FTT could be payable in relation to relevant transactions by investors in respect of the notes (including secondary market transactions) if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's proposal. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

However, the FTT proposal remains subject to negotiation between participating member states and may be the subject of a future legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT.

## RISKS RELATING TO THE CHARACTERISTICS OF THE NOTES

### **You will not generally receive notes in physical form, which may cause delays in distributions and hamper your ability to pledge or resell the notes**

Unless the global notes are exchanged for definitive notes, which will only occur under a limited set of circumstances, your beneficial ownership of the notes will only be recorded in book-entry form with DTC, Euroclear or Clearstream, Luxembourg. The lack of notes in physical form could, among other things:

- result in payment delays on the notes because the issuer will be sending distributions on the notes to DTC, Euroclear or Clearstream, Luxembourg instead of directly to you;
- make it difficult for you to pledge the notes if notes in physical form are required by the party demanding the pledge; and
- hinder your ability to resell the notes because some investors may be unwilling to buy notes that are not in physical form.

### **The remarketing bank may not be able to remarket money market notes and payments from a conditional note purchaser may not be sufficient to repay money market notes**

The ability of the remarketing bank to procure payment of the transfer price on a transfer date will depend upon the remarketing bank either (a) procuring third party purchasers for any tendered notes prior to the relevant transfer date and obtaining the transfer price from those third party purchasers or (b) exercising its rights under the conditional purchase agreement to require the conditional note purchaser to acquire the unremarketed notes.

There can be no assurance that the remarketing bank will be able to identify purchasers willing to acquire the tendered notes on a transfer date. In such event the transfer of any unremarketed notes would

be dependent upon the ability of the conditional note purchaser to pay the transfer price and acquire the unremarketed notes.

You should consider carefully the risk posed if your tendered notes cannot be remarketed on a transfer date and either (a) the conditions to the conditional note purchaser's obligation to purchase unremarketed notes are not satisfied or (b) the conditional note purchaser defaults in its obligation to purchase unremarketed notes under the conditional purchase agreement. In those situations noteholders may be unable to sell the notes on the relevant transfer date or at any other time.

In addition, you will have no recourse against the issuer, the conditional note purchaser or the remarketing bank for any default or failure to purchase by the conditional note purchaser under the conditional purchase agreement or default or failure to remarket by the remarketing bank under the remarketing agreement. Although the parties to these agreements may be able to enforce them, they have no obligation to do so.

Neither the issuer nor any of the underwriters, any remarketing bank or any conditional note purchaser will make any representation as to the suitability of the money market notes for investment by money market funds subject to Rule 2a-7 under the Investment Company Act. Any determination as to such suitability or compliance with Rule 2a-7 under the Investment Company Act, is solely your responsibility.

*The issuer believes that the risks described above are the principal risks inherent in the transaction for the noteholders of a series, but the inability of the borrowers to pay interest, principal or other amounts on the loans and their related security and consequently the inability of the issuer to pay interest, principal or other amounts on or in connection with the notes of a series and class may occur for other reasons, and the issuer does not represent that the above statements regarding the risk of holding the notes of a series and class are exhaustive. Although the issuer believes that the various structural elements described in this base prospectus lessen some of the risks for the noteholders, there can be no assurance that these measures will be sufficient to ensure payment to the noteholders of interest, principal or any other amounts on or in connection with the notes of a series and class on a timely basis or at all.*

## TRIGGERS TABLES

References to any rating or rating criteria or methodology of Fitch, Moody's or S&P are to be construed as applying only if and for so long as any notes rated by Fitch, Moody's or S&P, as applicable, remain outstanding.

### Rating Triggers Table

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
<b>Seller</b>	<p>The counterparty risk assessment assigned by Moody's is not at least P-2(cr), the short-term, unsecured, unguaranteed and unsubordinated debt obligations of the seller are not rated at least A-3 by S&amp;P and the short-term issuer default rating (<b>IDR</b>) of the seller is not at least F2 by Fitch at the time of, and immediately following, the assignment of new loans to the mortgages trustee.</p> <p>The seller ceases to be assigned a long-term unsecured, unsubordinated and unguaranteed debt obligations rating from S&amp;P of at least BBB- or ceases to have a long-term IDR from Fitch of at least BBB-.</p> <p>Its counterparty risk assessment assigned by Moody's ceases to be at least Baa3(cr) from Moody's or its short-term unsecured unsubordinated and unguaranteed obligations cease to be assigned a rating of at least A-2 from S&amp;P or the seller ceases to have an IDR of at least BBB- from Fitch.</p> <p>Its long-term unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A3 by Moody's or A- by Fitch (unless Moody's or Fitch, as applicable, confirms that the then current ratings of the outstanding notes will not be adversely affected by the ratings downgrade).</p> <p>Its counterparty risk assessment assigned by Moody's is not at least P-2(cr), and Its short-term, unsecured, unguaranteed and unsubordinated debt</p>	<p>New loans may not be assigned to the mortgages trustee unless otherwise agreed by Moody's, S&amp;P or Fitch, as the case may be.</p> <p>The legal assignment of loans to the mortgages trustee shall be completed on the twentieth London business day after the occurrence of the trigger.</p> <p>Within 25 London business days following such completion, the seller will do such acts or things as are required to perfect transfer of the related security.</p> <p>The seller will be obliged to give notice only of the transfer of the equitable and beneficial interest in the loans to the borrowers but will not be required to complete any other steps necessary to perfect legal title to the loans in favour of the mortgages trustee except in the case of the seller ceasing to have a long-term IDR by Fitch of at least BBB- where it shall be required to take steps to perfect legal title.</p> <p>Where the seller ceases to have a long-term IDR of at least BBB- from Fitch only, it shall be required to take steps to perfect legal title for the transfer of the loans and their related security.</p> <p>Funding 1 required to establish a liquidity reserve fund.</p> <p>An offer by Funding 1 to make a payment to the seller to acquire an interest in the trust property with the effect of increasing the Funding 1 share</p>

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	<p>obligations are not rated at least A-3 by S&amp;P and the short-term IDR is not at least F2 by Fitch at the time of, and immediately following a proposed acquisition.</p> <p>Its counterparty risk assessment falls below A3(cr) by Moody's.</p>	<p>and to cause a corresponding decrease in the seller share shall not be valid unless otherwise agreed by Moody's, S&amp;P or Fitch, as the case may be.</p> <p>The beneficiaries shall appoint a firm of independent auditors to determine, based on a random selection of a representative sample of loans and their related security constituting part of the trust property, whether such loans and their related security complied with the representations and warranties set out in Schedule 1 to the mortgage sale agreement as at the date such loans were assigned to the mortgages trustee.</p>
	<p>Its unsecured, unsubordinated and unguaranteed debt obligations cease to be rated at least A-2 short-term and BBB long-term by S&amp;P or P-2 short-term by Moody's or its short-term or long-term IDR are lower than F2 or BBB+, respectively, by Fitch.</p>	<p>All further instructions by the servicer to debit the accounts of the borrowers that are subject to direct debit bank mandates commencing not less than 30 calendar days therefrom shall be made to another bank, whose unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-2 short-term and BBB long-term by S&amp;P and P-2 short-term by Moody's, and whose short-term and long-term IDR are at least F2 and BBB+, respectively, by Fitch, or otherwise such instructions shall be made directly to the mortgages trustee GIC account.</p>
<b>Servicer</b>	<p>Receipt by the servicer of notice that the short-term, unsecured, unsubordinated and unguaranteed debt of the servicer is rated less than A-2 by S&amp;P, or the counterparty risk assessment assigned to the Servicer by Moody's is less than P-2(cr) or that the servicer's short-term IDR is lower than F2 by Fitch.</p>	<p>The servicer shall use reasonable endeavours to ensure that the title deeds (and the customer files) relating to the assigned loans and their related security are located separately from the title deeds and customer files of other properties and mortgages which do not form part of the portfolio.</p>
<b>Funding 1 swap provider or guarantor of the Funding 1 swap provider in respect of the LIBOR Funding 1 swap agreement</b>	<p><b>Initial Required Ratings:</b></p> <p><b>S&amp;P:</b> (1) the short term, unsecured and unsubordinated debt obligations are rated at least as high as A-1 by S&amp;P and the long-term, unsecured and unsubordinated debt obligations are rated at least as high as A by S&amp;P or (2) the long-term, unsecured and unsubordinated debt obligations are rated at least as high as A+ by S&amp;P.</p>	<p><b>Initial Required Ratings:</b></p> <p><b>S&amp;P:</b> if neither the Funding 1 swap provider nor any guarantor in respect of the Funding 1 swap provider has the initial required rating, the Funding 1 swap provider must, if required, post collateral within 10 business days and may either: (a) transfer its rights and obligations under the LIBOR Funding 1 swap agreement to an appropriately rated replacement third party, (b) procure an appropriately rated third party to guarantee its rights and obligations, or (c) take such action as is required to maintain, or restore, the rating of the relevant notes by S&amp;P.</p>
	<p><b>Moody's:</b> (1) if subject to a Moody's</p>	<p><b>Moody's:</b> if neither the Funding 1 swap</p>

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	<p>short-term rating, a Moody's short-term rating of P-1 and a long-term, unsecured and unsubordinated debt or counterparty obligations rating of A2 or above by Moody's or (2) if not subject to a Moody's short-term rating, a long-term, unsecured and unsubordinated debt or counterparty obligations rating of A1 or above by Moody's.</p>	<p>provider nor any guarantor in respect of the Funding 1 swap provider has the initial required rating, the Funding 1 swap provider is required to post collateral within 30 business days.</p>
	<p><b>Fitch:</b> the short-term IDR is at least as high as F1 and the long-term IDR is at least as high as A;</p>	<p><b>Fitch:</b> if neither the Funding 1 swap provider nor any guarantor in respect of the Funding 1 swap provider has the initial required rating, the Funding 1 swap provider must either:</p> <ul style="list-style-type: none"> <li>(a) if required, post collateral within 14 calendar days; or</li> <li>(b) within 30 calendar days either <ul style="list-style-type: none"> <li>(i) transfer its rights and obligations under the LIBOR Funding 1 swap agreement to an appropriately rated replacement third party, or</li> <li>(ii) procure a co-obligation or guarantee from an appropriately rated third party; provided that, pending the taking of any of the actions in (b)(i) to (ii), it posts collateral within 14 calendar days as required under (a) above.</li> </ul> </li> </ul>
	<p><b>First Subsequent Required Ratings:</b></p>	
	<p><b>S&amp;P:</b> (A) for so long as <b>Replacement Option 1</b> (as described below) applies, the long-term, unsecured and unsubordinated debt obligations are rated at least as high as BBB+ (or its equivalent) by S&amp;P and (B) for so long as <b>Replacement Option 2</b> (as described below) applies, the long-term, secured and unsubordinated debt obligations are rated at least as high as A- (or its equivalent) by S&amp;P.</p>	<p><b>S&amp;P:</b> if neither the Funding 1 swap provider nor any guarantor in respect of the Funding 1 swap provider has the first subsequent required rating, the Funding 1 swap provider must, if required, post collateral within 10 business days and must, within 60 calendar days, either (a) transfer its rights and obligations under the LIBOR Funding 1 swap agreement to an appropriately rated replacement third party, (b) procure an appropriately rated third party to guarantee its rights and obligations, or (c) take such action as is required to maintain, or restore, the rating of the relevant notes by S&amp;P.</p>
	<p>Replacement Option 1 will apply on and from the date of the Funding 1 swap agreement, except that the Funding 1 swap provider may at any time elect for Replacement Option 2 to apply (or for Replacement Option 1 to apply if Replacement Option 2 applies at such time) on and from a particular date, provided certain conditions, as set out in the Funding 1 swap agreement, have been met.</p>	
	<p><b>Moody's:</b> either (1) if subject to a Moody's short-term rating, a Moody's</p>	<p><b>Moody's:</b> if neither the Funding 1 swap provider nor any guarantor in respect of</p>

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
<b>Funding 1 swap provider or guarantor of the Funding 1 swap provider in respect of the SONIA Funding 1 swap agreement in relation to fixed rate loans SONIA Funding 1 swaps only</b>	short-term rating of P-2 or above and a long-term, unsecured and unsubordinated debt or counterparty obligations rating of A3 or above by Moody's or (2) if not subject to a Moody's short-term rating, a long-term, unsecured and unsubordinated debt or counterparty obligations rating of A3 by Moody's;.	the Funding 1 swap provider has the first subsequent required rating, the Funding 1 swap provider is required to post collateral within 30 business days and, as soon as reasonably practicable, to either (a) transfer its rights and obligations under the Funding 1 swap agreement to an appropriately rated replacement third party or (b) procure an appropriately rated third party to guarantee its rights and obligations.
	<b>Fitch:</b> the short-term IDR is at least as high as F2 by Fitch and the long-term IDR is at least as high as BBB+ by Fitch.	<b>Fitch:</b> if neither the Funding 1 swap provider nor any guarantor in respect of the Funding 1 swap provider has the first subsequent required rating, the Funding 1 swap provider must either (a) if required, post collateral within 14 calendar days, or (b) within 30 calendar days, either (i) transfer its rights and obligations under the Funding 1 swap agreement to an appropriately rated replacement third party, or (ii) procure a guarantee from an appropriately rated third party, provided that, pending the taking of any of the actions in (i) to (ii), if required, it posts collateral within 14 calendar days.
	<b>Second Subsequent Required Ratings:</b>	If neither the Funding 1 swap provider nor any guarantor in respect of the Funding 1 swap provider has the second subsequent required ratings, within 30 calendar days the Funding 1 swap provider must either (i) transfer its rights and obligations under the Funding 1 swap agreement to an appropriately rated replacement third party, or (ii) procure a guarantee from an appropriately rated third party, provided that pending the taking of any of the actions in (i) to (ii), if required, it posts collateral within 10 calendar days.
<b>Fitch:</b> the short-term IDR is at least as high as F3 and the long-term IDR is at least as high as BBB-.	A failure by the Funding 1 swap provider to take such steps will, in certain circumstances, allow Funding 1 to terminate the LIBOR Funding 1 swaps.	
<b>S&amp;P:</b> The relevant S&P required ratings depend on which S&P framework is elected by the Funding 1 swap provider from time to time (the S&P framework) and the rating of the highest rated notes by S&P at such time. There are four S&P frameworks; Strong, Adequate, Moderate and Weak. On the date of the SONIA Funding 1 swap agreement, the provisions relating to S&P framework Adequate are elected.		

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
<p><b>Initial Required Ratings:</b></p> <p>S&amp;P: The Funding 1 swap provider and any applicable guarantor fail to have the relevant S&amp;P initial required rating where S&amp;P framework Strong, Adequate or Moderate applies.</p>	<p><b>Subsequent Required Ratings</b></p> <p>S&amp;P: The Funding 1 swap provider and any applicable guarantor fail to have the relevant S&amp;P subsequent required rating where S&amp;P framework Strong, Adequate or Moderate applies.</p>	<p><b>Initial Required Ratings:</b></p> <p>S&amp;P: The Funding 1 swap provider must provide collateral within 10 business days (to the extent required, depending on the value of the Funding 1 swap) unless it (i) transfers its obligations to an entity that is eligible to be a swap provider under the S&amp;P ratings criteria, (ii) obtains a guarantee from an entity with the S&amp;P subsequent required ratings, or (iii) takes such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant Funding 1 swap.</p>
<p><b>S&amp;P:</b> The Funding 1 swap provider and any applicable guarantor fail to have the relevant S&amp;P required rating where S&amp;P framework Weak applies.</p>		<p><b>Subsequent Required Ratings:</b></p> <p>S&amp;P: The Funding 1 swap provider must use reasonable endeavours to, within 90 calendar days, either (i) transfer its rights and obligations to an entity that is eligible to be a swap provider under the S&amp;P ratings criteria, (ii) obtain a guarantee from an entity with at least the S&amp;P subsequent required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant Funding 1 swap.</p> <p>Whilst this process is on-going, the Funding 1 swap provider must also provide collateral within 10 business days (to the extent required, depending on the value of the Funding 1 swap).</p> <p><b>S&amp;P:</b> The Funding 1 swap provider must use reasonable endeavours to, within 90 calendar days, either (i) transfer its obligations to an entity that is eligible to be a swap provider under the S&amp;P ratings criteria, (ii) obtain a guarantee from an entity with at least the S&amp;P subsequent required ratings, or (iii) take such other action as is required to maintain, or restore, the rating of the notes corresponding to the relevant Funding 1 swap.</p> <p>There is no requirement to provide collateral whilst the process is on-going.</p>

**Transaction Party****Required Ratings/Triggers****Possible effects of Trigger being breached include the following**

**S&P required ratings:** The S&P required ratings are set out in the tables below.

Current rating of the relevant notes	S&P framework Strong		S&P framework Adequate		S&P framework Moderate		S&P framework Weak
	S&P initial required rating	S&P subsequent required rating	S&P initial required rating	S&P subsequent required rating	S&P initial required rating	S&P subsequent required rating	
AAA	A-	BBB+	A-	A-	A	A	A+
AA+	A-	BBB+	A-	A-	A-	A-	A+
AA	A-	BBB	BBB+	BBB+	A-	A-	A
AA-	A-	BBB	BBB+	BBB+	BBB+	BBB+	A-
A+	A-	BBB-	BBB	BBB	BBB+	BBB+	A-
A	A-	BBB-	BBB	BBB	BBB	BBB	BBB+
A-	A-	BBB-	BBB	BBB-	BBB	BBB	BBB+
BBB+	A-	BBB-	BBB	BBB-	BBB	BBB-	BBB
BBB	A-	BBB-	BBB	BBB-	BBB	BBB-	BBB
BBB-	A-	BBB-	BBB	BBB-	BBB	BBB-	BBB-
BB+ and below	A-	At least as high as 3 notches below the relevant notes rating	BBB	At least as high as 2 notches below the relevant notes rating	BBB	At least as high as 1 notch below the relevant notes rating	At least as high as the relevant notes rating

The Funding 1 swap provider or any relevant guarantor will have the relevant S&P required rating if the issuer credit rating or resolution counterparty rating assigned by S&P is at least as high as the applicable S&P required rating corresponding to the then current rating of the relevant notes and the applicable S&P framework as specified in the above table.

**Initial Required Ratings:**

**Moody's:** the guarantor of the Funding 1 swap provider and the Funding 1 swap provider fail to have a long term counterparty risk assessment from Moody's of A3(cr) or above or, if a counterparty risk assessment is not available for such entity, fail to have long-term, unsecured and unsubordinated debt or counterparty obligations "A3" or above by Moody's.

**Initial Required Ratings:**

**Moody's:** The Funding 1 swap provider is required to post collateral within 30 business days unless it either (i) transfers its relevant rights and obligations under the SONIA Funding 1 swap agreement to an appropriately rated replacement third party; (ii) procures an appropriately rated third party to guarantee its rights and obligations; or (iii) takes such other action as may be agreed with Moody's.

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	<p><b>Subsequent Required Ratings:</b></p> <p><b>Moody's:</b> the guarantor of the Funding 1 swap provider and the Funding 1 swap provider fail to have a long term counterparty risk assessment from Moody's of Baa1(cr) or above or, if a counterparty risk assessment is not available for such entity, fail to have long-term, unsecured and unsubordinated debt or counterparty obligations rated "Baa1" or above by Moody's.</p>	<p><b>Subsequent Required Ratings:</b></p> <p><b>Moody's:</b> The Funding 1 swap provider is required to post collateral within 30 business days and, as soon as reasonably practicable, to either (a) transfer its relevant rights and obligations under the SONIA Funding 1 swap agreement to an appropriately rated replacement third party; (b) procure an appropriately rated third party to guarantee its rights and obligations; or (c) take such other action as may be agreed with Moody's.</p>
	<p><b>Initial Required Ratings:</b></p> <p><b>Fitch:</b> the guarantor of the Funding 1 swap provider and the Funding 1 swap provider fail to have the "Unsupported Minimum Counterparty Rating" set out in the "Fitch Required Ratings" table below as determined against the then current rating of the relevant notes.</p>	<p><b>Initial Required Ratings:</b></p> <p><b>Fitch:</b> The Funding 1 swap provider must post collateral within 14 days unless it either (i) transfers its relevant rights and obligations under the SONIA Funding 1 swap agreement to an appropriately rated replacement third party, (ii) procures a co-obligation or guarantee from an appropriately rated third party; or (iii) takes such other action as may be agreed with Fitch.</p>
	<p><b>Subsequent Required Ratings:</b></p> <p><b>Fitch:</b> the guarantor of the Funding 1 swap provider or Funding 1 swap provider fail to have the "Supported Minimum Counterparty Rating" set out in the "Fitch Required Ratings" table below as determined against the then current rating of the relevant notes.</p>	<p><b>Subsequent Required Ratings:</b></p> <p><b>Fitch:</b> The Funding 1 swap provider is required, within 30 calendar days, to either (i) transfer its relevant rights and obligations under the SONIA Funding 1 swap agreement to an appropriately rated replacement third party, (ii) procure a guarantee from an appropriately rated third party, or (iii) take such other action as may be agreed with Fitch, provided that, pending the taking of any of the actions in (i) to (iii), if required, it posts collateral within 14 calendar days.</p>
	<p>For so long as Funding 1 swap provider is Santander UK PLC or the SONIA Funding 1 swap agreement is transferred to a replacement swap provider incorporated in England the third column shall apply. If the SONIA Funding 1 swap agreement is transferred to a third party by Santander UK PLC that is incorporated in a different jurisdiction and that third party has not provided to Fitch a legal opinion (subject to customary qualifications and assumptions) on a non-reliance basis, in a form acceptable to Fitch, confirming the enforceability of the subordination provisions against it in its jurisdiction in respect of the termination payments due and payable by Funding 1 following a Funding 1 swap provider default, the fourth column shall apply.</p>	<p>A failure by the Funding 1 swap provider to take such steps will, in certain circumstances, allow Funding 1 to terminate the relevant Funding 1 swaps.</p>

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
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Fitch required ratings:

Current rating of relevant notes	Unsupported Minimum Counterparty Rating	Supported Minimum Counterparty Rating	Supported Minimum Counterparty Rating (adjusted)
AAA <sub>sf</sub>	A or F1	BBB- or F3	BBB+ or F2
AA+ <sub>sf</sub> , AA <sub>sf</sub> , AA- <sub>sf</sub>	A- or F1	BBB- or F3	BBB+ or F2
A+ <sub>sf</sub> , A <sub>sf</sub> , A- <sub>sf</sub>	BBB or F2	BB+	BBB or F2
BBB+ <sub>sf</sub> , BBB <sub>sf</sub> , BBB- <sub>sf</sub>	BBB- or F3	BB-	BBB- or F3
BB+ <sub>sf</sub> , BB <sub>sf</sub> , BB- <sub>sf</sub>	At least as high as the relevant notes	B+	BB-
B+ <sub>sf</sub> or below	At least as high as the relevant notes	B-	B-
No relevant notes in issue	N/A	N/A	N/A

**Issuer provider or guarantor of the issuer swap provider**

Under each of the issuer swap agreements, in the event that the relevant rating(s) of an issuer swap provider, or its respective guarantor or co-obligor, as applicable, is or are, as applicable, downgraded by a rating agency below the ratings specified in the relevant issuer swap agreement (in accordance with the requirements of the rating agencies) for such issuer swap provider, and, where applicable, as a result of the downgrade, the then current ratings of the notes corresponding to the relevant issuer swap, would or may, as applicable, be adversely affected, the relevant issuer swap provider will, if required in accordance with the relevant issuer swap, be required to take certain remedial measures which may include providing collateral for its obligations under the relevant issuer swap, arranging for its obligations under the relevant issuer swap to be transferred to an entity with the rating(s) required by the relevant rating agency as specified in the relevant issuer swap agreement (in accordance with the requirements of the relevant rating agency), procuring another entity with the rating(s) required by the relevant rating agency as specified in the relevant issuer swap agreement (in accordance with the requirements of the relevant rating agency), to become co-obligor or guarantor in respect of its obligations under the relevant swap, or taking such other action as it may agree with the relevant rating agency.

Please see the relevant issuer swap agreement for further details on the required ratings and triggers in respect of a particular issuer swap.

A failure by the relevant issuer swap provider to take such steps will, in certain circumstances, allow the issuer to terminate the relevant issuer swap.

**Account bank A under the Funding 1 bank account agreement**

(i) The short-term, unsubordinated, unguaranteed and unsecured debt obligation ratings of account bank A fall below P-1 by Moody's, or (ii) the short-term and long-term IDR of account bank A fall below F1 and A respectively by Fitch, or (iii) account bank A ceases to have unsubordinated, unguaranteed and unsecured debt obligation ratings of at least A-1 short-term and A long-term (or, if the relevant account bank has no

Closure of the Funding 1 transaction account unless, within 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of such downgrade by S&P) of the downgrade, the cash manager or Funding 1:

- (a) procures a guarantee of the obligations of account bank A in respect of the provision of the

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	short-term rating from S&P, at least A+ long-term) by S&P.	<p>Funding 1 transaction account from a financial institution (other than from, for the avoidance of doubt, the existing account bank A) whose (i) short-term, unsubordinated, unguaranteed and unsecured debt obligations are rated at least P-1 by Moody's, (ii) unsubordinated, unguaranteed and unsecured debt obligations are rated at least A-1 short-term and A long-term (or, if such institution has no short-term rating from S&amp;P, at least A+ long-term) by S&amp;P, and (iii) whose short-term and long-term IDR are at least F-1 and A, respectively, by Fitch (such ratings as set out in (i) to (iii) being the <b>minimum required ratings</b> for the Funding 1 bank account agreement); or</p> <p>(b) takes such other actions as are required by the rating agencies to ensure that the ratings assigned to the rated notes are not adversely affected by the ratings downgrade,</p> <p>in each case provided that the then current ratings of the outstanding rated notes shall not be adversely affected by each or any of the above actions.</p>
<b>Account bank B under the Funding 1 bank account agreement</b>	(i). The short-term, unsubordinated, unguaranteed and unsecured debt obligation ratings of account bank B fall below P-1 by Moody's, or (ii) the short-term and long-term IDR of account bank B fall below F1 and A respectively by Fitch, or (iii) account bank B ceases to have unsubordinated, unguaranteed and unsecured debt obligation ratings of at	<p>Closure of the Funding 1 GIC account and any Funding 1 collateral account unless, 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of such downgrade by S&amp;P) of the downgrade, Funding 1 and/or the cash manager:</p> <p>(a) procures a guarantee of the obligations of account bank B in</p>

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
<b>Mortgages trustee account bank under the mortgages trustee bank account agreement</b>	<p>least A-1 short-term and A long-term (or, if account bank B has no short-term rating from S&amp;P, at least A+ long-term) by S&amp;P.</p> <p>(i) The counterparty risk assessment of the mortgages trustee account bank by Moody's falls below Baa3(cr) (or, if a counterparty risk assessment is not available, the long-term, unsecured, unsubordinated and unguaranteed debt obligation rating by Moody's falls below Baa3), or (ii) the short-term and long-term IDR of the mortgages trustee account bank fall below F1 and A respectively by Fitch, or (iii) the mortgages trustee account bank ceases to have unsubordinated, unguaranteed and unsecured debt obligation ratings of at least A-2 short-term and BBB+ long-term by S&amp;P.</p>	<p>respect of the provision of the Funding 1 GIC account and any Funding 1 collateral account from a financial institution with the minimum required ratings (other than from, for the avoidance of doubt, the existing account bank B); or</p> <p>(b) takes such other actions as are required by the rating agencies to ensure that the ratings assigned to the rated notes are not adversely affected by the ratings downgrade,</p> <p>in each case provided that the then current ratings of the outstanding rated notes shall not be adversely affected by each or any of the above actions.</p> <p>The cash manager or the mortgages trustee shall terminate the mortgages trustee bank account agreement and close the mortgages trustee GIC account unless, within 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of such downgrade by S&amp;P) of the downgrade, the mortgages trustee account bank procures a guarantee of the obligations of the mortgages trustee account bank in respect of the provision of the mortgages trustee GIC account from a financial institution (other than from, for the avoidance of doubt, the existing mortgages trustee account bank) with (i) short-term, unsubordinated, unguaranteed and unsecured debt obligation ratings of at least P-1 by Moody's, and (ii) short-term and long-term IDR of at least F1 and A respectively by Fitch, and (iii) unsubordinated, unguaranteed and unsecured debt obligation ratings of at least A-1 short-term and A long-term (or at least A+ long-term if there are no</p>
	<p>In the event that the Funding 1 GIC account and any Funding 1 collateral account is closed as set forth above, Funding 1 and/or the cash manager shall, within 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of a downgrade by S&amp;P), procure the transfer all of the rights and obligations of account bank B under the Funding 1 bank account agreement, in respect of the provision of the Funding 1 GIC account and any Funding 1 collateral account, and procure the transfer of any amounts standing to the credit of the Funding 1 GIC account and any Funding 1 collateral account to account(s) held with an authorised institution under FSMA with the minimum required ratings and which enters into an agreement in respect of the provision of the Funding 1 GIC account and any Funding 1 collateral account in form and substance similar to the Funding 1 bank account agreement, provided that the rating agencies then rating the rated notes also confirm that the rated notes would not be adversely affected thereby.</p>	

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	<p>(i) The counterparty risk assessment by Moody's falls below P-1(cr) (or, if a counterparty risk assessment is not available, the short-term, unsecured, unsubordinated and unguaranteed debt obligation rating by Moody's falls below P-1), or (ii) the mortgages trustee account bank ceases to have unsubordinated, unguaranteed and unsecured debt obligation ratings of at least A-1 short-term and A long-term (or, if the mortgages trustee account bank has no short-term rating from S&amp;P, at least A+ long-term) by S&amp;P.</p>	<p>short-term ratings) by S&amp;P; provided that the then current ratings of the outstanding rated notes shall not be adversely affected by each or any of the above actions.</p> <p>The cash manager or the mortgages trustee shall terminate the mortgages trustee bank account agreement and close the mortgages trustee GIC account unless, within 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of such downgrade by S&amp;P) of the downgrade, the mortgages trustee account bank opens an account with a stand-by account bank, in respect of the mortgages trustee GIC account, under an agreement in form and substance similar to the mortgages bank account agreement which has (i) short-term, unsubordinated, unguaranteed and unsecured debt obligation ratings of at least P-1 by Moody's, and (ii) short-term and long-term IDR of at least F1 and A respectively by Fitch, and (iii) unsubordinated, unguaranteed and unsecured debt obligation ratings of at least A-1 short-term and A long-term (or at least A+ long-term if there are no short-term ratings) by S&amp;P.</p>
	<p>If the mortgages trustee bank account agreement terminates as set forth above, amounts standing to the credit of the mortgages trustee GIC account shall, within 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of such downgrade by S&amp;P), be transferred to an account held with an institution (A) (i) whose unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 short-term and A long-term (or at least A+ long-term if there are no short-term ratings) by S&amp;P, (ii) whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's, and (iii) whose short-term and long-term IDR are at least F1 and A (respectively) by Fitch; (B) which is an authorised person under the FSMA; and (C) with whom the cash manager, the mortgages trustee, Funding 1 and the Funding 1 security trustee have entered into an agreement in form and substance similar to the mortgages trustee bank account agreement, unless each rating agency confirms that its then current rating of the rated notes or any debt instruments of a Funding company (if applicable) then outstanding would not be downgraded, withheld or qualified as a result of failure to make such transfer.</p>	
<p><b>Issuer account bank under the issuer bank account agreement</b></p>	<p>(i) The short-term, unsubordinated, unguaranteed and unsecured debt obligation ratings of the issuer account bank fall below P-1 by Moody's, or (ii) the short-term and long-term IDR of the issuer account bank fall below F1 and A respectively by Fitch, or (iii) the issuer account bank ceases to have unsubordinated, unguaranteed and unsecured debt obligation ratings of at least A-1 short-term and A long-term (or, if such financial institution has no short-</p>	<p>Termination of the issuer bank account agreement unless, within 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of such downgrade by S&amp;P) of the downgrade, the issuer account bank procures a guarantee of the obligations of the issuer account bank in respect of the provision of the issuer account from a financial institution with (i) short-term, unsubordinated, unguaranteed and unsecured debt</p>

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	term rating from S&P, at least A+ long-term) by S&P.	obligation ratings at least P-1 by Moody's, and (ii) short-term and long-term IDR at least F1 and A respectively by Fitch, and (iii) unsubordinated, unguaranteed and unsecured debt obligation ratings at least A-1 short-term and A long-term (or at least A+ long-term if there are no short-term ratings) by S&P; provided that the then current ratings of the outstanding rated notes shall not be adversely affected by each or any of the above actions.
	<p>If the issuer bank account agreement terminates as set forth above, amounts standing to the credit of the issuer account shall, within 60 calendar days' (in respect of such downgrade by Moody's or Fitch) or 90 calendar days' (in respect of such downgrade by S&amp;P), be transferred to an account held with an institution (A) whose (i) short-term, unsubordinated, unguaranteed and unsecured debt obligation ratings are at least P-1 by Moody's, (ii) short-term and long-term IDR are at least F1 and A respectively by Fitch, and (iii) unsubordinated, unguaranteed and unsecured debt obligation ratings are at least A-1 short-term and A long-term (or at least A+ long-term if there are no short-term ratings) by S&amp;P; (B) which is an authorised person under the FSMA; and (C) with whom the issuer cash manager, the issuer and the issuer security trustee have entered into an agreement in form and substance similar to the issuer bank account agreement unless each rating agency confirms that its then current rating of the rated notes then outstanding would not be downgraded, withheld or qualified as a result of failure to make such transfer.</p>	
<b>Eligible banks</b>	<p>In order to qualify as an "eligible bank" for the purposes of accepting deposits in accordance with the panel bank guidelines (upon the instructions of the cash manager to account bank A on behalf of Funding 1), a bank is required to be an authorised institution under FSMA whose (1) short-term, unsubordinated, unguaranteed and unsecured debt obligations are rated at least P-1 and its long-term unsubordinated, unguaranteed and unsecured debt obligations are rated at least A2 by Moody's, (2) unsubordinated, unguaranteed and unsecured debt obligations are rated at least A-1 short-term and A long-term by S&amp;P and (3) short-term and long-term IDR are at least F1 and A (respectively) by Fitch (together, the <b>eligible bank minimum ratings</b>) and not subject to any reduction, qualification or withdrawal of such ratings. In the event that any eligible bank is downgraded by a rating agency to below the eligible bank minimum ratings, it will cease to qualify as an eligible bank for accepting further deposits and any monies placed with such eligible bank at that time will be returned to the Funding 1 transaction account (or will be transferred to another eligible bank having the eligible bank minimum ratings) at the end for the applicable deposit period.</p>	
	<p>Under the panel bank guidelines, monies can be placed from the Funding 1 transaction account with eligible banks (upon the instructions of the cash manager to account bank A on behalf of Funding 1) for periods of 30, 60 or 90 calendar days, depending on the credit rating of the relevant eligible banks. The credit ratings governing the length of the deposit term, amounts that can be placed with an eligible bank and whether any additional conditions apply are set out in the panel bank guidelines applicable from time to time. Such rating levels are set at various levels equal to or above the eligible bank minimum ratings for the purpose of determining concentration limits and deposit periods. In the event that an eligible bank is downgraded by a rating agency below those ratings, the deposit period and amounts of deposit that such eligible bank can accept going forward may be altered.</p>	
	<p>In the event that Santander UK as an eligible bank is downgraded to below the eligible bank minimum ratings but its (1) short-term, unsubordinated, unguaranteed and unsecured debt obligations are rated at least P-2 by Moody's, (2)</p>	

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	unsubordinated, unguaranteed and unsecured debt obligations are rated at least A-2 short-term and BBB+ long-term by S&P and (3) short-term and long-term IDRs are at least F2 and BBB+ (respectively) by Fitch, amounts may continue to be deposited in such Santander A-2/P-2/F2 account subject to the satisfaction of certain conditions in the panel bank guidelines. See further: <b>"Description of the transaction documents – Cash management agreement – Deposits with eligible banks in accordance with panel bank guidelines"</b> .	

### Non-Rating Triggers Table

There are two forms of trigger events: (i) an asset trigger event and (ii) a non-asset trigger event. Following the occurrence of a trigger event, the principal priority of payments in respect of the mortgages trustee will change.

A trigger event means an asset trigger event or a non-asset trigger event.

### Non-Asset Trigger Events

Non-asset trigger events relate primarily (but not exclusively) to events associated with the seller/servicer (please see "**The mortgages trust – Mortgages trust allocation and distribution of principal receipts and retained principal receipts after the occurrence of a trigger event**" for more details) and impact on the repayment of loan tranches (please see "**Description of the transaction documents – The intercompany loan agreement - Repayment of principal on the loan tranches**" for more details).

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
Insolvency event	An insolvency event (as defined in the glossary) occurs in relation to the seller.	After the occurrence of a non-asset trigger event but prior to the occurrence of an asset trigger event, all principal receipts plus any current retained principal receipts will be allocated and paid to Funding 1 until the Funding 1 share is zero.
Substitution of servicer	The appointment of Santander UK is terminated as servicer and a new servicer is not appointed within 60 days.	After the occurrence of a non-asset trigger event but prior to the occurrence of an asset trigger event, all principal receipts plus any current retained principal receipts will be allocated and paid to Funding 1 until the Funding 1 share is zero.
Current seller share is equal to or less than the minimum seller share	On the distribution date immediately succeeding a seller share event distribution date, the current seller share is equal to or less than the minimum seller share (as defined in the glossary).	After the occurrence of a non-asset trigger event but prior to the occurrence of an asset trigger event, all principal receipts plus any current retained principal receipts (if any) will be allocated and paid to Funding 1 until the Funding 1 share is zero.
Outstanding principal balance of loans comprising trust property is less than required loan balance amount	As at the distribution date immediately preceding the relevant distribution date, the aggregate outstanding principal balance of loans comprising the trust property is less than the required loan balance amount specified in the most recent final terms.	After the occurrence of a non-asset trigger event but prior to the occurrence of an asset trigger event, all principal receipts plus any current retained principal receipts (if any) will be allocated and paid to Funding 1 until the Funding 1 share is zero.

### Asset Trigger Events

Asset trigger events relate to the performance of the underlying loan portfolio and will be activated as described below. Please see "**The mortgages trust – Cash management of trust property – principal receipts**".

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
Principal deficiencies	When an amount is debited to the AAA principal deficiency sub-ledger of Funding 1 unless certain criteria are met.	<p>After the occurrence of an asset trigger event, all principal receipts plus any current retained principal receipts (if any) will be allocated and distributed as follows:</p> <ul style="list-style-type: none"> <li data-bbox="1034 555 1447 824">(a) if the immediately preceding distribution date was a seller share event distribution date, an amount equal to the retained principal receipts to Funding 1 until the Funding 1 share is zero; and</li> <li data-bbox="1034 853 1447 1368">(b) if the immediately preceding distribution date was not a seller share event distribution date, with no order of priority between them but in proportion to the respective amounts due, to Funding 1 and the seller according to the Funding 1 share percentage of the trust property and the seller share percentage of the trust property respectively, until the Funding 1 share is zero.</li> </ul> <p>When the Funding 1 share is zero, the remaining principal receipts (if any) will be allocated to the seller.</p>

## REGULATORY REQUIREMENTS

### Securitisation Regulation

The seller, in its capacity as originator, will (i) retain, on an on-going basis, a material net economic interest of not less than 5 per cent. in the nominal value of the securitised exposures as required by the text of Article 6 of the Securitisation Regulation (which does not take into account any relevant national measures) (the **EU Risk Retention Requirements**), by retaining a seller share of no less than 5 per cent. in the mortgages trust in accordance with Article 6(3)(b) of the Securitisation Regulation and (ii) agree not to hedge, sell or otherwise mitigate such risk. Any change to the manner in which such interest is held will be notified to noteholders in accordance with the conditions. and the requirements of the Securitisation Regulation. The seller will only be required to take such actions to the extent that the retention and disclosure requirements are applicable to Santander UK and remain in effect.

For the purposes of Article 7(2) of the Securitisation Regulation, the seller as originator has been designated as the entity responsible for compliance with the requirements of Article 7 and will either fulfil such requirements itself or shall procure that such requirements are complied with on its behalf, 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. See "**Listing and General Information – Reporting under the Securitisation Regulation**".

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 base prospectus and, after the relevant sale date, to the investor monthly reports. In such monthly reports, relevant information with regard to the mortgage loans will be disclosed publicly together with an overview of the retention and/or any changes in the method of retention of the material net economic interest by the seller. See "**Listing and General Information – Investor reports and information**".

In this base prospectus, any reference to the Securitisation Regulation is to be construed as including a reference to such provision as the same may have been implemented, transposed, enacted or retained under the laws of the United Kingdom.

#### *Investors to assess compliance*

Each prospective investor is required independently to assess and determine the sufficiency of the information described above and in this base prospectus generally for the purposes of complying with Article 5 of the Securitisation Regulation and any corresponding national measures which may be relevant and none of the issuer, Funding 1, the mortgages trustee, Santander UK, the arranger, the dealers, the managers, the note trustee, the Funding 1 security trustee, the issuer security trustee, the corporate services provider, the issuer corporate services provider, the issuer swap providers, any swap guarantors (if applicable), the paying agents, the registrar, the transfer agent, the exchange rate agent (if applicable), the agent bank, the account banks, any remarketing agent (if applicable), any conditional purchaser (if applicable), any company in the same group of companies as Santander UK or the dealers, the managers or any other party to the transaction documents makes any representation that the information described above or in this base prospectus generally is sufficient in all circumstances for such purposes.

Please refer to the risk factor entitled "**Risk Factors – Regulatory initiatives may have an adverse impact on the regulatory treatment of the notes**" for further information on the implications of the Securitisation Regulation and risk retention requirements for investors.

#### *Information regarding the policies and procedures of the seller*

The seller has internal policies and procedures in relation to mortgage origination, the administration of loans and risk mitigation. The policies and procedures of the seller broadly include:

- (a) criteria for the granting of offers of mortgages that consider a variety of factors, such as a potential borrower's credit history, employment history and status and repayment ability, as well as the value of the property to be mortgaged, as to which please see "**The Loans – Lending criteria**"; and
- (b) systems in place to administer and monitor the loans, including the management of loans in arrears, as to which please see the section "**Description of the transaction documents - Servicing agreement**".

## U.S. credit risk retention

The seller, in its capacity as originator, is required under the U.S. Credit Risk Retention Requirements to acquire and retain an economic interest in the credit risk of the interests created by the issuer on the closing date of each issuance of notes and on a monthly basis on each trust calculation date (each, a **Retention Calculation Date**). The seller intends to satisfy the U.S. Credit Risk Retention Requirements by maintaining a seller share in the master trust in an amount at least equal to 5 per cent. of the aggregate outstanding principal balance of all notes issued by the issuer, other than any notes that are at all times held by the seller or one or more of its wholly-owned affiliates, calculated in all cases in accordance with U.S. Credit Risk Retention Requirements. For purposes of the calculation described in the preceding sentence, a wholly-owned affiliate of the seller will include any person, other than the issuer, that, directly or indirectly, wholly controls (i.e. owns 100% of the equity in such person), is wholly controlled by, or is wholly under common control with, the seller.

The seller share will be calculated as a percentage of the aggregate outstanding principal balance of all notes issued by the issuer, other than any notes that are at all times held by the seller or one or more of its wholly-owned affiliates, as of each Retention Calculation Date. If on any Retention Calculation Date the seller share is less than 5 per cent of such amount and if such percentage is not increased to at least 5 per cent. of such amount within 30 calendar days, the U.S. Credit Risk Retention Requirements will not be satisfied. In the event that any such deficiency exists on the distribution date immediately succeeding a seller share event distribution date, a non-asset trigger event will occur. However, the U.S. Credit Risk Retention Requirements will not be violated following the decrease of the seller share below 5 per cent. of the aggregate outstanding principal balance of all notes issued by the issuer, other than any notes that are at all times held by the seller or one or more of its wholly-owned affiliates, if an early amortization period commences for all outstanding notes and the seller was in compliance with the risk retention requirements as of the commencement of early amortization, and no additional notes are issued thereafter.

In addition to holding the seller share as described above, the seller will not purchase or sell a security or other financial instrument, or enter into any derivative, agreement or position that reduces or limits its financial exposure to the seller share that it will maintain to satisfy the U.S. Credit Risk Retention Requirements to the extent such activities would be prohibited hedging activities in accordance with the U.S. Credit Risk Retention Requirements. See "**The mortgages trust – Minimum seller share**" for a description of the material terms of the seller share, how the seller share is calculated from time to time and the seller's obligation to maintain the minimum seller share.

In the future, the seller may elect to comply with the U.S. Credit Risk Retention Requirements through any other means permitted thereunder. In making such election, the seller will comply with the provisions of the U.S. Credit Risk Retention Requirements, including applicable disclosure requirements.

Subject to any applicable restrictions on transfer, the seller may, at any time and from time to time, sell or otherwise transfer all or any portion of any notes it holds, and may sell or otherwise transfer any portion of its interest in the seller share in excess of the portion it retains to comply with the U.S. Credit Risk Retention Requirements.

In the monthly investor reports, relevant information with regard to the U.S. Credit Risk Retention Requirements and/or any changes in the method of retention by the seller will be disclosed in accordance with applicable disclosure requirements. See "**Listing and General Information – Investor reports and information**".

## DESCRIPTION OF THE NOTES

### Series

The issuer may from time to time issue class A notes, class B notes, class M notes, class C notes, class D notes and class Z notes in one or more series. Each series will consist of one or more classes of notes. One or more series or classes or sub-classes of notes may be issued at one time. Each series and class of notes will be secured over the same assets. The notes issued from time to time by the issuer will constitute direct, secured and unconditional obligations of the issuer.

The notes of a particular class in different series (and the notes of the same class and series) will not necessarily have all the same terms. Differences may include issue price, principal amount, interest rates and interest rate calculations, currency, permitted redemption dates, final maturity dates and ratings. The terms of each series and class of notes will be set out in the accompanying final terms.

### Payment

Some series of notes will be paid ahead of others, regardless of the class designation of the notes. In particular, some payments on some series of class B notes, class M notes, class C notes, class D notes and class Z notes will be paid before some series of class A notes, as described in “**Payment and ranking of the notes**” and “**Diagram of the priority of payments by the issuer and subordination relationships**” below. See also “**Cashflows**” below.

In addition, the occurrence of an asset trigger event or non-asset trigger event (which are described below under “**Trigger events**”) will alter the payments on the notes.

### Issuance

Notes may only be issued on the satisfaction of certain issuance tests, as described below under “**The issuance of notes**”. In particular, a note may be issued only if there is sufficient credit enhancement on that date in the form of outstanding subordinated loan tranches and reserves or other forms of credit enhancement equal to or greater than the required subordinated amount for each outstanding class of notes. The required subordinated percentage for each class of notes will be specified in the applicable final terms. The required subordination for a class of notes may, subject to certain conditions, be increased or decreased without your consent. The issuer may issue notes at any time without notice to or the consent of existing noteholders. There are no restrictions on the issuance of any notes so long as the issuance tests are satisfied.

It is a condition to the issuance of class A notes, class B notes, class M notes, class C notes and class D notes (together the **rated notes**) that each series and class of such rated notes be assigned the following ratings (the **required note issuance ratings**) by at least one of Standard & Poor's, Moody's or Fitch:

	<u>Class A</u>	<u>Class B</u>	<u>Class M</u>	<u>Class C</u>	<u>Class D</u>
Standard & Poor's.....	AAA (sf)	AA (sf)	A (sf)	BBB (sf)	BB (sf)
Moody's.....	Aaa(sf)	Aa3(sf)	A2(sf)	Baa2(sf)	Ba2(sf)
Fitch .....	AAA sf	AA sf	A sf	BBB sf	BB sf

It is a condition of the issuance of any series and class of notes which are designated as money market notes that they will be assigned a rating of A-1+ (sf), P-1(sf) or F1+ sf by at least one of Standard & Poor's, Moody's or Fitch, respectively. With respect to any money market notes that are designated as remarketable notes, the short-term rating is in respect of the issuer's timely payment obligation of interest and principal up to (and including) the first mandatory transfer date and the procurement of the payment of the mandatory transfer price on the first mandatory transfer date. The issuer anticipates seeking a short-term rating affirmation for remarketable notes on an annual basis in respect of the period from (and excluding) a mandatory transfer date to (and including) the next following mandatory transfer date to the extent a remarketing termination event has not occurred.

The ratings assigned to each class of rated notes and whether each credit rating applied for in relation to each relevant series of notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be specified in the accompanying final terms.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances in the future so warrant.

The issuer (or Funding 1, if the issuer is unable to pay) has agreed to pay on-going surveillance fees to the rating agencies, in exchange for which each rating agency will monitor the ratings it has assigned to each series and class of rated notes while they are outstanding. Notes issued prior to the date of this base prospectus were assigned ratings upon issue, and continue to be rated by each of Fitch, Moody's and S&P. Notes (other than any notes which are to be unrated) comprising each series issued after the date of this base prospectus will be assigned ratings upon issue by two or more of Fitch, Moody's and S&P.

References to any rating or rating criteria or methodology of Fitch, Moody's or S&P are to be construed as applying only if and for so long as any notes rated by Fitch, Moody's or S&P, as applicable, remain outstanding.

The issuer may, at any time, without the consent or sanction of any of the noteholders or any other issuer secured creditor:

- (i) remove any one of the rating agencies from rating notes issued on or after the date of this base prospectus; and/or
- (ii) reappoint any such removed rating agency or substitute any such removed rating agency for one of the remaining two rating agencies,

provided that, in each case and at all times, each series and class of notes continues to be rated by at least two rating agencies.

In the event of an existing rating agency removal, all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to the removed rating agency shall cease to apply (as they relate to each series and class of notes issued on or after the date of this base prospectus) and the issuer may make such consequential modifications to the terms and conditions of the relevant notes, the or any transaction document as are necessary to implement the removal of the relevant rating agency and all ratings criteria, rating tests, rating triggers and any and all requirements specified by and/or relating to such removed rating agency.

In the event of an existing rating agency reappointment, all then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to the reappointed rating agency shall apply (in relation to each series and class of notes issued on or after the date of this base prospectus) and the issuer may make such consequential modifications to the terms and conditions of the relevant notes or any transaction document as are necessary to implement the reappointment of the relevant rating agency and all then current relevant ratings criteria, rating tests, rating triggers and any and all relevant requirements specified by and/or relating to such reappointed rating agency.

Any modifications to the terms and conditions of any series and class of notes issued on or after the date of this base prospectus and/or any transaction document to implement a ratings modification event will not require the consent or sanction of any noteholder or any other issuer secured creditor.

The above provisions relating to a ratings modification event (together with consequential modifications to the terms and conditions of a series and class of notes and/or the transaction documents) do not apply in respect of (i) the existing notes and (ii) any notes issued on or after 29 April 2016 which will be consolidated with and form a single series with any existing notes.

## **Listing**

Application will be made to the FCA for the notes issued under the programme (other than any notes which are to be unlisted or non-LSE listed notes) during the period of 12 months from the date of this base prospectus to be admitted to the Official List. Application will also be made to the London Stock Exchange for such notes to be admitted to trading on its regulated market.

Application may also be made to list notes on another stock exchange. The issue terms for any non-LSE listed notes will specify the relevant other exchange, whether such non-LSE listed notes are foreign law notes and whether the terms of the non-LSE listed notes differ from the terms and conditions of the notes described in this base prospectus.

## Form and denominations of the notes

The notes (in either global or definitive form) (other than any non-LSE listed notes or the Rule 144A notes) will be issued in such denominations as specified in the accompanying final terms, save that the minimum denomination of each such note will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant currency and save that the minimum denomination of each note (other than any non-LSE listed notes or the Rule 144A notes) will be £100,000 and in integral multiples of £1,000 in excess thereof if denominated in sterling or €100,000 and in integral multiples of €1,000 in excess thereof if denominated in euro (or its equivalent in any other currency as at the date of issue of such notes). The Rule 144A notes will be issued in minimum denominations of \$200,000 and in integral multiples of \$1,000 in excess thereof (or its equivalent in any other currency as at the date of the issue of such notes). The denomination and integral multiples of Reg S notes issued in U.S. dollars are or will be as set out in the accompanying issue terms. U.S. dollar Reg S notes which have been issued prior to the date of this base prospectus have been issued in denominations of \$100,000 (in respect of issuances prior to 25 May 2011) and \$200,000 (in respect of issuances on and after 25 May 2011), and integral multiples of \$1,000. The denomination and integral multiples of any non-LSE listed notes will be set out in the accompanying issue terms.

The notes issued by the issuer (excluding any non-LSE listed notes as specified in the accompanying issue terms) will be constituted by the note trust deed.

The notes of any class sold to non-U.S. persons in reliance on Reg S (excluding any non-LSE listed notes as specified in the accompanying issue terms) will be represented by one or more Reg S global notes, which will be deposited with a common depository or common safe keeper, as the case may be, for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Reg S global note may only be held through, and transfers thereof will only be effected through, records maintained by Euroclear or Clearstream, Luxembourg or their participants (as applicable) at any time.

The notes of any class (excluding any non-LSE listed notes) sold in reliance on Rule 144A to QIBs acting for their own accounts or the accounts of one or more QIBs will be represented by one or more Rule 144A global notes, which will be deposited with the custodian for, and registered in the name of Cede & Co. as nominee of, DTC. Beneficial interests in a Rule 144A global note may only be held through, and transfers thereof will only be effected through, records maintained by DTC or its participants (as applicable) at any time. See “**Book-entry clearance procedures**” and “**Transfer Restrictions and Investor Representations**”. A beneficial interest in a Rule 144A global note of one class may be transferred to a person that takes delivery in the form of a beneficial interest in a Reg S global note of the same class and a beneficial interest in a Reg S global note of one class may be transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A global note of the same class only upon receipt by the issuer of a written certification from the transferor and in accordance with the procedures as further described under “**Form of the notes – Transfer of interests**” and “**Transfer Restrictions and Investor Representations**” below.

## Maturities

Notes will be issued in such maturities as may be specified in the relevant final terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

## Currencies

Subject to compliance with all applicable legal, regulatory and central bank requirements, a series and class of notes may be denominated in such currency or currencies as may be agreed between the relevant dealers and/or managers and the issuer as specified in the applicable final terms.

## Issue price

Each series and class of notes may be issued on a fully paid basis and at an issue price which is at par, or at discount from, or premium over, par.

## Selling restrictions

For a description of certain restrictions on offers, sales and deliveries of notes and on the distribution of offering material in the United States of America, the United Kingdom and certain other jurisdictions, see “**Subscription and Sale**” below.

## Relationship between the notes and the intercompany loan

The intercompany loan will comprise multiple loan tranches. The gross proceeds of each issue of a series and class of notes will fund a single loan tranche. The repayment terms of each loan tranche (for example, dates for payment of principal and the type of amortisation or redemption) will reflect the terms of the related series and class of notes. Subject to any swap agreements as described under “**Transaction overview – Swap agreements**” below and the Funding 1 priority of payments and the issuer priority of payments, the issuer will repay the series and class of notes from payments received by it from Funding 1 under the corresponding loan tranche except that where the relevant class of notes is denominated in a currency other than sterling, the issuer will, pursuant to the relevant issuer swap, swap the amount received from Funding 1 under the corresponding loan tranche for an amount corresponding to the amount payable by it under the notes and then repay the relevant class of notes using the payments received by it from the relevant issuer swap provider or, if no such issuer swap exists, at the spot rate of exchange. For more information on the intercompany loan, see “**Transaction overview – The intercompany loan**” below.

The ability of Funding 1 to make payments on the intercompany loan will depend to a large extent on Funding 1 receiving its share of collections on the trust property, which will in turn depend principally on the collections the mortgages trustee receives on the loans and the related security and the allocation of monies to Funding 1. See “**Risk Factors – Funding 1 is not obliged to make payments on the loan tranches if it does not have enough money to do so, which could adversely affect payments on the notes**” above.

## Payment and ranking of the notes

Payments of interest and principal on the class A notes of any series due and payable on an interest payment date will rank ahead of payments of interest and principal on the class B notes of any series, the class M notes of any series, the class C notes of any series, the class D notes of any series and the class Z notes of any series (in each case due and payable on such interest payment date). Payments of interest and principal on the class B notes of any series due and payable on an interest payment date will rank ahead of payments of interest and principal on the class M notes of any series, the class C notes of any series, the class D notes of any series and the class Z notes of any series (in each case due and payable on such interest payment date). Payments of interest and principal on the class M notes of any series due and payable on an interest payment date will rank ahead of payments of interest and principal on the class C notes of any series, the class D notes of any series and the class Z notes of any series (in each case due and payable on such interest payment date). Payments of interest and principal on the class C notes of any series due and payable on an interest payment date will rank ahead of payments of interest and principal on the class D notes of any series and the class Z notes of any series (in each case due and payable on such interest payment date). Payments of interest and principal on the class D notes of any series due and payable on an interest payment date will rank ahead of payments of interest and principal on the class Z notes of any series (in each case due and payable on such interest payment date). For more information on the priority of payments, see “**Cashflows**” below and see also “**Risk Factors – Subordination of other note classes may not protect noteholders from all risk of loss**” above.

Payments of interest and principal on the class A notes of each series rank equally (but subject to the interest payment dates, scheduled redemption dates and permitted redemption dates of each series of class A notes). Payments of interest and principal on the class B notes of each series rank equally (but subject to the interest payment dates, scheduled redemption dates and permitted redemption dates of each series of class B notes). Payments of interest and principal on the class M notes of each series rank equally (but subject to the interest payment dates, scheduled redemption dates and permitted redemption dates of each series of class M notes). Payments of interest and principal on the class C notes of each series rank equally (but subject to the interest payment dates, scheduled redemption dates and permitted redemption dates of each series of class C notes). Payments of interest and principal on the class D notes of each series rank equally (but subject to the interest payment dates, scheduled redemption dates and permitted redemption dates of each series of class D notes). Payments of interest and principal on the class Z notes of each series rank equally (but subject to the interest payment dates, scheduled redemption dates and permitted redemption dates of each series of class Z notes). The interest payment dates, scheduled redemption dates and permitted redemption dates for a series and class of notes will be specified in the accompanying final terms.

Investors should note that subject to the further description below under the heading “**Cashflows**”:

- Notes of different series and classes are intended to receive payment of interest and principal at different times, therefore lower ranking classes of notes of one series may be paid interest and principal before higher ranking classes of notes of a different series.

- No loan tranche other than the AAA loan tranches and, consequently, no notes of any class other than the class A notes may be repaid principal if, following such repayment, the amount of subordination available from all outstanding subordinated loan tranches, reserves and other forms of credit enhancement is less than the required subordinated amount for the class of notes. The repayment tests which determine whether any loan tranche and, consequently any series and class of notes, may be repaid principal are set out in “**Cashflows**” below. The failure to repay principal in respect of a loan tranche (other than the AAA loan tranches) and the related notes on the applicable interest payment dates due to the repayment tests not being met will not constitute an event of default in respect of such loan tranche or in respect of the related notes.
- If there is a debit balance on a subordinate ranking principal deficiency sub-ledger (other than the NR principal deficiency sub-ledger) or the adjusted general reserve fund is less than the general reserve required amount or arrears in respect of loans in the mortgages trust exceeds a specified amount (each as described below under “**Cashflows**”) and there is a more senior loan tranche and related series and class of notes outstanding, no amount of principal will be repayable in respect of a loan tranche and related series and class of notes until such situation is cured. The failure to repay principal in respect of such loan tranche (other than an AAA loan tranche) and the related notes on the applicable redemption dates for such reason will not constitute an event of default in respect of such loan tranche or in respect of the related notes.
- To the extent required, but subject to certain limits and conditions, Funding 1 may apply amounts standing to the credit of the general reserve fund and the liquidity reserve fund (if any) and amounts available under the Funding 1 liquidity facility (if established) in payment of, among other things, amounts due to the issuer in respect of the loan tranches (other than the NR loan tranches).
- Prior to service of a note acceleration notice, a series and class of notes will be redeemed on a permitted redemption date only to the extent of the amount (if any) repaid on the related loan tranche in respect of such date.
- If not redeemed earlier, each series and class of notes will be redeemed by the issuer on the final maturity date specified in the accompanying final terms. The failure to redeem a series and class of notes on its final maturity date will constitute a note event of default in respect of such notes.
- Following service of a note acceleration notice and/or an intercompany loan acceleration notice and/or enforcement of the Funding 1 security and/or the issuer security, the priority of payments will change and payments of interest and principal will be made in accordance with and subject to the relevant priority of payments as described below under “**Cashflows**”.

## Interest

Interest will accrue on each series and class of notes from its date of issuance at the applicable interest rate specified for that series and class of notes, which may be fixed or floating rate or have a combination of these characteristics and will be specified in the accompanying final terms. Interest on each series and class of notes will be due and payable on interest payment dates as specified in the accompanying final terms.

Any shortfall in payments of interest due on any series of the class B notes (to the extent that any class A notes are outstanding), the class M notes (to the extent that any class A notes and/or class B notes are outstanding), the class C notes (to the extent that any class A notes and/or class B notes and/or class M notes are outstanding), the class D notes (to the extent that any class A notes and/or class B notes and/or class M notes and/or class C notes are outstanding) and the class Z notes (to the extent that any class A notes and/or class B notes and/or class M notes and/or class C notes and/or class D notes are outstanding) on any interest payment date in respect of such notes will be deferred until the immediately succeeding interest payment date in respect of such notes. On that immediately succeeding interest payment date, the amount of interest due on the relevant class of notes will be increased to take account of any deferred interest and interest on that deferred interest. If on that interest payment date there is still a shortfall, that shortfall will be deferred again. This deferral process will continue until the final maturity date of the notes, at which point all amounts will become due and payable. However, if on the final maturity date of the notes there is insufficient money available to the issuer to pay interest on the class B notes, the class M notes, the class C notes, the class D notes or the class Z notes, then noteholders may not receive all interest amounts

payable on those classes of notes. Payments of interest due on any interest payment date in respect of the most senior class of notes then outstanding may not be deferred and the failure to pay interest on such notes will be a note event of default.

### **Fixed rate notes**

For a series and class of fixed rate notes, interest will be payable at a fixed rate on such interest payment dates and on redemption as specified in the applicable final terms and will be calculated on the basis of such day count fraction as specified in the applicable final terms.

### **Floating rate notes**

A series and class of floating rate notes will bear interest in each case at a rate specified in the applicable final terms. The margin, if any, relating to such series and class of notes will be specified in the applicable final terms. Interest on floating rate notes in respect of each interest period will be payable on such interest payment dates and will be calculated on the basis of such day count fraction as specified in the applicable final terms.

### **Scheduled redemption notes**

A series and class of scheduled redemption notes will be redeemable on scheduled redemption dates (which may be in addition, and occurring prior, to the final maturity date) in one or more scheduled amortisation instalments, the dates and amounts of which will be specified in the applicable final terms. Funding 1 will seek to accumulate funds relating to scheduled amortisation instalments over its cash accumulation period in order to repay such funds as a lump sum payment to the issuer so that the issuer can redeem the corresponding scheduled redemption notes on the relevant scheduled redemption date or on any interest payment date thereafter. A cash accumulation period in respect of scheduled amortisation instalments is the period of 3 months prior to the relevant scheduled repayment date. If there are insufficient funds on a scheduled redemption date to repay the relevant scheduled amortisation instalment in respect of a series and class of scheduled redemption notes, then the issuer will be required to pay the shortfall, to the extent it receives funds therefor, on subsequent interest payment dates in respect of such notes. No assurance can be given that Funding 1 will accumulate sufficient funds during the cash accumulation period relating to any scheduled amortisation instalments to enable it to repay the relevant loan tranche to the issuer so that the issuer is able to repay principal of the related series of scheduled redemption notes on their scheduled redemption dates (or on any interest payment date thereafter).

Following the earlier to occur of a pass-through trigger event and (unless otherwise indicated in the applicable final terms) the step-up date (if any) in relation to a series and class of scheduled redemption notes, such notes will become due and payable and the issuer will repay such notes to the extent that funds are available and subject to the conditions regarding repayment on applicable interest payment dates.

The loan tranche which corresponds to a scheduled redemption note that remains outstanding after its final scheduled redemption date or its step-up date (if any) is not to be regarded as a pass-through loan tranche for the purposes of the repayment rules in **"Cashflows – Distribution of Funding 1 available principal receipts"**.

### **Bullet redemption notes**

A series and class of bullet redemption notes will be redeemable in full on the bullet redemption date specified in the applicable final terms. Funding 1 will seek to accumulate funds relating to principal payments on each bullet loan tranche over its cash accumulation period in order to repay such funds as a lump sum payment to the issuer so that the issuer can redeem the corresponding bullet redemption notes in full on the relevant bullet redemption date. A cash accumulation period in respect of a bullet loan tranche is the period of time estimated to be the number of months prior to the relevant bullet repayment date necessary for Funding 1 to accumulate enough principal receipts derived from its share of the trust property to repay that bullet loan tranche to the issuer so that the issuer will be able to redeem the corresponding notes in full on the relevant bullet redemption date. The cash accumulation period will be determined according to a formula described under **"The mortgages trust"** below. To the extent that there are insufficient funds to redeem a series and class of bullet redemption notes on the relevant bullet redemption date, then the issuer will be required to pay the shortfall, to the extent it receives funds therefor, on subsequent interest payment dates in respect of such notes. No assurance can be given that Funding 1 will accumulate sufficient funds during the cash accumulation period relating to any bullet loan tranche to enable it to repay the relevant loan tranche to the issuer so that the issuer is able to repay principal of the related series of bullet redemption notes on their bullet redemption date.

Following the earlier to occur of a pass-through trigger event and (unless otherwise indicated in the applicable final terms) the step-up date (if any) in relation to a series and class of bullet redemption notes, such notes will become due and payable and the issuer will repay such notes to the extent that funds are available and subject to the conditions regarding repayment on applicable interest payment dates.

The bullet loan tranche which corresponds to a bullet redemption note that remains outstanding after its bullet redemption date or its step-up date (if any) is not to be regarded as a pass-through loan tranche for the purposes of the repayment rules in "**Cashflows – Distribution of Funding 1 available principal receipts**".

### Pass-through notes

A series and class of pass-through notes will be redeemable in full on the final maturity date specified in the applicable final terms. On permitted payment dates, Funding 1 may make payments in respect of pass-through loan tranches to the issuer so that the issuer may, on the applicable interest payment date, repay all or part of the pass-through notes prior to their final maturity dates.

Following the earlier to occur of a pass-through trigger event and (unless otherwise indicated in the applicable final terms) the step-up date (if any) in relation to a series and class of notes, any such notes which are scheduled redemption notes and bullet redemption notes shall become due and payable and the issuer will repay such notes *pari passu* and *pro rata* with any original pass-through notes of that series and class to the extent that funds are available and subject to the conditions for repayment on subsequent interest payment dates.

### Money market notes

From time to time, the issuer may issue a series and class of Rule 144A notes designated as money market notes in the applicable final terms (**money market notes**). Rule 144A notes designated as money market notes in the relevant final terms will be "Eligible Securities" within the meaning of Rule 2a-7 under the United States Investment Company Act of 1940, as amended (the **Investment Company Act**).

However, any determination as to qualification and compliance with other aspects of Rule 2a-7 is solely the responsibility of each money market fund and its investment adviser, and no representation as to such compliance is made by any of the issuer, Funding 1, the mortgages trustee, Santander UK, the dealers, the managers, the note trustee, the Funding 1 security trustee, the issuer security trustee, the corporate services provider, the issuer corporate services provider, the issuer swap providers, any swap guarantors (as applicable), the paying agents, the registrar, the transfer agent, the exchange rate agent (if applicable), the agent bank, any remarketing agent (if applicable), any conditional purchaser (if applicable), any company in the same group of companies as Santander UK or the dealers, the managers or any other party to the transaction documents, and no assurance can be given in this regard.

Money market notes will generally be bullet redemption notes or scheduled redemption notes, the final maturity date of which will be less than 397 days from the closing date on which such notes were issued.

The issuer may also redeem certain series and classes of money market notes prior to their final maturity dates, but less than 397 days following issuance, using amounts received from a third party that has agreed to purchase those notes pursuant to the terms of a money market note purchase agreement. If such arrangements apply to any money market notes, the applicable final terms will, in addition to providing information regarding a series and class of money market notes, identify any money market note purchaser in respect of such money market notes and the terms of the applicable money market note purchase agreement.

Money market notes designated as remarketable notes in the relevant final terms will be issued subject to the mandatory transfer arrangements referred to in **Condition 5.8 (Mandatory Transfer of Remarketable Notes)**, the remarketing agreement (as defined below) and the note trust deed (the **mandatory transfer**). Under the terms of the mandatory transfer, the issuer will procure the purchase of the remarketable notes on the interest payment date specified in the relevant final terms as the initial mandatory transfer date and on each anniversary thereafter (subject to adjustment for non-business days and subject to the mandatory transfer termination event (as defined below) not having occurred) (each such date being a **mandatory transfer date**) until the final maturity or earlier redemption in full of such remarketable notes. Upon payment of the principal amount outstanding on such remarketable notes on the relevant mandatory transfer date (following the application of note principal payments on that date) (the **mandatory transfer price**), all rights in respect of such remarketable notes will be transferred to or for the account of the remarketing agent (as defined below) or as designated by the remarketing agent.

Under the terms of the relevant remarketing agreement (see “**Description of the transaction documents – The remarketing agreement**” below), the issuer will appoint the remarketing agent specified in the applicable final terms (the **remarketing agent**) to act as its agent to use reasonable efforts to identify third party purchasers for the relevant remarketable notes on each mandatory transfer date prior to the occurrence of a mandatory transfer termination event. If the remarketing agent is unable to identify third party purchasers for all such remarketable notes then outstanding, then the remarketing agent on behalf of the issuer will give notice to the conditional purchaser specified in the relevant final terms (the **conditional purchaser**) under an agreement (the **conditional purchase agreement**) to purchase all such remarketable notes. The obligation of the conditional purchaser to purchase such remarketable notes may be subject to limitations on the conditional purchaser's ability to fund its obligations (see “**Risk Factors – The remarketing bank may not be able to remarket money market notes and payments from a conditional note purchaser may not be sufficient to repay money market notes**” above). If a remarketing termination event (as defined below), other than a note event of default, occurs on or before the relevant mandatory transfer date, the conditional purchaser will be obliged to purchase all the relevant remarketable notes on such mandatory transfer date.

The remarketing agent will have the ability to increase or decrease the margin on the remarketable notes from that payable as at the closing date of the relevant remarketable notes on each mandatory transfer date in accordance with the remarketing agreement. Any increase in margin on the remarketable notes may not exceed an amount specified in the relevant final terms as the maximum reset margin. As from the occurrence of a remarketing termination event, the margin applicable to such remarketable notes will equal the maximum reset margin.

Certain risks relating to the remarketable notes are described below under “**Risk Factors – The remarketing bank may not be able to remarket money market notes and payments from a conditional note purchaser may not be sufficient to repay money market notes**” above. No assurance can be given that any remarketing bank or any conditional note purchaser will comply with and perform their respective obligations under the remarketing documentation. Each remarketing bank will be required to make the representations required of the dealers as described in “**Subscription and Sale**” and “**Transfer Restrictions and Investor Representations**”.

The issuer may also have the benefit of a 2a-7 swap provider arrangement under which a swap provider (the **2a-7 swap provider**) will be required to make a principal payment under the relevant issuer swap agreement to the issuer to enable the issuer to redeem a class (or sub-class) of notes in full on their bullet repayment date (unless an asset trigger event has occurred on or prior to that date) notwithstanding that it has not received the corresponding principal payment required to be made by the issuer under the relevant issuer swap agreement. A failure by the issuer to make the full principal repayment on the bullet repayment date of the loan tranche corresponding to the relevant class (or sub-class) of notes for which the relevant issuer swap was entered into will not constitute an event of default or a termination event under the relevant issuer swap agreement. If such arrangements apply to any money market notes, the relevant final terms will, in addition to providing information regarding a series and class (or sub-class) of money market notes, identify any 2a-7 swap provider in respect of such money market notes and the terms of the applicable issuer swap agreement.

Certain risks relating to repayment of money market notes in reliance on such an arrangement with a 2a-7 swap provider are described under “**Risk Factors – You may be subject to risks relating to exchange rates or interest rates on the notes or risks relating to reliance on a 2a-7 swap provider**”.

#### **Optional redemption or repurchase of the notes**

The issuer may redeem all, but not a portion, of a series and class of notes at their principal amount outstanding, together with any accrued interest and unpaid interest in respect thereof by giving notice in accordance with the terms and conditions of the notes, subject to the notes not having been accelerated and the availability of sufficient funds, as described in detail in **Condition 5 (Redemption And Mandatory Transfer)** under “**Terms and conditions of the notes**” in the following circumstances, subject to certain conditions set out in the referenced conditions:

- if at any time it would become unlawful for the issuer to make, fund or to allow to remain outstanding a loan tranche made by it under the intercompany loan agreement and the issuer requires Funding 1 to repay the loan tranche (see **Condition 5.5 (Optional Redemption for Tax and other Reasons)** under “**Terms and conditions of the notes**” below); or

- if on any interest payment date in the event of particular tax changes that affect the issuer, the notes or the corresponding loan tranche under the intercompany loan (see **Condition 5.5 (Optional Redemption for Tax and other Reasons)** under “**Terms and conditions of the notes**” below).

In addition, the issuer may redeem a series and class of notes outstanding in accordance with the terms and conditions of such notes:

- on the step-up date relating to such series and class of notes (as specified in the applicable final terms) and on any interest payment date thereafter (see **Condition 5.4 (Optional Redemption in Full)** under “**Terms and conditions of the notes**” below);
- on any interest payment date on which the aggregate principal amount of such series and class of notes is less than 10 per cent. of the aggregate principal amount outstanding of such series and class of notes as at the applicable closing date (see **Condition 5.4 (Optional Redemption in Full)** under “**Terms and conditions of the notes**” below); or
- on the date specified as the “**optional redemption date**” for such notes in the applicable final terms and on each interest payment date thereafter (see **Condition 5.4 (Optional Redemption in Full)** under “**Terms and conditions of the notes**” below).

### Optional redemption in part

Provided a note acceleration notice has not been served and subject to the provisos below, upon giving not more than 30 nor less than 15 days' prior notice to the note trustee and the noteholders in accordance with **Condition 5.6 (Optional Redemption in Part)**, the issuer may redeem a series and class of notes in the instalment amounts specified in the applicable final terms, together with any accrued and unpaid interest in respect thereof, on the date specified as the optional partial redemption date in respect of such instalment amount for such notes in the applicable final terms and on any interest payment date for such notes thereafter, provided that on or prior to giving any such notice, the issuer shall have provided to the note trustee a certificate signed by two directors of the issuer to the effect that (i) it will have the funds, not subject to any interest of any other person, required to redeem such notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with such notes in accordance with the terms and conditions of the issuer deed of charge and the issuer cash management agreement, and (ii) the repayment tests will be satisfied following the making of such redemptions, and the note trustee shall be entitled to accept such certificate as sufficient evidence thereof and without liability to any person in which event it shall be conclusive and binding on the noteholders and all other persons.

### Limited recourse

In relation to notes issued on or after 21 April 2011 and all class Z notes, such notes will be subject to the limited recourse provisions set out in **Condition 10.2 (Limited Recourse)** whereby all obligations of the issuer to such noteholders are limited in recourse to the property, assets and undertakings of the issuer which are the subject of any security created by the issuer deed of charge. If there are no such assets remaining which are capable of being realised or otherwise converted into cash and following application of such amounts in accordance with the issuer deed of charge there are insufficient amounts available to pay in full amounts outstanding under such notes, then noteholders in respect of such notes shall have no further claim against the issuer in respect of any amounts owing to them under such notes which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

### Withholding tax

Payments of interest and principal with respect to the notes will, under current law, not be subject to any applicable withholding or deduction for or on account of any taxes and neither the issuer nor any other person will be obliged to pay additional amounts in relation thereto. The applicability of any UK withholding tax on interest payments with respect to the notes is discussed under “United Kingdom taxation” below.

### Credit enhancement

Subject to the detailed description and limitations set out in “Credit structure” below, the notes of each series will have the benefit of the following credit enhancement or support:

- availability of excess portions of **Funding 1 available revenue receipts** (which consist of revenue receipts on the loans paid by the mortgages trustee to Funding 1 and other amounts set out in “**Cashflows – Definition of Funding 1 available revenue receipts**” below) and of **Funding 1 principal receipts** (which are principal receipts on the loans paid by the mortgages trustee to Funding 1);
- a reserve fund called the **general reserve fund** to be used in certain circumstances by Funding 1 to meet any deficit in revenue or to repay amounts of principal;
- a reserve fund called the **liquidity reserve fund**, which will be established following a seller rating downgrade to meet interest and principal shortfalls in limited circumstances on the notes;
- the Funding 1 liquidity facility (if established); and
- subordination of junior classes of notes.

The notes will also have the benefit of derivative instruments, namely the Funding 1 swap(s) provided by Santander UK and any issuer currency and interest rate swaps in respect of the relevant series and class of notes as specified in the relevant final terms. For a more detailed description of Santander UK, see “**Santander UK plc and the Santander UK Group**” below. See “**Swap agreements**” below.

### Principal deficiency ledger

A principal deficiency ledger has been established to record (i) principal losses on the loans allocated to Funding 1 and (ii) the application of Funding 1 principal receipts to meet any deficiency in Funding 1 available revenue receipts or to fund the liquidity reserve fund (if any) up to the Funding liquidity reserve required amount.

The principal deficiency ledger has seven sub-ledgers which will correspond to each of the AAA loan tranches, the AA loan tranches, the A loan tranches, the BBB loan tranches, the BB loan tranches, the NR loan tranches and the Funding 1 loan, respectively. See “**Credit structure – Principal deficiency ledger**” below.

### Trigger events

If an asset trigger event or non-asset trigger event should occur, then distributions on the notes may be altered, as described in “**Cashflows**” below.

An **asset trigger event** will occur when an amount is debited to the AAA principal deficiency sub-ledger of Funding 1 or any further Funding company, unless such debit is made when the sum of the amount standing to the credit of the general reserve ledger, liquidity reserve ledger (if any) and the Funding 1 revenue ledger together with amounts determined and due to be credited to the Funding 1 revenue ledger prior to the immediately following Funding 1 interest payment date after such debit is made is greater than the amount necessary to pay items (a) to (f) of the Funding 1 pre-acceleration revenue priority of payments on the immediately following Funding 1 interest payment date after such debit is made.

A **non-asset trigger event** means on a trust calculation date (a) the occurrence of an insolvency event in relation to the seller on or before that trust calculation date, (b) the seller's role as servicer is terminated and a new servicer is not appointed within 60 days, (c) the current seller share of the trust property is less than the minimum seller share on two consecutive trust calculation dates (in each case by reference to the most recent trust calculation date) or (d) as at the trust calculation date immediately preceding the relevant trust calculation date, the aggregate outstanding principal balance of loans comprising the trust property is less than the required loan balance amount specified in the most recent final terms and this has not been remedied by the relevant trust calculation date. See “**The mortgages trust – Cash management of trust property – principal receipts**” below.

A **trigger event** means an asset trigger event or a non-asset trigger event.

### Acceleration

All notes will become immediately due and payable and the issuer security will become enforceable on the service on the issuer by the note trustee of a note acceleration notice. The note trustee becomes entitled to serve a note acceleration notice at any time after the occurrence of a note event of default in respect of a series and class of notes (and it may do so using its own discretion or on the instructions of the

noteholders of the applicable class of notes across all series (holding in aggregate at least one quarter in principal amount outstanding of such class of notes) or pursuant to an extraordinary resolution of noteholders of the applicable class of notes across all series provided that, at such time, all notes ranking in priority to such class of notes have been repaid in full or such notes are also accelerated).

### **New issuers**

The programme is structured to allow for new issuers, each of which will be a wholly-owned subsidiary of Holdings, to issue new notes and on-lend all or part of the equivalent gross issue proceeds by way of new intercompany loans to Funding 1 and/or any further Funding company (where applicable). Noteholders and the note trustee will be informed of any new issuers and new intercompany loans in the next investor report available after the date of such issue. Funding 1's obligations under any relevant new intercompany loans are or will be secured by the same security that secures the intercompany loan of the issuer. If new issuers are established to issue new notes, one of the conditions precedent to that issue is that the ratings of the rated notes then outstanding will not be downgraded, withdrawn or qualified by the rating agencies as a result of that issue; however, your consent will not be required for the establishment of new issuers and the related transactions, nor will you have any right of review in respect thereof. Funding 1 will use the proceeds of new intercompany loans for the purposes more fully described in “**Description of the transaction documents – The intercompany loan agreement – New intercompany loan agreements**” below. All new notes issued from time to time by new issuers, the proceeds of which are on-lent to Funding 1 will be secured ultimately over the Funding 1 share of the trust property and will be subject to the ranking described in the following paragraphs.

Funding 1 will apply amounts it receives from its share in the trust property to pay amounts it owes under the loan tranches and/or any new loan tranches (where applicable) without distinguishing when the interest in the trust property was acquired or when the loan tranches and/or any new loan tranches (where applicable) were made. Funding 1's obligations to pay interest and principal to the new issuers on their new loan tranches will rank either equally with, ahead of or after each other, primarily depending on the relative loan tranche rating of each new loan tranche.

If Funding 1 enters into new intercompany loan agreements, it will also, if required, enter into new Funding 1 swap(s) with either the Funding 1 swap provider or a different swap provider in order to address the potential mismatch between the variable rates or fixed rates paid by borrowers on the loans and the LIBOR-based or SONIA-based rate of interest paid by Funding 1 on the new intercompany loans. Each new Funding 1 swap and the Funding 1 swaps will rank without any order of priority between themselves, but in proportion to the amounts due and, in each case, ahead of payments on the AAA loan tranches, as described further in “**Description of the transaction documents – Swap agreements – Funding 1 swaps**” below.

If Funding 1 enters into new intercompany loan agreements, it will, if required, simultaneously enter into new Funding 1 start-up loan agreements with the Funding 1 start-up loan provider or new Funding 1 start-up loan providers, which will provide for the costs and expenses of the issue of the new notes and, if required by the rating agencies in order to support the rating of the rated notes, for extra amounts to be credited to the general reserve fund. Each new Funding 1 start-up loan agreement and the Funding 1 start-up loan agreements will rank without any order of priority between them but in proportion to the amounts due. Pursuant to its obligations under the prospectus rules, if a new issuer is established to issue new notes, then the issuer will notify or procure that notice is given of that new issuer to you.

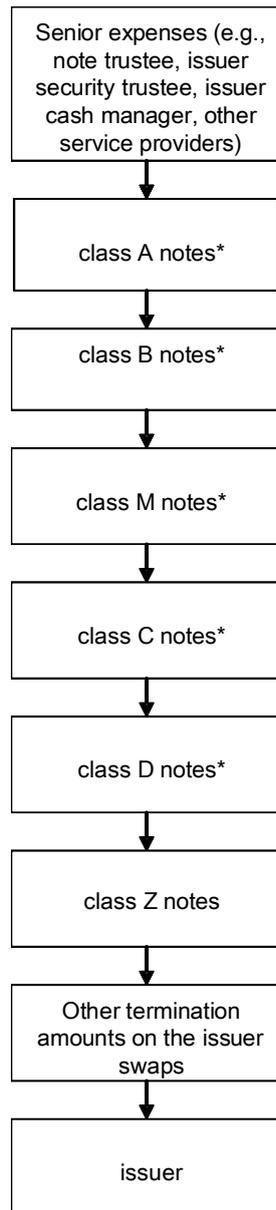
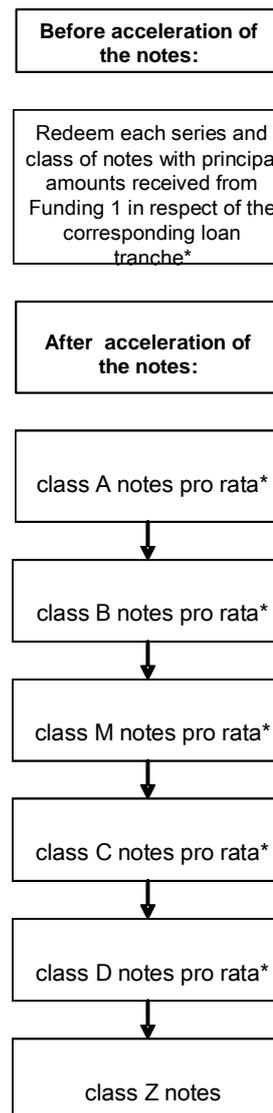
### **Operative documents relating to the notes**

The issuer will issue each series of notes under the note trust deed. The notes will also be subject to the paying agent and agent bank agreement. The security for the notes is provided for under the issuer deed of charge between the issuer, the issuer security trustee and the issuer's other secured creditors. Operative legal provisions relating to the notes will be included in the note trust deed, the paying agent and agent bank agreement, the issuer deed of charge, the issuer cash management agreement and the notes themselves, each of which will be governed by English law.

### **Diagram of the priority of payments by the issuer and subordination relationships**

The following diagram illustrates in a general way the payment priorities for revenue receipts and principal receipts by the issuer before acceleration of the notes and also indicates the subordination relationship among the notes. This diagram does not indicate the priority of payments by Funding 1, nor does it reflect the payment priorities by the issuer after acceleration of the notes. For the sake of simplicity, this diagram omits material details relating to the priority of payments. You should refer to “**Cashflows**”

below for a complete understanding of the priorities of payments by Funding 1 and the issuer in all circumstances.

**Revenue receipts****Principal receipts**

\* Includes interest and certain termination amounts, or principal amounts, as applicable, payable to the issuer swap providers for the swaps entered into by the issuer corresponding to the relevant series and class of notes. Amounts received by the issuer from such swap providers under the relevant swap will be used to make payments of interest and principal on the corresponding series and class of notes.

## Foreign law notes

The programme is currently structured so that the issuer will issue each series of notes under the note trust deed. The note trust deed, the notes and any non-contractual obligations arising out of or in connection with them are governed by, and are to be construed in accordance with, English law.

However, the issuer may choose to issue non-LSE listed notes or unlisted notes which are governed by, and are to be construed in accordance with, a law other than English law (**foreign law notes**). In order to issue foreign law notes under the programme, certain amendments to the existing transaction documents and the execution of further transaction documents may be required. Your consent to those amendments and the execution of those further transaction documents may not be required (see “**Risk Factors – The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests**”).

It is expected that, if the issuer does issue foreign law notes, application will not be made for those notes to be admitted to the Official List and will not be made for those notes to be admitted to trading on the regulated market of the London Stock Exchange. Rather, it is expected that the issuer would apply for the foreign law notes to be admitted to listing and/or trading on a foreign stock exchange and/or listing authority and that those notes would be offered pursuant to an offering document other than this base prospectus.

## The loans

The loans comprising the portfolio from the Portfolio Replacement Date will be originated by Santander UK. Each loan in the portfolio (and any drawings under flexible loans and any further advance) is secured by either first legal charges over freehold, leasehold or commonhold properties located in England or Wales or first ranking standard securities over heritable or long leasehold properties located in Scotland. The loans included in the portfolio consist of several different types with a variety of characteristics relating to, among other things, calculation of interest and repayment of principal. Some of the loans in the portfolio carry variable rates of interest based on a variable rate, some of the loans pay interest at a fixed rate or rates of interest and some of the loans pay interest at a rate of interest which tracks the base rate (the base rate-linked rate is currently set at a margin above and/or equal to and/or below a rate set by the Bank of England).

See “**The Loans – Characteristics of the loans**” below for a more detailed description of the loans offered by the seller and see the accompanying final terms for statistical information on the portfolio.

All loans in the portfolio have been or will be originated in accordance with the lending criteria of Santander UK for loans applicable at the time of origination. Santander UK may from time to time change its lending criteria and any other terms applicable to new loans or their related security assigned to the mortgages trust after the initial closing date so that all new loans originated after the date of that change will be subject to the new lending criteria. Notwithstanding any change to the lending criteria or other terms applicable to the loans, the loans and their related security may only be assigned to the mortgages trust if those new loans comply with the seller's representations and warranties in the mortgage sale agreement. If a loan or its related security does not materially comply with these representations and warranties, then the seller will have 20 London business days in which to cure the default, failing which it will be required to repurchase the loan or loans under the relevant mortgage account and their related security from the mortgages trustee. See “**Description of the transaction documents – The mortgage sale agreement – Sale of loans and their related security**” and “**Description of the transaction documents – The mortgage sale agreement – Mandatory Repurchase Of Loans Under A Mortgage Account**” below. The seller's current lending criteria are described further in “**The Loans – Lending Criteria**” below.

## Sale of the loans

The seller sold the initial portfolio to the mortgages trustee on the initial closing date. After the initial closing date, the seller may sell new loans and their related security to the mortgages trustee in order to increase or maintain the size of the trust property. The seller may increase the size of the trust property from time to time in relation to an issue of any notes by the issuer or any new notes by any new issuer, the proceeds of which may be applied to fund the sale of the new loans and their related security to the mortgages trustee, or to comply with the seller's obligations under the mortgage sale agreement as described under “**Description of the transaction documents – The mortgage sale agreement – Sale of loans and their related security**” and “**Description of the transaction documents – The mortgage sale agreement – Sale of new loans and their related security**” below.

When new loans are sold to the mortgages trustee, the amount of the trust property will increase. Depending on the circumstances, the increase in the trust property may result in an increase in the seller's share of the trust property, Funding 1's share of the trust property and/or a further Funding company's share of the trust property. For a description of how adjustments are made to the seller's share, Funding 1's share and any further Funding company's share of the trust property, see "**The mortgages trust**" below.

### **The mortgages trust**

The mortgages trustee holds the trust property for both Funding 1 and the seller as beneficiaries of the trust. Funding 1 and the seller each have a joint and undivided beneficial interest in the trust property. Payments of interest and principal arising from the loans in the portfolio will be allocated to Funding 1 and the seller according to their share of the trust property, calculated periodically as described later in this section. Other Funding companies may acquire interests in the trust property and thereby become beneficiaries of the trust. Such further Funding companies will receive allocations of payments of interest and principal arising from the loans according to their respective shares in the trust property.

The trust property consists of the loans in the portfolio and their related security and any income generated by the loans or their related security. The trust property also includes any money in the mortgages trustee guaranteed investment contract or GIC account. The **mortgages trustee GIC account** is the bank account in which the mortgages trustee holds any cash that is part of the trust property until it is distributed to the beneficiaries.

Payments by borrowers and any recoveries made in respect of the loans in the portfolio will be paid initially into accounts called the **collection accounts** in the name of the seller and swept into the mortgages trustee GIC account on a regular basis but in any event in the case of direct debits no later than the next London business day after they are deposited in the collection accounts. If the ratings of the unsecured, unsubordinated and unguaranteed debt obligations of the seller are not rated at least A-2 short-term and BBB long-term by Standard & Poor's or P-2 (short term) by Moody's or the short-term or long-term IDR of the seller falls below either F2 or BBB+ (respectively) by Fitch, then all further instructions by the servicer to debit the accounts of borrowers that are subject to direct debit bank mandates commencing not less than 30 calendar days therefrom shall be made to another bank whose unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-2 short-term and BBB long-term by Standard & Poor's and at least P-2 (short-term) by Moody's and whose short-term and long-term issuer default ratings are at least F2 and BBB+ (respectively) by Fitch (or such other rating as may be required to ensure that the rating attributed to any rated notes then outstanding will not be reduced, qualified or withdrawn at such time), or directly to the mortgages trustee GIC account.

In addition, drawings under flexible loans and any further advances and any new loans and their related security that the seller sells to the mortgages trustee after the initial closing date will be part of the trust property, unless they are repurchased by the seller. The seller will be solely responsible for funding drawings under any flexible loans and further advances. The composition of the trust property will fluctuate as drawings under any flexible loans and further advances and new loans are added and as the loans that are already part of the trust property are repaid or mature or default or are repurchased by the seller.

The accompanying final terms will set out the approximate amounts of Funding 1's share, any further Funding company's share (if applicable) and the seller's share of the trust property as at the relevant closing date.

Income from the trust property is distributed at least monthly to Funding 1, any further Funding company and the seller on each distribution date. A **distribution date** means the eighth day of each month or, if not a London business day, the next succeeding London business day.

On each trust calculation date, Funding 1's share, any further Funding company's share and the seller's share of the trust property are recalculated based on the aggregate outstanding principal balance of the loans constituting the trust property on the last day of the immediately preceding trust calculation period. See "**The mortgages trust**" below for details of this recalculation.

On each distribution date, income (but not principal) from the trust property is allocated to Funding 1 in an amount equal to Funding 1's percentage share of the revenue receipts, any further Funding company in an amount equal to such further Funding company's percentage share of the revenue receipts and to the seller in an amount equal to the seller's percentage share of the revenue receipts.

Losses on the loans are allocated to Funding 1, any further Funding companies and the seller based on their respective percentage shares in the trust property.

Whether the mortgages trustee allocates principal received on the loans to Funding 1 and any further Funding company depends on a number of factors. In general, each of Funding 1 and any further Funding company receives payment of principal in the following circumstances:

- when, in relation to any loan tranche or new loan tranche (where applicable), Funding 1 or each other further Funding company, as the case may be, is either accumulating principal during a cash accumulation period (as described below under “**The intercompany loan**”) or is scheduled to make principal repayments on those loan tranches or new loan tranches (where applicable) (in which case principal receipts will be paid to Funding 1 and other further Funding companies based on their cash accumulation requirements or repayment requirements in relation to those loan tranches or new loan tranches (where applicable));
- when a non-asset trigger event has occurred (in which case all principal receipts on the loans will be paid to Funding 1 and each other further Funding company pro rata according to Funding 1’s share of the trust property and each other further Funding company’s share of the trust property until the Funding 1 share of the trust property and the share of the trust property attributable to each other further Funding company has been reduced to zero. When the Funding 1 share of the trust property and the share of the trust property of each other further Funding company is zero, the remaining mortgages trust available principal receipts (if any) will be allocated to the seller); and
- when an asset trigger event has occurred (in which case principal receipts on the loans will be paid to Funding 1, each other further Funding company and the seller pro rata according to the Funding 1 share of the trust property, the share of the trust property attributable to each other further Funding company and the seller share of the trust property, until the Funding 1 share of the trust property and the share of the trust property attributable to each such further Funding company is zero. When the Funding 1 share of the trust property and each other further Funding company’s share of the trust property is zero, the remaining mortgages trust available principal receipts (if any) will be allocated to the seller).

Neither Funding 1 nor any other further Funding company will be entitled to receive in aggregate an amount of mortgages trust available principal receipts on a distribution date which is in excess of, as applicable, the Funding 1 share of the trust property or such other further Funding company’s share of the trust property on the relevant distribution date.

For more information on the distribution of principal receipts on the loans, including a description of when a non-asset trigger event or an asset trigger event will occur, see “**The mortgages trust**” below.

Under the terms of the controlling beneficiary deed, Funding 1 and the seller agree to, amongst other things, arrangements amongst themselves in respect of certain commercial decisions (relating to directions, rights, powers, benefits and/or discretions (or any equivalent thereof) under the transaction documents) to be made from time to time in respect of the mortgages trust deed and other transaction documents. In the event of any further Funding company becoming a beneficiary of the mortgages trust, such further Funding company will accede to the controlling beneficiary deed and agree to such arrangements.

### **The intercompany loan**

The issuer has entered into the intercompany loan agreement with Funding 1. As described above under “**Relationship between the notes and the intercompany loan**”, the intercompany loan will consist of separate loan tranches, each corresponding to a particular series and class of notes. The loan tranches will comprise AAA tranches, AA tranches, A tranches, BBB tranches and BB tranches (reflecting the designated credit rating assigned to each loan tranche) and NR tranches (which will not be assigned a designated credit rating). The loan tranche related to a series and class of notes will be specified for such series and class of notes in the applicable final terms. The terms of each loan tranche will be set forth in the related final terms and the intercompany loan agreement.

From time to time and subject to certain conditions, the issuer will lend amounts to Funding 1 as separate loan tranches using the sterling equivalent proceeds of each issuance of a series and class of notes. Funding 1 will use the funds advanced under each such loan tranche to:

- pay to the mortgages trustee a contribution, either as an initial contribution to be paid to the seller in consideration for the sale of loans to the mortgages trustee or a further contribution to acquire and/or increase its beneficial interest in the trust property pursuant to the mortgages trust deed;

- to fund or replenish the general reserve fund; and/or
- to refinance an existing loan tranche or a new loan tranche (if any) made available to Funding 1.

Subject to the provisions of the relevant Funding 1 priority of payments (see “**Cashflows**” below), Funding 1 will repay the intercompany loan from payments received from the mortgages trustee, as described under “**The mortgages trust**” below. To the extent required, but subject to certain limits and conditions, Funding 1 may also apply amounts standing to the credit of the general reserve fund and the liquidity reserve fund (if any) and amounts available under the Funding 1 liquidity facility (if established) to make payments of interest and principal due under the intercompany loan. The issuer will make payments of interest on and principal of the notes from payments of interest and principal made by Funding 1 to it under the intercompany loan agreement.

A loan tranche may be a bullet loan tranche, a scheduled amortisation loan tranche or a pass-through loan tranche. A **bullet loan tranche** is a loan tranche that is scheduled to be repaid in full on one Funding 1 interest payment date. A **scheduled amortisation loan tranche** is a loan tranche so designated that is scheduled to be repaid in instalments on one or more Funding 1 interest payment dates (which may be in addition to the final repayment date). Such instalment amounts and repayment dates are referred to as **scheduled amortisation instalments**. A **pass-through loan tranche** is a loan tranche that has no scheduled repayment date other than its final repayment date. Loan tranches with pass-through repayment will be repaid on or after the Funding 1 interest payment date on which the loan tranches with the same series designation and a higher rating designation in respect of the series have been fully repaid. Bullet loan tranches and scheduled amortisation loan tranches will become pass-through loan tranches if a pass-through trigger event occurs. The designation and type of loan tranche and the repayment schedule, if any, for the loan tranche advanced in connection with a particular series and class of notes will be set out in the accompanying final terms.

During a cash accumulation period for any bullet loan tranche, Funding 1 will continue to make principal repayments on any other loan tranches that are then due and scheduled to be paid, subject to having sufficient funds therefor after meeting its obligations with a higher priority. Such principal repayments may only be made to the extent that (following such principal repayments and the principal repayments on the related series and class of notes) the amount of subordination available from all outstanding subordinate classes of notes (and other forms of credit enhancement) and reserves (as applicable) is at least equal to the required credit enhancement for each of the class A notes, the class B notes, the class M notes, the class C notes and the class D notes then outstanding. In certain circumstances, payment on the scheduled amortisation loan tranches and pass-through loan tranches will be deferred. See “**Cashflows – Distribution of Funding 1 available principal receipts**” below. No assurance can be given that Funding 1 will accumulate sufficient funds during the cash accumulation period relating to any bullet loan tranche or any scheduled amortisation loan tranche to enable it to repay the relevant loan tranche to the issuer so that the corresponding notes will be redeemed in their scheduled amounts and on their scheduled redemption dates.

Funding 1 is generally required to repay principal on the loan tranches based on their respective loan tranche ratings. This means that the AAA loan tranches are repaid before the AA loan tranches, which in turn are repaid before the A loan tranches, which in turn are repaid before the BBB loan tranches, which in turn are repaid before the BB loan tranches, which in turn are repaid before the NR loan tranches and the Funding 1 loan. Prior to the occurrence of a trigger event or the acceleration of the intercompany loan or the acceleration of all notes of each series, there are a number of exceptions to this priority of payments. For further information on such exceptions you should read the “**Cashflows**” section of this base prospectus below.

The circumstances under which the issuer can take action against Funding 1 if it does not make a repayment under the intercompany loan are limited. In particular, it will not be an event of default in respect of the intercompany loan if Funding 1 does not repay amounts due in respect of the intercompany loan where Funding 1 does not have the money to make the relevant repayment or where the repayment tests are not satisfied. For more information on the intercompany loan, see “**Description of the transaction documents – The intercompany loan agreement**” below.

If the notes of each series are or have been accelerated, then the outstanding loan tranches will be immediately due and payable, but the Funding 1 security will not become enforceable unless Funding 1 is also in default under the intercompany loan agreement, and Funding 1 will allocate its principal receipts to repay the loan tranches in order of rating designation, from highest to lowest.

## Security granted by Funding 1 and the issuer

On the initial closing date, Funding 1 entered into a Funding 1 deed of charge to secure its obligations to its secured creditors at such time and, in connection with the issuance of future series of notes, new secured creditors of Funding 1 may accede to the Funding 1 deed of charge.

Besides the issuer, Funding 1's secured creditors on the initial closing date were, among others, the Funding 1 swap provider, the original Funding 1 account bank, the cash manager, the corporate services provider, the Funding 1 security trustee, the Funding 1 start-up loan provider and the seller.

Pursuant to the terms of the Funding 1 deed of charge, Funding 1 has granted security over all of its assets in favour of the Funding 1 security trustee. The Funding 1 security trustee holds that security for the benefit of the Funding 1 secured creditors from time to time. New Funding 1 secured creditors (including account bank A, account bank B, the Funding 1 loan provider and the mortgages trust account bank) have acceded and may accede to the Funding 1 deed of charge. Except in very limited circumstances, only the Funding 1 security trustee will be entitled to enforce the security granted by Funding 1. For more information on the security granted by Funding 1, see "**Description of the transaction documents – Funding 1 deed of charge**" below. For details of the Funding 1 post-acceleration priority of payments, see "**Cashflows**" below.

To secure the issuer's obligations to the noteholders and to the issuer's other secured creditors, the issuer has granted security over all of its assets in favour of the issuer security trustee pursuant to the issuer deed of charge. The issuer security trustee holds that security for the benefit of the issuer's secured creditors, which on the initial closing date were, among others, the noteholders of each series, the issuer security trustee, the note trustee, the agent bank, the exchange rate agent, the paying agents, the transfer agent, the issuer cash manager, the original issuer account bank, the paying agents, the issuer swap providers and the issuer corporate services provider. New issuer secured creditors (including the issuer account bank and further issuer swap providers) have acceded and may accede to the issuer deed of charge. Except in very limited circumstances, only the issuer security trustee will be entitled to enforce the security granted by the issuer. For more information on the security granted by the issuer, see "**Description of the transaction documents – Issuer deed of charge**" below. For details of the relevant issuer priority of payments following enforcement of the issuer security, see "**Cashflows**" below.

## Swap agreements

Some of the loans in the portfolio carry variable rates of interest based on a variable rate, some of the loans pay interest at a fixed rate or rates of interest and some of the loans pay interest at a rate of interest which tracks an interest rate other than the variable rate set by Santander UK or the mortgages trustee (for example the interest rate may be set at a margin above rates set by the Bank of England). These interest rates do not necessarily match the floating rate of interest payable on the loan tranches under the intercompany loan, and accordingly, Funding 1 has entered into swaps documented under the Funding 1 swap agreements to hedge against these potential interest rate mismatches.

The interest payable by Funding 1 to the issuer under the loan tranches under the intercompany loan agreement is calculated as a margin over LIBOR for three month sterling deposits, or as the case may be, SONIA (as specified in the applicable loan tranche supplement). However, some of the sterling notes will accrue interest at a fixed rate. Therefore, to address this potential interest rate mismatch, the issuer may enter into issuer interest rate swaps from time to time under the issuer interest rate swap agreements.

In certain circumstances, and only with effect from the date of the transfer of legal title to the portfolio (or a part thereof), the servicer may reset the variable rate to a rate that is linked to LIBOR (or compounded daily SONIA where LIBOR is not available) (see "**Description of the transaction documents – Servicing agreement**" below).

Borrowers will make payments under the loans in sterling. Payments made by the mortgages trustee to Funding 1 under the mortgages trust deed and payments made by Funding 1 to the issuer under the intercompany loan will be made in sterling. To enable the issuer to make payments on the notes of a series denominated in dollars, euro or any other currency other than sterling in their respective currencies, the issuer will enter into issuer dollar currency swap agreements, issuer euro currency swap agreements and, in relation to notes denominated in any other currency, issuer currency swap agreements in relation to any other applicable currency.

The terms of the swaps and certain additional information about the relevant issuer swap providers will be described in greater detail under the heading "**The swap agreements**" in this base prospectus and under the heading "**The swap agreements**" in the relevant final terms.

## **United States tax status**

A discussion of the material U.S. federal income tax consequences of the purchase, ownership and disposition of the Rule 144A notes is set out in “**United States federal income taxation**” below. As set forth in that discussion, unless otherwise indicated in the applicable final terms, it is anticipated that upon issuance of the Rule 144A notes Cleary Gottlieb Steen & Hamilton LLP, the issuer’s U.S. tax adviser, will deliver their opinion that, although there is no authority on the treatment of instruments substantially similar to the Rule 144A notes, the class A, class B and class M Rule 144A notes, when issued, will be treated as debt (or, if indicated in the relevant final terms, should be treated as debt) for U.S. federal income tax purposes (either of the issuer or Funding 1) and the class C Rule 144A notes, when issued, should be treated as debt for U.S. federal income tax purposes (either of the issuer or Funding 1). The treatment of the class D Rule 144A notes for U.S. federal income tax purposes will be set forth in the applicable final terms. Also, as discussed in “**United States federal income taxation**” below, it is anticipated that upon issuance of the Rule 144A notes the issuer’s U.S. tax adviser will deliver their opinion that, assuming compliance with the transaction documents, the mortgages trustee acting in its capacity as trustee of the mortgages trust, Funding 1 and the issuer will not be subject to U.S. federal income tax.

## **ERISA considerations for investors**

The eligibility of the Rule 144A notes for purchase by employee benefit and other plans subject to Section 406 of ERISA or Section 4975 of the Code and by governmental, church or non-U.S. plans that are subject to any federal, state, local or non-U.S. law or regulation that is substantially similar to Section 406 of ERISA and/or Section 4975 of the Code will be set forth in the applicable final terms for such notes, subject to consideration of the issues described below under “**ERISA considerations**”. See “**ERISA considerations**” below.

## **Withholding tax on loans**

Under current law and as the transaction is currently structured, it is not expected that amounts due under the loans are subject to withholding or deduction for or on account of any tax in their jurisdiction of origination.

## FEES

The following table sets out the on-going fees to be paid by the issuer, Funding 1 and the mortgages trustee to transaction parties. Each of these fees is subject to change at any time without your notification or approval, including upon the appointment of any successor service provider or any other successor transaction party pursuant to the applicable transaction document.

<b>Type of fee</b>	<b>Amount of fee</b>	<b>Priority in cashflow</b>	<b>Frequency of Payment</b>
Servicing fee	0.08 per cent. per year of the aggregate outstanding principal amount of the Funding 1 share of the trust property	Ahead of all revenue amounts payable to Funding 1 by the mortgages trustee	Payable by mortgages trustee on each distribution date
Mortgages trustee fee	Estimated £1,000 each year	Ahead of all revenue amounts payable to Funding 1 by the mortgages trustee	Payable annually by mortgages trustee on the distribution date occurring in January
Cash management fee	0.01 per cent. per year of principal amount outstanding of the intercompany loan	Ahead of all loan tranches	Payable quarterly by Funding 1 on each Funding 1 interest payment date occurring in January, April, July and October of each year
Issuer cash management fee	0.01 per cent. per year of the principal amount outstanding of the notes	Ahead of all outstanding notes	Payable quarterly by issuer on each interest payment date occurring in January, April, July and October of each year
Corporate expenses of mortgages trustee	Estimated £5,500 each year	Ahead of all revenue amounts payable to Funding 1 by the mortgages trustee	Payable annually by mortgages trustee on each distribution date occurring in January
Corporate expenses of Funding 1	Estimated £2,500 each year	Ahead of all loan tranches	Payable semi-annually by Funding 1 on each Funding 1 interest payment date occurring in January and July of each year
Corporate expenses of issuer	Estimated £6,250 each year	Ahead of all outstanding notes	Payable semi-annually by issuer on each interest payment date occurring in January and July of each year
Funding 1 security trustee and issuer security trustee fee (including paying agents)	Estimated £3,000 each year	Ahead of all outstanding notes	Payable annually by Funding 1 on each Funding 1 interest payment date occurring in January of each year

Subject to the following, the servicing fee, the cash management fee and the issuer cash management fee set out in the preceding table are inclusive of value added tax (**VAT**) (if any), which is currently assessed at 20 per cent. in the UK, and the aggregate amount payable in respect of such services will not be adjusted in the event of any change in the rate of VAT.

## THE ISSUANCE OF NOTES

The notes will be issued pursuant to the note trust deed. The following summary and the information set out in the note trust deed, “**Form of the notes**” and “**Terms and conditions of the notes**” below summarise the material terms of the notes and the note trust deed. These summaries do not purport to be complete and are subject to the detailed provisions of the note trust deed and the terms and conditions of the notes.

### Issuance

The notes will be issued in series. Each series will comprise one or more class A notes, class B notes, class M notes, class C notes, class D notes or class Z notes issued on a single closing date. A class designation determines the relative seniority for receipt of cashflows. The notes of a particular class in different series (and the notes of the same class and series) will not necessarily have the same terms. Differences may include principal amount, interest rates, interest rate calculations, currency, dates, final maturity dates and ratings. Each series and class of notes will be secured over the same property as the notes offered by this base prospectus together with the final terms. The terms of each series of notes will be set forth in the related final terms. The class Z variable funding notes may be issued together with other classes of notes of a series, but will not be linked to that particular series.

The issuer may issue new series and classes of notes and advance loan tranches to Funding 1 from time to time without obtaining the consent of existing noteholders or providing notice of such issuance. As a general matter the issuer may only issue a new series and class of notes if sufficient subordination is provided for that new series and class of notes by one or more subordinate classes of notes and/or the general reserve fund. The required subordinated percentage, which is used to calculate the required subordination for each class of notes other than the class Z notes, will be set forth in the applicable final terms for each series of that class of notes. Similarly, the general reserve required amount will be specified in each final terms. The conditions and tests (including the required levels of subordination) necessary to issue a series and class of notes, or the **issuance tests**, include the following:

### **All classes of notes**

On the closing date of any series and class of notes:

- there shall be no debit balance on the principal deficiency ledger (other than the NR principal deficiency ledger) which is not cured on the next Funding 1 interest payment date;
- no note event of default shall have occurred which is continuing or will occur as a consequence of such issuance;
- no acceleration notice has been served on the issuer;
- no intercompany loan enforcement notice has been served on Funding 1;
- the general reserve fund is fully funded up to the general reserve required amount;
- the liquidity reserve fund is fully funded up to the liquidity reserve fund required amount;
- each of the applicable transaction documents has been executed by the relevant parties to those documents;
- the issuer has delivered a solvency certificate to the note trustee in form and substance satisfactory to the note trustee; and
- the rating agencies have provided written confirmation that (i) in relation to rated notes only, such series of rated notes have been assigned the required note issuance ratings and (ii) their ratings of the rated notes then outstanding will not be reduced, qualified or withdrawn as a consequence of such issuance,

and,

**for the class A notes of any series**

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class A available subordinated amount must be equal to or greater than the class A required subordinated amount.

The **class A required subordinated amount** means, on any date, the product of:

A x B

where:

- A = the class A required subordinated percentage as specified in the most recent final terms for class A notes of any series; and
- B = the principal amount outstanding of all notes on such date (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger and the principal ledger available on such date for the repayment of principal on the loan tranches (after giving effect to any repayments of principal to be made on the loan tranches on such date).

The **class A available subordinated amount** means, on any date,:

- (a) the sum of (i) the aggregate of the principal amounts outstanding of the class B notes of all series, the class M notes of all series, the class C notes of all series, the class D notes of all series and the class Z notes of all series (after giving effect to repayments of principal to be made on the notes on such date), (ii) the aggregate amount of the general reserve fund on such date and (iii) the rating agency excess spread;

less:

- (b) the amounts standing to the credit of the principal ledger available on such date for the payment of principal on AA loan tranches, A loan tranches, BBB loan tranches, BB loan tranches and NR loan tranches (after giving effect to any payments of principal to be made on the loan tranches on such date).

**for the class B notes of any series**

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class B available subordinated amount must be equal to or greater than the class B required subordinated amount.

The **class B required subordinated amount** means, on any date the product of:

A x B

where:

- A = the class B required subordinated percentage as specified in the most recent final terms for class B notes of any series; and
- B = the principal amount outstanding of all notes on such date (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger and the principal ledger available on such date for the repayment of principal on the loan tranches (after giving effect to any repayments of principal to be made on the loan tranches on such date).

The **class B available subordinated amount** means, on any date:

- (a) the sum of (i) the aggregate of the principal amounts outstanding of the class M notes of all series, the class C notes of all series, the class D notes of all series and the class Z notes of all series (after giving effect to repayments of principal to be made on the notes on such date), (ii) the aggregate amount of the general reserve fund on such date and (iii) the rating agency excess spread;

less:

- (b) the amounts standing to the credit of the principal ledger available on such date for the payment of principal on A loan tranches, BBB loan tranches, BB loan tranches and NR loan tranches (after giving effect to any payments of principal to be made on the loan tranches on such date).

**for the class M notes of any series**

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class M available subordinated amount must be equal to or greater than the class M required subordinated amount.

The **class M required subordinated amount** means, on any date, the product of:

A x B

where:

- A = the class M required subordinated percentage as specified in the most recent final terms for class M notes of any series; and
- B = the principal amount outstanding of all notes on such date (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger and the principal ledger available on such date for the repayment of principal on the loan tranches (after giving effect to any repayments of principal to be made on the loan tranches on such date).

The class M available subordinated amount means, on any date:

- (a) the sum of (i) the aggregate of the principal amounts outstanding of the class C notes of all series, the class D notes of all series and the class Z notes of all series (after giving effect to repayments of principal to be made on the notes on such date), (ii) the aggregate amount of the general reserve fund on such date and (iii) the rating agency excess spread;
- less:
- (b) the amounts standing to the credit of the principal ledger available on such date for the payment of principal on BBB loan tranches, BB loan tranches and NR loan tranches (after giving effect to any payments of principal to be made on the loan tranches on such date).

**for the class C notes of any series**

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class C available subordinated amount must be equal to or greater than the class C required subordinated amount.

The **class C required subordinated amount** means, on any date, the product of:

A x B

where:

- A = the class C required subordinated percentage as specified in the most recent final terms for class C notes of any series; and
- B = the principal amount outstanding of all notes on such date (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger and the principal ledger available on such date for the repayment of principal on the loan tranches (after giving effect to any repayments of principal to be made on the loan tranches on such date).

The **class C available subordinated amount** means, on any date:

- (a) the sum of (i) the aggregate of the principal amounts outstanding of the class D notes of all series and the class Z notes of all series (after giving effect to repayments of principal to be made on the notes on such date), (ii) the aggregate amount of the general reserve fund on such date and (iii) the rating agency excess spread;

less:

- (b) the amounts standing to the credit of the principal ledger available on such date for the payment of principal on BB loan tranches and NR loan tranches (after giving effect to any payments of principal to be made on the loan tranches on such date).

**for the class D notes of any series**

On the closing date for that series of notes and after giving effect to the issuance of that series of notes, the class D available subordinated amount must be equal to or greater than the class D required subordinated amount.

The class D required subordinated amount means, on any date, the product of:

A x B

where:

A = the class D required subordinated percentage as specified in the most recent final terms for class D notes of any series; and

B = the principal amount outstanding of all notes on such date (after giving effect to any payments of principal to be made on the notes on such date) less the amounts standing to the credit of the cash accumulation ledger and the principal ledger available on such date for the repayment of principal on the loan tranches (after giving effect to any repayments of principal to be made on the loan tranches on such date).

The **class D available subordinated amount** means, on any date:

- (a) the sum of (i) the aggregate of the principal amounts outstanding of the class Z notes of all series (after giving effect to repayments of principal to be made on the notes on such date), (ii) the aggregate amount of the general reserve fund on such date and (iii) the rating agency excess spread;

less:

- (b) the amounts standing to the credit of the principal ledger available on such date for the payment of principal on NR loan tranches (after giving effect to any payments of principal to be made on the loan tranches on such date).

In relation to the above, the amounts available on any date for the payment of principal on any loan tranche shall be calculated in accordance with the Funding 1 pre-acceleration principal priority of payments (as set out in "**Cashflows – Distribution of Funding 1 available principal receipts**" below) and shall be calculated without reference to the rules for the application of Funding 1 available principal receipts (as set out in "**Cashflows – Distribution of Funding 1 available principal receipts**" below).

The **rating agency excess spread** means, on any date:

- (a) the product of:

$\frac{X + Y}{2}$

2

and the aggregate outstanding principal balance of the loan tranches outstanding under the intercompany loan less the amount debited to the principal deficiency ledger at such date;

less:

- (b) the product of the weighted average interest rate of the outstanding notes at such date, including any notes issued on such date (subject to adjustment where the step-up date occurs for any series and class of notes and taking into account the margins on the issuer

swaps as at such date and the expenses of the issuer ranking in priority to payments on such notes) and the aggregate principal amount outstanding of such notes at such date.

where:

- X = the weighted average yield on the loans in the portfolio at such date, together with new loans (if any) to be assigned to the mortgages trustee on such date (taking into account the margins on the Funding 1 swaps as at such date); and
- Y = Compounded Daily SONIA (calculated in accordance with clause 7.2(e) of the Master Intercompany Loan Agreement) plus 1.00 per cent (or any higher percentage specified in the most recent final terms).

The required subordinated amount for any class of notes or the method of computing the required subordinated amount may be changed at any time without the consent of any noteholders provided confirmation has been obtained from each rating agency that has rated any outstanding rated notes that the change will not result in the reduction, qualification or withdrawal of its then current rating of any outstanding rated notes.

In certain circumstances some of the conditions precedent to the issuance of notes may be waived. If the issuer obtains confirmation from each rating agency that has rated any outstanding rated notes that the issuance of a new series and class (or sub-class) of notes will not cause a reduction, qualification or withdrawal of the ratings of any outstanding rated notes rated by that rating agency, then some of the other conditions precedent to issuance of notes as described above may be waived by the note trustee without the consent of the noteholders.

The issuer shall prior to the issue of any notes certify in writing to the note trustee that all the conditions to issue of notes described above are satisfied and, where the issuer has waived one or more such conditions in accordance with the foregoing paragraph, specifying the same in such certificate, which certificate shall be conclusive and binding on all parties.

## DESCRIPTION OF THE TRANSACTION DOCUMENTS

The following section contains a description of the material terms of the transaction documents. The description is subject to the more detailed provisions of the relevant transaction documents.

### The mortgage sale agreement

On the initial closing date, the seller, Funding 1, the mortgages trustee and the Funding 1 security trustee entered into the mortgage sale agreement.

The rights of Funding 1 in respect of the mortgage sale agreement were assigned by way of security (and, to the extent not assignable, charged) to the Funding 1 security trustee under the Funding 1 deed of charge.

The mortgage sale agreement sets out and provides for, *inter alia*, the following:

- the sale and assignment of initial loans and their related security by the seller to the mortgages trustee on the initial closing date;
- the sale and assignment of new loans and their related security by the seller to the mortgages trustee after the initial closing date;
- the representations and warranties to be given by the seller in relation to the initial loans, new loans and their related security;
- the repurchase by the seller of loans in the portfolio and their related security where the seller has materially breached any of its representations and warranties in respect of such loans or their related security or, in certain circumstances, where such loan is the subject of a product switch or a further advance;
- the making of future drawings and the making of further advances to borrowers, with respect to loans in the trust property; and
- the circumstances for the transfer of legal title to the loans to the mortgages trustee.

In relation to Scottish loans, the mortgage sale agreement provides for the transfer of the beneficial interest in such loans and their related security sold on the initial closing date to be effected by a Scottish declaration of trust by the seller in favour of the mortgages trustee and for the transfer of the beneficial interest in any other Scottish loans and their related security to be effected by further Scottish declarations of trust (and, in relation to the Scottish loans and their related security, references in this base prospectus to the **assignment** of such loans and their related security are to be read as references to the transfer of the beneficial interest therein by the making of such declarations of trust and the terms **assigned** and **assign** shall in that context be construed accordingly) (see “**Transfer of legal title to the mortgages trustee**” below).

The terms of the mortgage sale agreement may be amended after the initial closing date, for instance as and when new issuers (if any) are established or **new loan types** (being, on any date, a type of loan which is materially different from the types of loans comprised in the portfolio) are added to the mortgages trust or further Funding companies accede and adhere to the mortgage sale agreement. The prior consent of the noteholders will not be sought in relation to any of the proposed amendments to the mortgage sale agreement, provided that (among other things) the rating agencies confirm that the ratings of the rated notes (and new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of such amendments. There can be no assurance, however, that the effect of any such amendments will not ultimately adversely affect your interests as a noteholder (see “**Risk Factors – The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests**”).

### Sale of loans and their related security

On the initial closing date, the seller sold the initial loans and their related security comprising the portfolio to the mortgages trustee. From time to time after the initial closing date, the seller has sold and will sell new loans and their related security to the mortgages trustee which will be included in the portfolio. The sale of the English loans and their respective related security have taken, and will take effect, in equity only (until transfer of legal title). The seller has transferred and will transfer the beneficial interest only in the

Scottish loans and their related security by way of a Scottish declaration of trust or Scottish declarations of trust executed on the relevant sale date (until transfer of legal title). The transfer of legal title to loans and their related security may not occur or, if it does occur, will not occur until a later date (see “**Transfer of legal title to the mortgages trustee**” below). Any references to a sale of loans and their related security in this base prospectus will include references to the sale by the seller of new loans and their related security to the mortgages trustee pursuant to the mortgage sale agreement.

Each portfolio of loans and their related security so sold will form part of the trust property to be held on trust by the mortgages trustee for, as applicable, Funding 1 (as to the Funding 1 share) and the seller (as to the seller share) in accordance with the terms of the mortgages trust deed. In the future, further Funding companies and further Funding security trustees may adhere and accede to the mortgage sale agreement, although there is no certainty that such an event or events will occur. Your consent will not be sought when any further Funding companies and further Funding security trustees accede to the mortgage sale agreement provided that the rating agencies confirm that the then current rating of the rated notes (and new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

The consideration for the sale of loans and their related security will consist of:

- the initial purchase price, representing a cash payment payable on the relevant sale date by the mortgages trustee to the seller for the sale and assignment to the mortgages trustee of the relevant loans and their related security;
- to the extent that the initial purchase price is less than the aggregate outstanding principal balance of the loans to be transferred on any sale date, the consideration payable for the shortfall shall give rise to a corresponding increase in the seller share of the trust property; and
- the deferred purchase price, representing a cash payment payable after the relevant sale date by the mortgages trustee to the seller as further consideration for the sale of the relevant loans and their related security in accordance with the provisions of the mortgage sale agreement and the mortgages trust deed (see further “**Payment of purchase price**” below).

The seller is not permitted to serve a new portfolio notice at any time after it ceases to originate new loans that are capable of meeting the predetermined credit quality requirements set out in the mortgage sale agreement and complying in all material respects with the representations and warranties.

The seller has not previously selected assets to be transferred to the mortgages trustee with the aim of rendering losses on the assets transferred to the mortgages trustee, measured over four years, higher than the losses over the same period on comparable assets held on the balance sheet of the seller.

### ***Payment of purchase price***

Payment of the initial purchase price was or will be made to the seller by the mortgages trustee out of funds received by the mortgages trustee from an initial contribution contributed by Funding 1 or any further Funding company pursuant to the terms of the mortgages trust deed.

Payments of the deferred purchase price will be made by the mortgages trustee out of funds received by way of deferred contributions contributed by Funding 1 or any further Funding company from time to time pursuant to the terms of the mortgages trust deed. Upon receipt of such a deferred contribution, the mortgages trustee will pay an amount equal to such deferred contribution to the seller as deferred purchase price for the sale of the loans to the mortgages trustee. Funding 1 is only required to make deferred contributions out of excess income to which it is entitled in accordance with and subject to the relevant Funding 1 priority of payments, as set out in “**The mortgages trust – Cash management of trust property – revenue receipts**” below. Any seller accrued interest amounts in respect of the loans sold to the mortgages trustee will form part of the trust property and to the extent allocated and distributed to Funding 1 and excess to its revenue requirements will be paid in accordance with the relevant Funding 1 priority of payments, as deferred contributions to the mortgages trustee. The mortgages trustee will in turn pay an equivalent amount to the seller as part of the deferred purchase price due to the seller under the mortgage sale agreement.

**Conditions for sale of initial loans and new loans**

The sale of initial loans, new loans and their related security to the mortgages trustee on the relevant sale date was (in the case of initial loans and previous sales of new loans) and will be (in the case of any further sales of new loans) subject to certain conditions being satisfied (which may be varied or waived by the mortgages trustee (subject to the prior notification by the rating agencies that the then current ratings of the rated notes (or any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of such variation or waiver (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time)), which include the following:

- (a) no event of default under the transaction documents (or event of default under the transaction documents of any further Funding company, where applicable) shall have occurred which is continuing as at the relevant sale date;
- (b) the principal deficiency ledger (other than the NR principal deficiency sub-ledger and/or the Funding 1 loan principal deficiency sub-ledger, as the case may be) does not have a debit balance as at the most recent Funding 1 interest payment date after applying all Funding 1 available revenue receipts on that Funding 1 interest payment date (and the equivalent condition is met in relation to each further Funding company, where applicable);
- (c) the rating agencies have confirmed that any proposed increase in the Funding 1 share of the trust property (or the share of the relevant Funding company of the trust property, where applicable) as a result of making the further contribution would not cause the then current ratings by the rating agencies of any rated notes (or any new rated notes, where applicable) then outstanding to be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time);
- (d) as at the relevant sale date, the seller has not received any notice that the counterparty risk assessment assigned to the seller by Moody's is less than P-2(cr), the short term, unsecured, unguaranteed and unsubordinated debt obligations of the seller are rated less than A-3 by Standard & Poor's and that the short term "Issuer Default Rating" of the seller is less than F2 by Fitch at the time of, and immediately following, the sale of New Loans to the Mortgages Trustee;
- (e) in the case of New Loans, the counterparty risk assessment assigned to the Seller is, at the time of, and immediately following the sale of the New Loans to the Mortgages Trustee, either:
  - rated no lower than P-1(cr) by Moody's; or
  - in the event that the counterparty risk assessment assigned to the Seller by Moody's is lower than P-1(cr) but no lower than P-2(cr) then:
    - (A) the seller has, on such sale date, delivered a solvency certificate to, inter alios, the mortgages trustee in form and substance satisfactory to Moody's; and
    - (B) where:
      - (I) the aggregate current balance of new loans sold to the mortgages trustee following the later of:
        - (1) the counterparty risk assessment assigned to the seller by Moody's falling lower than P-1(cr); or
        - (2) any previous audit of new loans pursuant to this paragraph, exceeds 20 per cent. of the current balance of all loans in the mortgages trust at such time; or
      - (II) 12 months has passed since:
        - (1) the counterparty risk assessment assigned to the seller by Moody's falling lower than P-1(cr); or
        - (2) any previous audit of new loans pursuant to this paragraph,

an audit has been performed on both (x) any new loans to be sold to the mortgages trust on such sale date and (y) all new loans which have been sold to the mortgages trust subsequent to the audit referred to in paragraph (B)(II)(2) above;

- (f) as at the relevant sale date, the aggregate current balance of loans comprising the trust property, in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due, is less than 4 per cent. of the aggregate current balance of the loans comprising the trust property at that date (or such other percentage as the rating agencies confirm is sufficient in order that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding are not downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time));
- (g) the aggregate of amounts in arrears in respect of the loans, as a percentage of the gross interest due on all loans comprising the trust property during the immediately preceding 12 months, does not at the relevant sale date exceed 2 per cent. (or such other percentage as the rating agencies confirm is sufficient in order that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding are not downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time));
- (h) except where Funding 1 makes an initial contribution to the mortgages trustee, the proceeds of which will be applied by the mortgages trustee to purchase new loans, the aggregate current balance (excluding accrued interest and amounts in arrears) of new loans transferred in any Funding 1 interest period must not exceed 15 per cent. of the aggregate current balance of loans (excluding accrued interest and amounts in arrears) comprising the trust property as at the beginning of that Funding 1 interest period (or such other percentage as the rating agencies confirm is sufficient in order that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding are not downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time));
- (i) the product of the weighted average foreclosure frequency (**WAFF**) and weighted average loss severity (**WALS**), each as calculated in accordance with Standard & Poor's methodology, for the loans comprising the trust property calculated on the relevant sale date in the same way as for the initial loans comprising the mortgages trust after such purchase (or as agreed by the servicer and the rating agencies from time to time) does not exceed the product of the WAFF and WALS for the loans constituting the trust property calculated on the most recent closing date, plus 0.25 per cent.;
- (j) the sale and assignment of new loans does not result in the Moody's portfolio variation test value of the loans comprising the trust property after such sale and assignment (calculated by applying the Moody's portfolio variation test to such loans on such sale date) exceeding the most recently determined Moody's portfolio variation test threshold value as calculated in relation to the loans in the portfolio as at the most recent date on which Moody's performed a full pool analysis on the portfolio, plus 0.30 per cent.;
- (k) the yield of the loans comprising the trust property together with the yield of the new loans to be sold to the mortgages trustee on the relevant sale date is at least equal to the minimum yield as at the relevant sale date, after taking into account the average yield on the loans which are variable rate loans, base rate loans and fixed rate loans and the margins on the Funding 1 swaps (and the relevant swaps of any further Funding companies, where applicable), in each case as at the relevant sale date;
- (l) no sale of new loans may occur if, as at the relevant sale date, the step-up date in respect of any class of rated notes (or any new rated notes, where applicable) has been reached and the issuer (or any new issuer, where applicable) has not exercised its option to redeem the relevant class of rated notes (or new rated notes, where applicable) as at that sale date, in accordance with the conditions of that class of rated notes (or new rated notes, where applicable). For the avoidance of doubt, this prohibition on the sale of new loans to the mortgages trustee shall remain in effect only for so long as any such class of rated notes (or new rated notes, where applicable) remains outstanding and, upon its redemption, the sale of new loans to the mortgages trustee may be resumed in accordance with the terms of the mortgage sale agreement;

- (m) as at the sale date, the adjusted general reserve fund level is equal to or greater than the general reserve required amount (and the equivalent condition is met in relation to each further Funding company, where applicable);
- (n) if the sale of new loans would include the sale of new loan types to the mortgages trustee, the Funding 1 security trustee (and any further Funding security trustee, where applicable) has received written confirmation from each of the rating agencies that the then current ratings of the rated notes (and any new rated notes, where applicable) will not be downgraded, withdrawn or qualified as a result of such sale of new loan types (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time);
- (o) each new loan and its related security complies in all material respects at the relevant sale date with the representations and warranties set out in the mortgage sale agreement, which are summarised below in “**Representations and warranties**”;
- (p) the Funding 1 swap agreements (and the relevant swap agreements of each further Funding company, where applicable) have each been modified if and as required (or, if appropriate, Funding 1 has entered into a new Funding 1 swap agreement (or each further Funding company has entered into any new swap agreement, where applicable)) to hedge against the interest rates payable in respect of such new loans and the floating rate of interest payable on the intercompany loan (and any new intercompany loans, where applicable);
- (q) no trigger event has occurred on or before the relevant sale date; and
- (r) the sale and assignment of loans to the mortgages trust will not result in a breach of any of the Fitch conditions (as the same may be amended from time to time) as calculated on the relevant sale date.

The **Fitch conditions** are collectively that:

- (i) the **original weighted average LTV** (calculated in the manner agreed with Fitch from time to time) of the loans in the trust property, including the loans to be sold to the mortgages trustee on the relevant sale date, cannot be more than the original weighted average LTV at the most recent closing date plus the “**original weighted average LTV margin**”, as specified in the most recent final terms. The outstanding principal balance (for flexible loans, the maximum drawable amount) and the property valuation at the relevant origination date, in each case, in respect of each loan, shall be used in the calculation of original weighted average LTV;
- (ii) the **current weighted average LTV** (calculated in the manner agreed with Fitch from time to time) of the loans in the trust property, including the loans to be sold to the mortgages trustee on the relevant sale date, not taking into account any indexation, cannot be more than the current weighted average LTV at the most recent closing date plus the “**current weighted average LTV margin**”, as specified in the most recent final terms. The outstanding principal balance (for flexible loans, the maximum drawable amount) and the most recent property valuation as at the relevant sale date, in each case, in respect of each loan, shall be used in the calculation of current weighted average LTV;
- (iii) the **weighted average income multiple** (calculated in the manner agreed with Fitch from time to time) of the loans in the trust property, including the loans to be sold to the mortgages trustee on the relevant sale date, cannot be more than the “**current weighted average income multiple threshold**”, as specified in the most recent final terms; and
- (iv) the proportion of loans with an **original LTV** (calculated in the manner agreed with Fitch from time to time) higher than 80 per cent. in the trust property, including the loans to be sold to the mortgages trustee on the relevant sale date, cannot be more than the proportion of loans with an original LTV higher than 80 per cent. at the most recent closing date plus the “**original LTV margin**”, as specified in the most recent final terms,

as the same may be amended by Fitch from time to time.

If the above conditions were not or are not satisfied on the relevant sale date of loans and their related security to the mortgages trustee (except to the extent varied or waived by the Funding 1 security trustee where it has received written confirmation from the rating agencies that such variation or waiver will

not cause the ratings of the outstanding rated notes to be reduced, withdrawn or qualified), the transaction documents provide that such loans and their related security shall not be assigned to the mortgages trustee.

In the mortgage sale agreement, the seller promises to use all reasonable endeavours to offer to sell to the mortgages trustee, and the mortgages trustee promises to use all reasonable endeavours to acquire from the seller and hold in accordance with the terms of the mortgages trust deed, until the earlier of the latest step-up date stated in the applicable final terms (or such later date as may be notified by Funding 1 and any further Funding companies to the seller) and the occurrence of a trigger event, sufficient new loans and their related security so that the seller's share in the trust property does not fall below the minimum seller share. Funding 1 may notify the seller to increase the size of the trust property in order to ensure that the seller's share in the trust property does not fall below the minimum seller share. However, the seller is not obliged to sell to the mortgages trustee, and the mortgages trustee is not obliged to acquire, new loans and their related security if, in the opinion of the seller, such sale would adversely affect the business of the seller.

If and when any further Funding company acquires more than a nominal interest in the trust property in accordance with the terms of the mortgages trust deed, such further Funding company may at any time, with the prior written consent of the relevant further Funding security trustee, notify the seller of any increase or decrease in the minimum seller share or any amendment to the period in which the covenant of the seller shall apply, subject to written confirmation from the rating agencies that the then current ratings of rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of such increase or decrease (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

### ***Representations and warranties***

The mortgage sale agreement contains representations and warranties given by the seller to the mortgages trustee, Funding 1 and the Funding 1 security trustee in relation to each loan and its related security sold to the mortgages trustee pursuant to the terms of the mortgage sale agreement. None of the mortgages trustee, Funding 1, the Funding 1 security trustee, the issuer security trustee, the note trustee or the issuer will make or will cause to be made on its behalf any enquiries, searches or investigations of a type which a prudent purchaser or mortgagee would normally be expected to carry out in respect of the loans and their related security. Instead, each is relying entirely on the representations and warranties by the seller contained in the mortgage sale agreement. The representations and warranties in relation to each loan and its related security are made on the sale date that the relevant loan (including each new loan), together with its related security, is sold to the mortgages trustee. The parties to the mortgage sale agreement may, with the prior written consent of the Funding 1 security trustee (which consent will be given if directed to do so by the issuer security trustee, which direction will be given if directed to do so by the note trustee, which direction will be given if the rating agencies confirm that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of such waiver or amendment (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time)) or of any further Funding security trustee (where applicable), waive or amend the representations and warranties in the mortgage sale agreement. The material representations and warranties include:

1. The particulars of the loans set out in the exhibit to the mortgage sale agreement (or, as the case may be, the relevant new portfolio notice and each Scottish declaration of trust) are true, complete and accurate in all material respects.
2. Each loan was originated by Santander UK in the ordinary course of business pursuant to underwriting standards that were no less stringent than those that the seller at the time of origination had with respect to similar loans that are not securitised and was originated and is denominated in pounds sterling.
3. Each loan in the portfolio was made not earlier than 1 August 1995, and each loan in each new portfolio sold, transferred and/or assigned after the Portfolio Replacement Date was made not later than three calendar months before the relevant sale date and each loan matures for repayment not later than the maximum loan maturity date.
4. No loan has an outstanding principal balance of more than £750,000.
5. The lending criteria are the lending criteria applicable to the loans and their related security.

6. 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 as would be acceptable to a reasonable, prudent mortgage lender.
7. Each loan was made and its related security taken substantially on the terms of the standard documentation without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect.
  - (A) 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 of the relevant standard documentation agreed to by the relevant borrower 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:
      - (1) the assignment and assignation of the loans and their related security to the mortgages trustee;
      - (2) the administration 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 an insolvency event in relation to the seller; and
      - (3) so far as the seller is aware to the best of its knowledge, information and belief, the ability of the mortgages trustee to set the variable rate payable under any variable rate loan independently of (and without regard to the level of) the seller variable rate, subject to any applicable cap on that variable rate which is not itself linked to any rate set by the seller and to set the variable margin under any base rate loan independently of (and without regard to the level of) any differential set by the seller, subject to any applicable cap on that variable margin which is not itself linked to any margin set by the seller.
8. The seller is under no obligation to make further advances (other than a drawing under a flexible loan, delayed cashback and reward cashback) or to release retentions or to pay fees or other sums relating to any loan or its related security to any borrower.
9. Each borrower has made at least one monthly payment.
10. All of the borrowers are natural legal persons and were aged 18 years or older at the date of execution of the mortgage.
11. Other than with respect to monthly payments within the scope of paragraph 12 below, no borrower is or has, since the date of the relevant mortgage, been in material breach or material default of any obligation owed in respect of the relevant loan or under the related security and accordingly no steps have been taken by the seller to enforce any related security.
12. The total amount of arrears of interest or principal, together with any fees, commissions and premiums payable at the same time as that interest payment or principal repayment, on any loan is not on the relevant sale date in respect of any loan, nor has been during the 12 months immediately preceding the relevant sale date, more than one monthly payment then due.
13. No loan is guaranteed by a third party.
14. The outstanding principal balance, all accrued interest and all arrears of interest on each loan and its related security constitute a valid debt due to the seller from the relevant

borrower and the terms of each loan and its related security constitute valid and binding obligations of the borrower.

15. Interest on each loan is charged in accordance with the standard documentation.
16. Interest on each loan is payable monthly in arrears.
17. In respect of each loan, either:
  - (A) no agreement for that loan or any part of it is or has ever been:
    - (I) a regulated agreement under the CCA or Chapter 14A of Part 2 of the Regulated Activities Order, as applicable;
    - (II) treated as a regulated agreement under the CCA or Chapter 14A of Part 2 of the Regulated Activities Order, as applicable;
    - (III) a linked transaction under the CCA; or
    - (IV) liable to be the subject of an order of the court on the grounds that the relationship between the creditor and the debtor arising out of the agreement is unfair under the CCA; or
  - (B) to the extent that any agreement for that loan or any part of it is or has ever been a regulated agreement or treated as such under the CCA or Chapter 14A of Part 2 of the Regulated Activities Order, as applicable, or is or has ever been a linked transaction under the CCA, all requirements of the CCA and, as applicable, the Consumer Credit Sourcebook of the Financial Conduct Authority Handbook have been met in full. In this warranty (17), the **CCA** means the Consumer Credit Act 1974 as amended, extended or re-enacted from time to time.
18. Interest on the loan is paid by the borrower and not by the Department of Work and Pensions on behalf of the borrower.
19. No loan is made to an employee or officer of the seller.
20. No loan is made to a borrower who has more than one loan with the seller.
21. In relation to any loan in respect of which interest is calculated by reference to variable rate, the mortgages trustee has a right pursuant to the mortgage terms to set the variable rate at any time and from time to time at a level which is independent of the right pursuant to the mortgage terms to set the variable margin applicable to any base rate loan and such variable rate is and will be binding on the borrower and enforceable against it.
22. The seller has not, since the date of the relevant mortgage, done or omitted to do any act or thing which has caused any material non-observance or material non-compliance with nor any material breach of any obligation, undertaking, covenant or condition on the part of the seller under any loan or its related security (and, for the purposes of this warranty, any overpayment which is the subject of clause 7.2 of the mortgage sale agreement shall not be treated as such a material non-observance, non-compliance or breach).
23. The seller has not exercised its right under:
  - (A) condition 13.6 of the Flexible Plus Mortgage Conditions 2003 (edition) to adjust the tracking differential in relation to any of the flexible plus loans governed by the Flexible Plus Mortgage Conditions 2003 (edition); or
  - (B) condition 13.6 of the Flexible Plus Mortgage Conditions 2006 (edition) to adjust the tracking differential in relation to any of the flexible plus loans governed by the Flexible Plus Mortgage Conditions 2006 (edition),

without having obtained, prior to the exercise of such right, an external legal opinion confirming that, having reviewed the relevant product literature and mortgage Terms, the exercise of such right would not be unfair for the purposes of the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999 as amended or (as the case may be) the Consumer Rights Act 2015.

24. Each loan is of a type described in paragraph 2(g)(i) of Article 13 (*Level 2B securitisations*) in the European Commission adopted text of the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing Regulation (EU) 575/2013 of the European Parliament and the Council with regard to the liquidity coverage requirement for Credit Institutions (or, if different, the equivalent provisions in such approved version of such Commission Delegated Regulation) and/or in accordance with any official guidance issued in relation thereto.
25. So far as the seller is aware, having made all reasonable enquiries, no loan is a loan to a borrower who is (i) a “credit-impaired obligor” as described in Article 13(2)(j) of the LCR Regulation or paragraph 2(k) of Article 177 of the Solvency II Regulation (or, in each case, if different, the equivalent provisions in any such enacted version of such Commission Delegated Regulation) or (ii) a “credit-impaired debtor” as described in Article 20(11) of the Securitisation Regulation, and, in each case, in accordance with any official guidance issued in relation thereto.
26. No loan has an indexed LTV higher than 100% as at the relevant sale date (or such other maximum LTV as may be specified from time to time for the purposes of Article 243 of the Capital Requirements Regulation).
27. Each loan has a standardised risk weight equal to or smaller than 40% on an exposure value-weighted average basis for the portfolio as at the relevant sale date, as such terms are described in Article 243 of the Capital Requirements Regulation.
28. No loan or related security consists of “stock” or “marketable securities” (in either case for the purposes of Section 122 of the Stamp Act 1891), “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 Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 or Section 4 of the Land and Buildings Transaction Tax (Scotland) Act 2013.
29. No loan is made to a borrower in connection with the purchase by such borrower of properties under a right-to-buy scheme governed by the Housing Act 1985 (as amended by the Housing Act 2004) or (as applicable) the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001).
30. No loan is made to a Borrower for the purpose of financing construction of the relevant property.
31. The whole of the outstanding principal balance on each loan and any arrears of interest and all accrued interest is secured by a mortgage.
32. Each mortgage is in the form of the pro forma contained in the standard documentation which was applicable at the time the Mortgage was executed.
33. Each mortgage constitutes a valid and subsisting first charge by way of legal mortgage or first ranking standard security over the relevant property (except in the case of some flexible loans in respect of which the mortgage may constitute valid and subsisting first and second charges by way of legal mortgage or first and second ranking standard securities over the relevant property) subject only in certain appropriate cases to applications for registrations or recordings at the Land Registry or the Registers of Scotland which where requisite have been made and 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 or recording.
34. Each mortgage (or, in the case of some flexible loans, each first and second mortgage together) has first priority for the whole of the outstanding principal balance on the loan and all arrears of interest and accrued interest thereon and all future interest, fees, costs and expenses payable under or in respect of such mortgage.
35. None of the mortgages secures a loan made to a tenant to purchase a dwelling pursuant to the Housing Act 1985 or the Housing (Scotland) Act 1987 or any subsequent applicable right-to-buy legislation.

36. Each loan and its related security is, save in relation to any loan and its related security which is not binding by virtue of the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999 or (as the case may be) the Consumer Rights Act 2015, valid and binding and enforceable in accordance with its terms, is non-cancellable and complies in all respects with the laws of the jurisdiction governing it, to the extent that failure to comply would have a material adverse effect on its enforceability or collectability. To the best of the seller's knowledge, none of the terms of any loans or of their related security is not binding by virtue of its being unfair pursuant to the Unfair Terms in Consumer Contracts Regulations 1994, the Unfair Terms in Consumer Contracts Regulations 1999 or (as the case may be) the Consumer Rights Act 2015, or is cancellable by virtue of the Financial Services (Distance Marketing) Regulations 2004. In this warranty, references to any legislation shall be construed as a reference to that legislation as amended, extended or re-enacted from time to time.
37. Each of the mortgages over Registered Land is protected by a restriction prohibiting any dealings in the relevant title without the consent of the seller unless the seller is prevented by any change in legislation or the decision of any competent court, authority or regulatory body applicable to mortgage lenders (or a class of them) generally from imposing such a restriction.
38. All of the properties are in England, Wales or Scotland.
39. Each property constitutes a separate dwelling unit and is either freehold, heritable or leasehold.
40. Every person who, at the date upon which an English mortgage was granted, had attained the age of eighteen and was or was about to be in actual occupation of the relevant property, is either named as a borrower or has signed a deed of consent in the form of the pro forma contained in the standard documentation. At the date upon which any Scottish mortgage was granted, all necessary MH/CP Documentation had been obtained so as to ensure that neither that Scottish mortgage nor the related property is subject to or affected by any statutory right of occupancy (save that in relation to any Scottish mortgage originated on or after 5 December 2005, no warranty is given as to whether such MH/CP Documentation has been obtained with respect to the Civil Partnership Act 2004).
41. No property has been let otherwise than by way of:
  - (A) an assured shorthold tenancy which meets the requirements of section 19A or section 20 of the Housing Act 1988;
  - (B) an assured tenancy;
  - (C) a short assured tenancy which meets the requirements of section 32 of the Housing (Scotland) Act 1988; or
  - (D) a private residential tenancy,in each case which meets the seller's policy in connection with lettings to non-owners.
42. No property is the subject of a shared ownership lease arrangement or staircase purchasing arrangement.
43. Not more than six months (or such longer period as may be acceptable to a reasonable, prudent mortgage lender) prior to the grant of each mortgage (excluding any mortgage granted in relation to a flexible loan as a result of such loan being the subject matter of a product switch to that flexible loan) the seller received a valuation report on the relevant property (or such other form of report concerning the valuation of the relevant property as would be acceptable to a reasonable, prudent mortgage lender), the contents of which were such as would be acceptable to a reasonable, prudent mortgage lender.
44. The principal amount of the initial advance advanced to then existing borrowers of the seller (including any retention(s) subsequently advanced to the borrower but disregarding capitalised expenses) is not more than 95 per cent. of the lower of the purchase price and the appraised value.

45. Prior to the taking of each mortgage (excluding any mortgage granted in relation to a flexible loan as a result of such loan being the subject matter of a product switch to that flexible loan), the seller:
- (i) instructed the seller's solicitor or licensed or qualified conveyancer:
    - (A) to carry out an investigation of title to the relevant property and to undertake such other searches, investigations, enquiries and other actions on behalf of the seller as are set out in the General Instructions to Solicitors or the Lenders' Handbook contained in the standard documentation (or other comparable or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would be acceptable to a reasonable, prudent mortgage lender; or
    - (B) in the case of a re-mortgage to carry out a more limited form of investigation of title for the relevant property (including, in the case of registered land confirming that the borrower is the registered proprietor of the property and that the description of the property corresponds with the entries on the relevant register at the Land Registry or the Registers of Scotland) and to confirm all other matters as would be required by a reasonable, prudent mortgage lender; and
  - (ii) received a certificate of title from the solicitor or licensed or qualified conveyancer referred to in paragraph 45(i) relating to such property the contents of which were such as would be acceptable to a reasonable, prudent mortgage lender.
  - (iii) The benefit of all valuation reports, any other valuation report referred to in paragraph (ii), and certificates of title can be validly assigned to the mortgages trustee without obtaining the consent of the relevant valuer, insurer, solicitor or licensed or qualified conveyancer.
46. Each solicitor or licensed or qualified conveyancer has complied with the instructions referred to in paragraph 45(i).
47. Insurance cover for each property is or will at all relevant times be available under:
- (i) a policy arranged by the borrower in accordance with the relevant mortgage conditions or in accordance with the alternative insurance recommendations; or
  - (ii) Santander UK plc policies or a policy introduced to the borrower by the seller; or
  - (iii) a policy arranged by the relevant landlord.
48. The seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold by the seller to the mortgages trustee pursuant to the mortgage sale agreement free and clear of all mortgages, standard securities, charges, liens, overriding interests, encumbrances, claims and equities (including, without limitation, rights of set-off or counterclaim and unregistered interests which override first registration and a registered disposition within the meaning of Schedules 1 and 3 to the Land Registration Act 2002) and the seller is not in breach of any covenant, undertaking or obligation implied by reason of its selling the portfolio with full title guarantee or absolute warrandice (or which would be implied if the registered transfers or unregistered transfers or Scottish transfers, as applicable, were completed).
49. All steps necessary to perfect the seller's title to the loans and the related security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.
50. Save for title deeds (if any) held at the Land Registry or the Registers of Scotland, the title deeds and the customer 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 seller's solicitors to the order of the seller,

and the title deeds (if any) held at the Land Registry or the Registers of Scotland have been sent to it with a request that any such title deeds will be returned to the seller or its solicitors on its behalf.

51. Neither the entry by the seller into the mortgage sale agreement nor any transfer, assignment or assignation contemplated by the mortgage sale agreement affects or will adversely affect any of the loans and their related security and the seller may freely assign and enter into trust arrangements in respect of its right, title, interest and benefit therein without breaching any term or condition applying to any of them. All approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the transaction documents away from the seller have been obtained or taken and there is 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 security and such transfer or disposal shall not give rise to any claim by the borrower against the mortgages trustee, the security trustee or any of their successors in title, assigns or assignees.
52. The seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a loan or mortgage, other than waivers and acquiescence such as a reasonable, prudent mortgage lender might make.
53. The seller has, since the making of each loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such loan.
54. Neither the seller nor any of its agents has received written notice of any litigation or dispute (subsisting, threatened or pending) in respect of any borrower, property, loan, related security or properties in possession cover which might have a material adverse effect on the trust property or any part of it.
55. The seller has received from each borrower a variable direct debit instruction in favour of the seller signed by the relevant borrower and addressed to its bank, variable as to the amount payable by such borrower by unilateral notice given from time to time by the seller to such borrower's bank without further instruction or consent from such borrower or such other method of payment as may be acceptable to a reasonable, prudent mortgage lender.
56. There are no authorisations, approvals, licences or consents required as appropriate for the seller to enter into or to perform the obligations under the mortgage sale agreement or to render the mortgage sale agreement legal, valid, binding, enforceable and admissible in evidence.
57. To the extent that any loan constitutes a regulated mortgage contract for the purposes of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, the Seller has materially complied with its obligations under the FSMA (including, without limitation, MCOB) in connection with the origination and administration of such loan and has not received written notice of any allegation or claim that any of its obligations under the FSMA in connection with the origination and administration of any Loan have not been made in full.
58. The seller and servicer have and will maintain all necessary consents, authorisations, approvals, licences and orders, including without limitation all necessary authorisations under the FSMA, to originate and administer the loans.
59. In respect of each loan and its related security, (i) where there is any restriction on the assignment, assignation or transfer of any loan or related security relating to the advance of monies other than the loan or any further advance secured by the Related Security, no such monies have been advanced to the relevant borrower since the date of completion of such loan.

If new loan types are to be sold to the mortgages trustee, then the representations and warranties in the mortgage sale agreement will be modified as required to accommodate these new loan types. Your prior consent to the requisite amendments will not be sought, provided that the conditions for the sale of new loan types to the mortgages trustee have been satisfied.

### **Mandatory repurchase of loans under a mortgage account**

Save with respect to product switches and further advances (as to which see “**Product switches and further advances**” below), under the mortgage sale agreement, if a loan does not materially comply on the sale date with the representations and warranties made under the mortgage sale agreement:

- (i) the seller will be required to remedy the breach within 20 London business days of the mortgages trustee (acting on the directions of Funding 1 and any further Funding company and/or the Funding 1 security trustee and any further Funding security trustee) giving written notice of the breach to the seller; or
- (ii) if the breach is not remedied within the 20 London business day period then, at the direction of Funding 1 and any further Funding companies (with the prior written consent of the Funding 1 security trustee and any further Funding security trustees), the mortgages trustee will require the seller to purchase the loan under the relevant mortgage account and its related security from the mortgages trustee on the trust calculation date immediately following the date of such notice at a price equal to its current balance as of the immediately following trust calculation date.

For so long as the seller is the servicer, it must notify the mortgages trustee, Funding 1, any further Funding companies, the Funding 1 security trustee and any further Funding security trustees in writing of any material breach of a warranty as soon as its board of directors become aware of such breach.

The seller is also required to repurchase the loan or loans under any mortgage account and their related security if any of the following events occurs:

- (a) if a court, tribunal or any ombudsman makes any determination in respect of any loan and its related security that:
  - (i) any material term which relates to the recovery of interest under the standard documentation applicable to that loan and its related security is unfair; or
  - (ii) the treatment of any borrower in relation to the interest payable by that borrower under any loan is unfair; or
  - (iii) the interest payable under any loan is to be set by reference to the seller's variable rate for that particular type of Loan (and not a rate set by the seller's successors or assigns or those deriving title from them); or
  - (iv) the variable margin above the Bank of England base rate under any other loan must be set by the seller (rather than by its successors or assigns or those deriving title from them); or
  - (v) the interest payable under any loan is to be set by reference to an interest rate other than that set or purported to be set by either the servicer or the mortgages trustee as a result of the seller having more than one variable mortgage rate; or
  - (vi) a borrower should be or should have been offered the opportunity to switch to an interest rate other than that required by the servicer or the mortgages trustee for that borrower as a result of the seller having more than one variable rate; or
  - (vii) there has been a breach of or non-observance or non-compliance with any obligation, undertaking, covenant or condition on the part of the seller relating to the interest payable by or available to a borrower under any loan;
- (b) in the case of a product switch or a further advance, in the circumstances described under “**Product switches and further advances**” below;
- (c) if a portable loan is transferred at the same interest rate and subject to all the existing terms and conditions to a new property during any applicable discount rate period, fixed rate period or premium rate period. The seller will repurchase the portable loan under the relevant mortgage account and its related security from the mortgages trustee at a price equal to its current balance as of the London business day immediately following the date that such portable loan is transferred to the new property;

- (d) if the seller delivers an excluded further advance notice to the mortgages trustee requiring the seller to repurchase all loans subject of a further advance made on or after the date of such excluded further advance notice and prior to the date of any notice revoking such excluded further advance;
- (e) if the seller delivers an excluded product switch notice to the mortgages trustee requiring the seller to repurchase all loans subject of a product switch made on or after the date of such excluded product switch notice and prior to the date of any notice revoking such excluded product switch notice;
- (f) if the principal amount outstanding of the loan is in excess of £750,000. The seller will repurchase such a loan at a price equal to its current balance as of the relevant trust calculation date;
- (g) if the seller accepts an application from, or makes an offer (which is accepted) to, a borrower for a product switch or a further advance (other than an excluded product switch or an excluded further advance) the effect of which is to extend the final maturity date of the relevant loan beyond the maximum loan maturity date; and
- (h) if the seller fails to pay the consideration due for the repurchase (or otherwise fails to complete the repurchase), then (under the terms of the mortgages trust deed) the seller share of the trust property shall be deemed to be reduced by an amount equal to that consideration.

### **Optional repurchase of loans under a mortgage account**

The seller may from time to time, at its option, request the mortgages trustee to sell to it a loan comprised in the trust property and its related security if any of the following events occur:

- (a) if a mandatory repurchase event described above occurs with respect to a loan, where the mortgages trustee has not yet delivered a loan repurchase notice in respect of such loan and the seller instead elects to deliver a loan repurchase notice in respect of such loan;
- (b) if such loans are in arrears (where **in arrears** means in respect of such optional repurchase right only that, in respect of a loan, on any date, two or more monthly payments in respect of such loan have become due and remain unpaid by the relevant borrower);
- (c) if any loan is not compliant with Article 13 (*Level 2B securitisations*) of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing Regulation (EU) 575/2013 with regard to the liquidity coverage requirement for Credit Institutions (the **LCR Regulation**), or Article 177 of Commission Delegated Regulation (EU) No 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of business of Insurance and Reinsurance (the **Solvency II Regulation**), or the Securitisation Regulation or Article 19, 20, 21 or 22 of the Securitisation Regulation and/or in accordance with any official guidance issued in relation thereto (each a **non-compliant loan**), provided that the seller has certified to the security trustee that a repurchase of the non-compliant loan is necessary in order to comply with the requirements of paragraph 2(g)(i) of Article 13 (*Level 2B securitisations*) of the LCR Regulation (or, if different, the equivalent provisions in the approved version of the LCR Regulation) or Article 177 of the Solvency II Regulation or the Securitisation Regulation or Article 19, 20, 21 or 22 of the Securitisation Regulation; and
- (d) if the borrower has expressed a clear intention to redeem a loan in full and has made a repayment of such loan in an amount in excess of the scheduled principal repayment then due under such loan but an amount still remains outstanding under such loan, and the seller delivers an outstanding balance notice substantially in the form set out in schedule 16 (*Outstanding Balance Notice*) to the Mortgage Sale Agreement to the mortgages trustee.

### **No active portfolio management**

The seller's rights and obligations to sell loans and their related security to the mortgages trustee, and/or repurchase loans and their related security from the mortgages trustee pursuant to the mortgage sale agreement, including without limitation repurchases of loans which did not materially comply with the representations and warranties made under the mortgage sale agreement, loans in arrears and non-

compliant LCR or Securitisation Regulation loans, do not constitute active portfolio management for the purposes of Article 20(7) of the Securitisation Regulation.

### **Product switches and further advances**

A loan will be subject to a **product switch** if the borrower and the seller agree or the servicer (on behalf of the seller) offers a variation in the financial terms and conditions applicable to the relevant loan other than any variation:

- agreed with a borrower to control or manage arrears on the loan;
- of the maturity date of the loan unless, while the intercompany loan is outstanding, it is extended beyond the maximum loan maturity date;
- imposed by statute (excluding any variation or arrangement agreed with a borrower made pursuant to the Homeowner Mortgage Support Scheme as set out by HM Treasury in a press notice on 10 December 2008 and as set out in further detail by the Department for Communities and Local Government in a press notice on 21 April 2009 or a comparable scheme operated by the seller);
- of the rate of interest payable in respect of the loan where that rate is offered to the borrowers of more than 10 per cent. by current balance of loans in the trust property as calculated on the next trust calculation date as at the end of the immediately preceding trust calculation period (except where such variation would cause the yield of the loans comprising the trust property to be less than the minimum yield (after taking into account the average yield on the loans which are variable rate loans, base rate loans and fixed rate loans and the margins on the Funding 1 swap(s) (and the relevant swaps of any further Funding companies, where applicable))); and/or
- in the frequency with which the interest payable in respect of the loan is charged.

A **permitted product switch** is a variation in the financial terms and conditions of a loan in which a borrower exchanges his or her then current loan product for a different loan product offered by the seller, provided that:

- the relevant borrower has made at least one monthly payment on his or her then current loan product;
- the new loan for which the prior loan is to be exchanged is a permitted replacement loan;
- each of the conditions for the assignment of new loans and their related security (other than conditions (e) and (h)) as set forth under “– **Conditions for sale of initial loans and new loans**” above are satisfied, provided that conditions (i), (j) and (l) in that section will only be required to have been satisfied on the date of the most recent assignment of loans to the mortgages trustee;
- the interest-only mortgages level test is satisfied, such test being satisfied if, as calculated on the most recent trust calculation date:  $A/B \times 100 \leq C$

where

A = the current balance of all interest-only loans (which, for the avoidance of doubt, includes interest-only components of combination repayment and interest-only loans) comprised in the trust property as at the relevant trust calculation date; B = the current balance of all loans comprised in the trust property as at the relevant trust calculation date; and C = the number specified in the most recent final terms; and

the product switch is not a variation or arrangement agreed with a borrower made pursuant to the Homeowner Mortgage Support Scheme (or a comparable scheme operated by the seller).

A **permitted replacement loan** is a loan:

- that is subject to either a fixed rate, a variable rate or a base rate-linked rate of interest;
- that has a maturity date prior to the maximum loan maturity date; and

- to which the repurchase obligations of the seller set forth under “– **Mandatory Repurchase Of Loans Under A Mortgage Account**” above shall not apply.

A mortgage will be subject to a further advance if, following a request from the borrower and the servicer (on behalf of the seller) agreeing to it, a further amount is lent to the borrower under the mortgage.

If the servicer (on behalf of the seller) agrees to any request regarding a product switch or further advance and if the loan which is the subject of the product switch or further advance is in the portfolio at such time, the seller pursuant to the terms of the mortgage sale agreement will agree that the loan will:

- as at the date of such product switch or further advance, materially comply with the representations and warranties set out in the mortgage sale agreement which are described earlier in this section under “**Representations and warranties**”; and
- as of the next following trust calculation date, comply with each of the relevant conditions set forth below under “**Conditions for product switches and further advances**”.

If the loan, following such product switch or further advance, does not comply as required above, the seller will be required to repurchase such loan under the relevant mortgage account and its related security from the mortgages trustee at a price equal to its current balance on the date of such product switch or further advance being made.

In addition, the seller is entitled to (but is not obliged to) repurchase loans that are the subject of further advances and their related security from the mortgages trustee at a price equal to their current balance on the date of such further advances being made.

It should be noted that, whilst the obligation on the seller to repurchase (a) loans which do not comply with the relevant eligibility criteria or materially with the representations and warranties or (b) loans that are the subject of further advances that the seller has decided to repurchase, is daily, reconciliation of the transfer of the related security will not occur until the next following trust calculation date. The mortgages trustee covenants in the mortgage sale agreement that it shall not deal with the related security corresponding to such loans other than on the instructions of the seller (acting through the servicer) during the period between such loan being repurchased by the seller and the legal requirements for the retransfer of the beneficial interest in its related security being completed on the next following trust calculation date.

The seller will be solely responsible for funding a further advance and the seller share of the trust property will increase by an amount equal to the advance made to the borrower. Neither the mortgages trustee nor Funding 1, nor any further Funding company if established, may themselves advance funds to the seller and/or the borrower for the purposes of funding a further advance in any circumstances.

### ***Conditions for product switches and further advances***

In order for any loan which has been the subject of a product switch or a further advance to remain in the mortgages trust, the following conditions (which may be varied or waived by the mortgages trustee (subject to the prior notification by the rating agencies that the then current ratings of any rated notes (and any new rated notes, where applicable) will not be downgraded, withdrawn or qualified as a result of such variation or waiver (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time))) must be complied with as of the trust calculation date immediately following the product switch or the making of the further advance:

- (a) no event of default under the transaction documents (or event of default under the transaction documents of any further Funding company, where applicable) shall have occurred which is continuing or unwaived as at the relevant trust calculation date;
- (b) as at the relevant trust calculation date, the aggregate current balance of loans comprising the trust property, in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due, is less than 4 per cent. of the aggregate current balance of the loans comprising the trust property at that date or such other percentage as the rating agencies confirm is sufficient in order that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding are not downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time);
- (c) the aggregate of amounts in arrears in respect of the loans comprised in the mortgages trust, as a percentage of the gross interest due on all loans comprised in the mortgages trust

during the immediately preceding 12 months, does not exceed 2 per cent. (or such other percentage that the rating agencies confirm is sufficient in order that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding are not downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time));

- (d) as at the relevant trust calculation date, the adjusted general reserve fund level is equal to or greater than the general reserve required amount (and the equivalent condition is met in relation to each further Funding company, where applicable);
- (e) the mortgages trustee is not aware that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding would be downgraded, withdrawn or qualified as a result of the relevant product switch and/or further advance remaining in the mortgages trust;
- (f) each loan and its related security which is the subject of a product switch and/or a further advance materially complies at the date of such product switch and/or further advance with the representations and warranties set out in the mortgage sale agreement, which are described earlier in this section in “– **Representations and warranties**”;
- (g) as a result of the relevant product switch and/or further advance remaining in the mortgages trust, on the relevant trust calculation date, the product of the WAFF and WALs, each as calculated in accordance with Standard & Poor's methodology, for the loans comprising the trust property after such product switch and/or further advance calculated on such trust calculation date (in the same way as for the initial loans comprising the mortgages trust as at the initial closing date (or as agreed by the servicer and the rating agencies from time to time)) will not exceed the product of the WAFF and WALs for the loans comprising the trust property calculated on the most recent closing date, plus 0.25 per cent.;
- (h) the yield of the loans in the trust property on the relevant trust calculation date is at least equal to the minimum yield, after taking into account the average yield on the loans which are variable rate loans, base rate loans and fixed rate loans and the margins on the relevant Funding 1 swap(s) (and any relevant swap agreements of each further Funding company, where applicable), in each case as at the relevant trust calculation date;
- (i) if the making of a product switch and/or further advance would result in a new loan type being included in the mortgages trust, then the Funding 1 security trustee (and any further Funding security trustee, where applicable) has previously received written confirmation from the rating agencies that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of the loans which were subject to a product switch and/or further advance remaining in the trust property (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time);
- (j) the Funding 1 swap agreements (and any swap agreement of each further Funding company, where applicable) have been modified if and as required (and, if appropriate, Funding 1 has entered into a new Funding 1 swap agreement or each further Funding company has entered into any new swap agreements) to hedge against the interest rates payable in respect of such product switches and/or further advances and the floating rate of interest payable on the intercompany loan;
- (k) no trigger event has occurred on or before the relevant trust calculation date; and
- (l) the product switch or further advance will not result in a breach of any of the Fitch conditions (as the same may be amended from time to time as calculated on the most recent trust calculation date).

The Fitch conditions are described earlier in this section in “**Representations and warranties**”, except that such conditions will be required to be satisfied as at the most recent trust calculation date, without reference to the particular product switch or further advance.

#### ***Excluded further advances and excluded product switches***

Notwithstanding the above, if the seller delivers an excluded further advance notice and/or an excluded product switch notice to the mortgages trustee in accordance with the mortgage sale agreement,

then the seller will repurchase all loans that are the subject of further advances and/or product switches, respectively, made from the date of that notice until the date on which the relevant notice is revoked in accordance with the terms of the mortgage sale agreement. Previously, the seller delivered an excluded product switch notice to the mortgages trustee on 7 March 2011 and an excluded further advance notice on 14 August 2013, following which loans subject to product switches and further advances, as applicable, are subject to repurchase until the relevant excluded product switch notice and/or excluded further advance notice is revoked.

### ***Repurchase of arrears mortgage loans***

The seller may from time to time request the mortgages trustee to sell to it a loan comprised in the trust property and its related security if such loan is in arrears by delivering a written notice to the mortgages trustee, Funding 1, the servicer and the Funding 1 security trustee identifying the loans to be repurchased pursuant to the terms of the mortgage sale agreement. Within two business days of receipt of such notice, the mortgages trustee shall sign the acknowledgment to the repurchase notice thereby agreeing to reassign or retransfer to the seller, free from the security interests created by the Funding 1 deed of charge and any supplement thereto, each relevant loan and their related security. On completion of such repurchase the seller shall pay to the mortgages trustee GIC account (or as the mortgages trustee shall direct) an amount equal to the aggregate current balance of such loan or loans. The amount of loans in arrears repurchased pursuant to the terms of the mortgage sale agreement shall be notified to the servicer for inclusion in the monthly investor report.

The expression “in arrears” for the purposes of the repurchase of arrears mortgage loans means, in respect of a loan, on any date that two or more monthly payments in respect of such loan have become due and remain unpaid by the relevant borrower.

### ***Transfer of legal title to the mortgages trustee***

Each sale of English loans and their respective related security to the mortgages trustee has been or will be made by way of equitable assignment. Each sale of Scottish loans and their related security to the mortgages trustee has been or will be made by way of Scottish declarations of trust under which the beneficial interest in such Scottish loans has been or will be transferred to the mortgages trustee (and in relation to Scottish loans, references in this base prospectus to the assignment of loans are in the context of an equitable assignment to read as references to the making of such declarations of trust). Legal assignment or assignation of the loans and their related security (including, where appropriate, their registration or recording in the relevant property register) to the mortgages trustee will be deferred and will only take place, if at all, in the limited circumstances described below. See also “**Risk Factors – There may be risks associated with the fact that the mortgages trustee has no legal title to the mortgages, which may adversely affect payments on the notes**” above.

Legal assignment or assignation of the loans and their related security to the mortgages trustee will be completed within 20 London business days of receipt of written notice from the mortgages trustee (as directed by Funding 1 and any further Funding companies and/or the Funding 1 security trustee and any further Funding security trustee) requesting that the seller take such actions. The mortgages trustee, Funding 1, the Funding 1 security trustee, any further Funding company and any further Funding security trustee will each undertake that they will not make such a request unless any of the following events occur:

- (a) the service of an intercompany loan acceleration notice in relation to the intercompany loan or a note acceleration notice in relation to the notes (or equivalent events in relation to any new intercompany loans or new notes, where applicable);
- (b) the seller being required to perfect the mortgages trustee's legal title to the mortgages, by an order of a court of competent jurisdiction, or by a regulatory authority to which the seller is subject or any organisation whose members comprise, but are not necessarily limited to, mortgage lenders with whose instructions it is customary for the seller to comply;
- (c) it becoming necessary by law to take actions to perfect legal title to the mortgages;
- (d) the Funding 1 security (or the security granted to any further Funding security trustee, where applicable) or any material part of such security being, in the reasonable opinion of the Funding 1 security trustee (or such further Funding security trustee, where applicable) in jeopardy and the Funding 1 security trustee (or such further Funding security trustee, where applicable) deciding to take action to reduce materially that jeopardy;

- (e) the termination of the seller's role as servicer under the servicing agreement unless the rating agencies provide confirmation that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of such termination (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time);
- (f) the seller requesting perfection by serving notice on the mortgages trustee, Funding 1, the Funding 1 security trustee, any further Funding companies and any further Funding security trustees;
- (g) the occurrence of an insolvency event in relation to the seller;
- (h) the latest final repayment date of the outstanding loan tranches under the intercompany loan (and any outstanding new loan tranches under any new intercompany loans, where applicable);
- (i) the seller ceasing to have a long-term, unsecured, unsubordinated and unguaranteed credit rating by Standard & Poor's of at least BBB- or a long-term IDR by Fitch of at least BBB-; and
- (j) the seller is in breach of its obligations under the mortgage sale agreement, but only if: (i) such breach, where capable of remedy, is not remedied to the reasonable satisfaction of Funding 1 and each further Funding company (acting in accordance with the controlling beneficiary deed) within 90 calendar days; and (ii) any of Fitch, Moody's and S&P has confirmed that the then current ratings of the then rated notes will be withdrawn, downgraded or qualified as a result of such breach, PROVIDED THAT: (1) this provision shall not apply if the seller has delivered a certificate to the mortgages trustee, any funding company and/or any Funding security trustee, as applicable, that the occurrence of such event does not impact the designation as a 'simple, transparent and standardised' securitisation (within the meaning of the Securitisation Regulation) in respect of any series or class of notes then outstanding which are intended to satisfy the STS requirements; and (2) this provision shall be subject to such amendment as the seller may require so long as the seller delivers a certificate to the mortgages trustee, any funding company and/or any Funding security trustee, as applicable, that the amendment of such event does not impact the designation as a 'simple, transparent and standardised' securitisation (within the meaning of the Securitisation Regulation) in respect of any series or class of notes then outstanding which are intended to satisfy the STS requirements.

Pending completion of the transfer, the right of the mortgages trustee to exercise the powers of the legal owner of the mortgages is secured and supported by (in the case of all loans and their related security) an irrevocable power of attorney granted by the seller in favour of the mortgages trustee, Funding 1, the Funding 1 security trustee, any further Funding company and any further Funding security trustee and a further irrevocable power of attorney granted by the seller to Santander UK, the mortgages trustee, Funding 1, the Funding 1 security trustee, any further Funding company and any further Funding security trustee.

If the seller ceases to have a long-term, unsecured, unsubordinated and unguaranteed credit rating by Moody's of at least Baa3, or ceases to have a short-term, unsecured, unsubordinated and unguaranteed credit rating by Standard & Poor's of at least A-2 or ceases to have a long-term IDR by Fitch of at least BBB- (or such other ratings as may be acceptable to the rating agencies from time to time), the seller will be obliged to give notice only of the transfer of the equitable and beneficial interest in the loans to the borrowers but will not be required to complete any other steps necessary to perfect legal title to the loans in favour of the mortgages trustee, except in the case of the seller ceasing to have a long-term IDR by Fitch of at least BBB- as provided above.

The title deeds (to the extent retained by the seller) and customer files relating to the loans are currently held by or to the order of the seller or by solicitors or licensed conveyancers or (in Scotland) qualified conveyancers acting for the seller in connection with the creation of the loans and their related security. The seller has undertaken that, as of the initial closing date, all the title deeds (to the extent retained by the seller) and customer files relating to the loans in the portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the mortgages trustee.

#### ***Reasonable, prudent mortgage lender***

Reference in the documents to the seller and/or the servicer acting to the standard of a **reasonable, prudent mortgage lender** means the seller and/or the servicer, as applicable, acting in accordance with the

standards of a reasonably prudent residential mortgage lender lending to borrowers in England, Wales and Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital.

### **Governing law**

The mortgage sale agreement and any non-contractual obligations arising out of or in connection with it are governed by English law (other than certain aspects relating to the Scottish loans and their related security, which are governed by Scots law). The Scottish declarations of trust are and will be governed by Scots law.

### **The intercompany loan agreement**

On or about the initial closing date, the issuer, Funding 1, the issuer security trustee, the Funding 1 security trustee and the agent bank entered into an intercompany loan agreement. The rights of Funding 1 in respect of the intercompany loan agreement were assigned by way of security (and, to the extent not assignable, charged) to the Funding 1 security trustee under the Funding 1 deed of charge. The rights of the issuer in respect of the intercompany loan agreement were assigned by way of security (and, to the extent not assignable, charged) to the issuer security trustee under the issuer deed of charge.

### **The facility**

Pursuant to the terms of the intercompany loan agreement, the issuer will lend to Funding 1 from time to time on the relevant closing date for each series and class of notes an aggregate amount in sterling equal to the proceeds of issue of such notes. Each such advance of funds will be a separate loan tranche under the intercompany loan agreement. Each loan tranche will relate to a particular series and/or class of notes. The loan tranche supplement to the intercompany loan agreement will contain the terms of each loan tranche. Funding 1 will use the proceeds of each loan tranche to:

- (a) make an initial contribution to the mortgages trustee (which the mortgages trustee will use to pay the seller part of the consideration for loans (together with their related security) sold to the mortgages trustee in connection with the issuance of notes by the issuer, which will result in a corresponding increase in Funding 1's share of the trust property); or
- (b) make a further contribution to the mortgages trustee (which the mortgages trustee will pay to a further Funding company (a **refinancing distribution**) or the seller (a **special distribution**)), as the case may be, which will result in a corresponding decrease of such further Funding company's or the seller's share of the trust property, as the case may be, and a corresponding increase in Funding 1's share of the trust property); or
- (c) fund or replenish the general reserve fund; or
- (d) refinance an existing loan tranche or a new loan tranche (if any) made available to Funding 1.

The NR VFN loan tranche may only be used by Funding 1 for the purposes set out in paragraphs (b) and (d) above.

### **Ratings designations of the loan tranches**

The designated loan tranche ratings of the loan tranches will be set out in the applicable loan tranche supplement. The designated loan tranche ratings of the AAA loan tranches will reflect the ratings expected to be assigned to any corresponding class A notes by the rating agencies on the relevant closing date except that money market notes will have different short-term ratings. The designated loan tranche ratings of the AA loan tranches will reflect the ratings expected to be assigned to any corresponding class B notes by the rating agencies on the relevant closing date. The designated loan tranche ratings of the A loan tranches will reflect the ratings expected to be assigned to any corresponding class M notes by the rating agencies on the relevant closing date. The designated loan tranche ratings of the BBB loan tranches will reflect the ratings expected to be assigned to any corresponding class C notes by the rating agencies on the relevant closing date. The designated loan tranche ratings of the BB loan tranches will reflect the ratings expected to be assigned to any corresponding class D notes by the rating agencies on the relevant closing date. The designated loan tranche ratings of the NR loan tranches reflect the fact that no ratings will be assigned to any corresponding class Z notes by the rating agencies on the relevant closing date. The foregoing ratings assigned to a loan tranche are collectively referred to as the **loan tranche ratings**. If, after any closing date, the rating agencies change the rating assigned to a series and class of rated notes, this will not affect the loan tranche ratings of the related loan tranche under the intercompany loan agreement.

### **Issuance of loan tranches**

The issuer may advance loan tranches to Funding 1 and issue corresponding series and classes of notes from time to time without obtaining the consent of existing noteholders. The issuer will not be obliged to advance loan tranches to Funding 1 unless on the applicable closing date certain conditions have been met, including:

- that the related series and class of notes have (or, in the case of an NR VFN loan tranche, the related class Z variable funding note has) been issued and the proceeds have been received by or on behalf of the issuer;
- that Funding 1 has delivered a certificate to the issuer and the issuer security trustee certifying that it is solvent;
- that each of the applicable transaction documents has been duly executed by the relevant parties to it;
- except in the case of an NR VFN loan tranche, one or more deeds of accession relating to the Funding 1 deed of charge have been executed by or on behalf of the parties to the Funding 1 deed of charge; and
- except in the case of an NR VFN loan tranche, one or more deeds of accession relating to the issuer deed of charge have been executed by or on behalf of the parties to the issuer deed of charge.

### **Representations and covenants**

Funding 1 makes several representations to the issuer in the intercompany loan agreement including representations that Funding 1 has been duly incorporated and that it has the requisite corporate power and authority to enter into the transaction documents to which it is a party.

In addition, Funding 1 agrees that:

- it will not create or permit to subsist any encumbrance, unless arising by operation of law, or other security interest over any of its assets other than pursuant to the transaction documents;
- it will not carry on any business or engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the transaction documents provide or envisage that Funding 1 will engage;
- it will not have any subsidiaries, any subsidiary undertakings, both as defined in the Companies Act 2006 as amended, or any employees or premises;
- it will not transfer, sell, lend, part with or otherwise dispose of all or any of its assets, properties or undertakings or any interest, estate, right, title or benefit therein other than as contemplated in the transaction documents;
- it will not pay any dividend or make any other distribution to its shareholders, other than in accordance with the Funding 1 deed of charge, and it will not issue any new shares;
- it will not incur any indebtedness in respect of any borrowed money or give any guarantee in respect of any indebtedness or of any obligation of any person whatsoever other than indebtedness contemplated by the transaction documents; and
- it will not enter into any amalgamation, demerger, merger or reconstruction, nor acquire any assets or business nor make any investments other than as contemplated in the transaction documents.

### **Payments of interest**

Payment of interest and fees on each loan tranche will be made only from and to the extent of distributions by the mortgages trustee of amounts constituted from revenue receipts to Funding 1 in respect of the Funding 1 share of the trust property. Such payments of interest and fees will be made on Funding 1 interest payment dates in the priorities set forth in “**Cashflows**” below.

The interest rates applicable to the loan tranches from time to time will be determined by reference to LIBOR for three-month sterling deposits or, for some loan tranches, such other sterling LIBOR rate as may be specified in the applicable loan tranche supplement (other than, in each case, in respect of the first interest period) or a compounded daily SONIA rate, plus or minus, in each case, a margin which may differ for each separate loan tranche. The Funding 1 interest payment dates and the corresponding interest periods applicable to loan tranches will be quarterly for so long as the notes (other than the monthly payment notes) issued by the issuer have quarterly interest payment dates corresponding to the quarterly interest payment dates of the notes (other than the monthly payment notes) issued on the initial closing date. Thereafter, the Funding 1 interest payment dates and the corresponding interest periods will be monthly, although the interest rates applicable to the loan tranches will only be re-set quarterly on the Funding 1 interest payment date corresponding with the interest payment date on the corresponding series and class of the notes. The issuer will be required to hold any such monthly interest payments in the issuer GIC account to be held with the issuer account bank to be established by the issuer in such circumstances until the next interest payment date in respect of the corresponding class of notes. The loan tranche supplement for each loan tranche and the accompanying final terms sets out details relating to the Funding 1 interest payment dates and payment of interest on the loan tranches related to the corresponding series and class of notes issued.

Notwithstanding the foregoing, following the occurrence of a pass-through trigger event the interest rate applicable to the relevant loan tranche will be determined by reference to LIBOR for one-month sterling deposits or a compounded daily SONIA rate plus or minus the applicable margin.

In addition, prior to enforcement of the Funding 1 security, Funding 1 will agree to pay an additional fee to the issuer on each Funding 1 interest payment date or otherwise when required. The fee on each Funding 1 interest payment date will be equal to the amount needed by the issuer to pay or provide for other amounts falling due, if any, to be paid to its creditors (other than amounts of interest and principal due on the notes and tax that can be met out of the issuer's profits) and a sum (in an amount equal to £1,250) to be retained by the issuer as profit. The fee will be paid by Funding 1 out of the Funding 1 available revenue receipts.

If, in the Funding 1 interest period immediately preceding a Funding 1 interest payment date, there has been a further advance in respect of an NR VFN loan tranche, the loan tranche interest amount for that NR VFN loan tranche will be determined as the sum of (a) the interest determined to be payable on the outstanding principal amount at the beginning of the Funding 1 interest period, plus (b) the interest determined to be payable in respect of each increase amount from the increase date. The loan tranche rate of interest payable in respect of any increase amount made on an increase date which is not a Funding 1 interest payment date will be the same as that immediately prior to the increase date (or such other rate specified in the applicable loan tranche supplement).

### ***Repayment of principal on the loan tranches***

Repayment of a loan tranche may be by way of bullet repayment, scheduled amortisation or on a pass-through basis. A loan tranche with a bullet repayment date is a loan tranche that is scheduled to be repaid in full on one Funding 1 interest payment date (a **bullet loan tranche**). A loan tranche with scheduled amortisation is a loan tranche that is scheduled to be repaid in instalments (the latest of which may be repaid prior to the final repayment date) (each a **scheduled amortisation instalment**) on one or more Funding 1 interest payment dates (a **scheduled amortisation loan tranche**). A loan tranche with pass-through repayment is a loan tranche that has no scheduled repayment date other than its final repayment date (a **pass-through loan tranche**). Loan tranches with pass-through repayment will be repaid on or after the Funding 1 interest payment date on which the loan tranches with the same series designation and a higher rating designation in respect of the series have been fully repaid.

Repayment of principal on the loan tranches will only be made from and to the extent of distributions by the mortgages trustee of amounts constituted from principal receipts to Funding 1 in respect of the Funding 1 share of the trust property.

The loan tranche supplement for each loan tranche and the accompanying final terms will set forth (i) the bullet repayment dates, (ii) the scheduled repayment dates or (iii) the final repayment date on which a pass-through loan tranche is scheduled to be paid, as applicable. Each such date will be the same as the equivalent dates for the corresponding series and class of notes.

A loan tranche (or part thereof) will become due on the earliest to occur of:

- any date specified in relation to such loan tranche in the applicable loan tranche supplement and accompanying final terms;

- the date upon which a trigger event occurs;
- the date upon which a note acceleration notice is served on the issuer under the notes;
- the date upon which an intercompany loan acceleration notice is served on Funding 1 under the Funding 1 deed of charge; and
- (unless otherwise indicated in the applicable final terms) the date upon which a step-up date, if any, occurs in relation to the relevant loan tranche as specified in the applicable loan tranche supplement and accompanying final terms,

in each case subject to the applicable Funding 1 principal priority of payments.

In each case, when a loan tranche becomes due, it shall continue to be due until it is fully repaid. If there are insufficient funds available to repay a loan tranche on a Funding 1 interest payment date upon which that loan tranche has become or remains due, then the shortfall will be repaid on subsequent Funding 1 interest payment dates from Funding 1 available principal receipts until that loan tranche is fully repaid. You should note that in certain other circumstances payments on the AA loan tranches, the A loan tranches, the BBB loan tranches, the BB loan tranches, the NR loan tranches and the Funding 1 loan will be deferred. See “**Cashflows – Distribution of Funding 1 available principal receipts**” below.

Funding 1 may, as a general matter, make a repayment of principal on a loan tranche if, following such repayment, each tier of loan tranches then outstanding retains its required amount of subordination. This general requirement is expressed in the repayment tests set out below in “**Cashflows – Distribution of Funding 1 available principal receipts**” which must be satisfied in respect of any repayment of principal on a loan tranche.

#### **Limited recourse**

Funding 1 will only be obliged to pay amounts to the issuer in respect of any loan tranche to the extent that it has funds to do so after making payments ranking in priority to amounts due on such loan tranches (including amounts due on loan tranches of a more senior ranking).

If, on or prior to the final repayment date of a loan tranche outstanding under the intercompany loan agreement, there is a shortfall between the amount of interest and/or principal due on that loan tranche and the amount available to Funding 1 to make that payment, then that shortfall shall not be due and payable to the issuer until the time (if ever) when Funding 1 has enough money available to pay the shortfall on that loan tranche (after making any other payments due that rank higher in priority to that loan tranche).

Following enforcement of the Funding 1 security and distribution of all proceeds of such enforcement in accordance with the terms of the Funding 1 deed of charge, all outstanding claims of the issuer and the Funding 1 security trustee against Funding 1 in respect of the intercompany loan will be extinguished.

#### **Funding 1 intercompany loan events of default**

The intercompany loan agreement will contain events of default (each a **Funding 1 intercompany loan event of default**), which will include, among other things, the following events:

- a default by Funding 1 for a period of five London business days in the payment of any amount payable under the intercompany loan agreement (but subject to the limited recourse provisions described in this section);
- Funding 1 does not comply in any material respect with its obligations under any of the transaction documents (other than non-payment as set out in the preceding paragraph) and that non-compliance, if capable of remedy, is not remedied promptly and in any event within 20 London business days of Funding 1 becoming aware of its non-compliance or of receipt of written notice from the Funding 1 security trustee requiring Funding 1's non-compliance to be remedied; or
- an insolvency event occurs in relation to Funding 1 or it is, or becomes, unlawful for Funding 1 to perform its obligations under any of the transaction documents.

Investors should note that, as described in “**Repayment of principal on the loan tranches**” and “**Limited recourse**” above, it will not be an event of default under the intercompany loan agreement if default is made by Funding 1 in paying amounts due under the intercompany loan agreement where Funding 1 does

not have the money available to make the relevant payment or where the repayment tests are not satisfied. The ability of the issuer to repay each series and class of notes will depend, among other things, upon payments received by the issuer from Funding 1 under the related loan tranches pursuant to the intercompany loan agreement. See **“Risk Factors – Funding 1 is not obliged to make payments on the loan tranches if it does not have enough money to do so, which could adversely affect payments on the notes”** above.

If a Funding 1 intercompany loan event of default occurs and is continuing under the intercompany loan agreement, then the Funding 1 security trustee (subject to the terms of the Funding 1 deed of charge and to the Funding 1 security trustee being indemnified and/or secured and/or pre-funded to its satisfaction) will be entitled to deliver an acceleration notice to Funding 1 stating that the Funding 1 intercompany loan event of default has occurred and directing that all loan tranches outstanding under the intercompany loan agreement become immediately due and payable and/or that all loan tranches outstanding under the intercompany loan agreement become due and payable on the demand of the Funding 1 security trustee. Upon the service of an acceleration notice the Funding 1 security trustee may enforce the security created under the Funding 1 deed of charge (subject to the terms of the Funding 1 deed of charge).

### ***New intercompany loan agreements***

New issuers may be established by Holdings for the purpose of issuing new notes to investors and using the proceeds thereof to make new intercompany loans to Funding 1 and/or further Funding companies. The issuance of such notes by any such new issuers and the making of the related new intercompany loans will only be permitted if certain conditions precedent are satisfied, including, among other things, that the ratings of the rated notes then outstanding issued by the issuer will not be reduced, withdrawn or qualified at the time of the issuance of such new notes by the new issuer. See **“Risk Factors – If Funding 1 enters into new intercompany loan agreements with new issuers, then the new loan tranches may rank ahead of the current loan tranches as to payment, and accordingly new notes may rank ahead of the notes as to payment”** and **“Risk Factors – New issuers and new start-up loan providers will share in the same security granted by Funding 1 to the issuer, and this may adversely affect payments on the notes”** above.

### ***Governing law***

The intercompany loan agreement and any non-contractual obligations arising out of or in connection with it is governed by English law.

### ***Servicing agreement***

On the initial closing date, the servicer was appointed by the mortgages trustee (on the direction of the seller and Funding 1) pursuant to the terms of the servicing agreement to administer the loans and their related security in the portfolio. The rights of Funding 1 in respect of the servicing agreement were assigned by way of security (and, to the extent not assignable, charged) to the Funding 1 security trustee under the Funding 1 deed of charge.

In the future, further Funding companies and relevant Funding security trustees may adhere and accede to the servicing agreement, although there is no certainty that such an event or events will occur. Your consent will not be sought when any further Funding companies and relevant further Funding security trustees accede to the servicing agreement provided that the rating agencies confirm that the current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

The servicer has undertaken that in its role as servicer it will comply with any proper directions and instructions that the mortgages trustee or the beneficiaries may from time to time give to it in accordance with the provisions of the servicing agreement. The servicer is required to administer the loans and their related security in the following manner:

- in accordance with the servicing agreement; and
- as if the loans and related security had not been sold to the mortgages trustee but remained with the seller and in accordance with the seller's procedures and administration and enforcement policies as they apply to those loans from time to time.

The servicer's actions in servicing the loans in accordance with its procedures are binding on the mortgages trustee, Funding 1, the issuer, the Funding 1 secured creditors and the issuer secured creditors. Changes to

the provisions of the terms under which the loans and their related security are administered or managed shall only be undertaken with appropriate agreement and direction from the beneficiaries.

Delinquency and default of debtors, debt restructuring, debt forgiveness, forbearance, payment holidays, losses, charge offs, recoveries and other asset performance remedies are defined in accordance with the servicer's servicing policies and procedures.

### **Powers**

Subject to the guidelines for servicing set forth in the preceding section, the servicer has the power, *inter alia*:

- to exercise the rights, powers and discretions of the mortgages trustee, the seller and Funding 1 in relation to the loans and their related security and to perform their duties in relation to the administration of the loans and their related security; and
- to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the administration of the loans and their related security or the exercise of such rights, powers and discretions.

### **Undertakings by the servicer**

The servicer has undertaken, *inter alia*, the following:

- (a) to maintain approvals, authorisations, permissions, consents, notifications and licences required in order properly to service the loans and their related security and to perform or comply with its obligations under the servicing agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, consents, notifications and licences required in connection with the provision of services under the servicing agreement, and in particular any necessary registrations under the data protection laws and permissions under the FSMA;
- (b) to determine and set the variable rates, differential rates and any discretionary rates or margins applicable in relation to any loan in relation to the loans comprising the trust property except in the limited circumstances described in this paragraph (b) when the mortgages trustee will be entitled to do so. It will not at any time, without the prior consent of the mortgages trustee, Funding 1 and any further Funding companies, set or maintain:
  - (i) the variable rate at a rate which is higher than (although it may be lower than or equal to) the seller variable rate in relation to loans of a particular type beneficially owned by the seller outside the portfolio;
  - (ii) the differential rate at a rate which is higher than (although it may be lower than or equal to) the seller differential rate in relation to loans of a particular type beneficially owned by the seller outside the portfolio; and
  - (iii) any other discretionary rate or margin in respect of any other loan which is higher than (although it may be lower or equal to) the rate or margin which would then be set in accordance with the seller's policy from time to time in relation to that type of loan beneficially owned by the seller outside the portfolio except in certain circumstances.

In particular, the servicer shall also determine on each trust calculation date immediately preceding each Funding 1 interest payment date, having regard to the aggregate of:

- (A) the revenue which Funding 1 would expect to receive during the next succeeding Funding 1 interest period;
- (B) the variable rates, differential rates and any other discretionary rates or margins applicable in respect of the loans which the servicer proposes to set under the servicing agreement; and
- (C) the other resources available to Funding 1 (including the Funding 1 swap agreements, the general reserve fund, the liquidity reserve fund (if applicable) and the Funding 1 liquidity facility (if established)),

whether Funding 1 would receive an amount of revenue during the related Funding 1 interest period which when aggregated with the funds otherwise available to Funding 1 is less than the amount which is the aggregate of the amount of interest which will be payable by Funding 1 in respect of all AAA loan tranches and all amounts ranking higher in priority to such amounts on the Funding 1 interest payment date falling at the end of the related Funding 1 interest period.

If the servicer determines that there will be a shortfall in the foregoing amounts, it will give written notice to the mortgages trustee, the Funding 1 security trustee, any Funding companies and any further Funding security trustee, within two London business days of such determination, of the amount of the shortfall and the variable rates and/or the differential rates and/or any other discretionary rates or margins which would, in the servicer's reasonable opinion, need to be set in order for no shortfall to arise, having regard to the date(s) on which the change to the variable rates, the differential rates and any discretionary rates or margins would take effect and at all times acting in accordance with the standards of a reasonable, prudent mortgage lender as regards the competing interests of borrowers with variable rate loans, discount loans, base rate loans and other relevant loans. If the mortgages trustee and/or Funding 1 and/or the Funding 1 security trustee notify the servicer that, having regard to the obligations of Funding 1, the variable rates and/or the differential rates and/or any discretionary rates or margins should be increased, the servicer will take all steps which are necessary to increase the variable rates and/or the differential rates and/or any discretionary rates or margins including publishing any notice which is required in accordance with the mortgage terms. In these circumstances, the servicer will have the right to set the variable rates and/or the differential rates and/or any discretionary rates or margins.

Without prejudice to the above sub-paragraphs, at any time prior to the transfer of legal title to the portfolio (or any part thereof) in accordance with the terms of the mortgage sale agreement, Funding 1 may serve written notice on the servicer instructing the servicer to set the variable rate but only with effect from the date on which such transfer of legal title is effected (including publishing any notice which is required in accordance with the mortgage conditions to effect such change in the variable rate), to a rate equal to LIBOR for three-month sterling deposits determined as at the Funding 1 interest payment date immediately preceding such transfer of legal title (or, where LIBOR for three month sterling deposits is not available, a rate equal to a compounded daily SONIA calculated as at the Funding 1 interest payment date immediately preceding such transfer of legal title in respect of the three months preceding such Funding 1 Interest Payment Date) plus the post-perfection SVR-LIBOR margin and thereafter the servicer shall set the variable rate on a quarterly basis as at each Funding 1 interest payment date (including publishing any notice which is required in accordance with the mortgage conditions to effect such change in the variable rate) at a rate equal to LIBOR for three-month sterling deposits rate determined as at that Funding 1 interest payment date (or, where LIBOR for three month sterling is not available, a rate equal to a compounded daily SONIA calculated as at the Funding 1 interest payment date immediately preceding such transfer of legal title in respect of the three months preceding such Funding 1 interest payment date) plus the post-perfection SVR-LIBOR margin.

The mortgages trustee, Funding 1 and any further Funding company and/or the Funding 1 security trustee and any further Funding security trustee, may terminate the authority of the servicer to determine and set the variable rates, the differential rates and any discretionary rates or margins on or after the occurrence of a servicer termination event, as described below in "**Termination of appointment of the servicer**", in which case the mortgages trustee will set the variable rates, the differential rates and any discretionary rates or margins itself in accordance with this paragraph (b);

- (c) to the extent so required by the relevant mortgage terms and applicable law, to notify borrowers of any change in interest rates, whether due to a change in the variable rate, the differential rate and any discretionary rate or margin applicable to any other relevant loan or as a consequence of any provisions of the mortgage conditions or the offer conditions. It will also notify the mortgages trustee, the seller, Funding 1, the Funding 1 security trustee, any further Funding company and any further Funding security trustee and of any change in the variable rates and/or the differential rates and/or any discretionary rates or margins;

- (d) to act as collection agent for the mortgages trustee and the beneficiaries for the purpose of collecting amounts due from borrowers under the loans and their related security. It will deliver to the bankers automated clearing system or to the mortgages trustee account bank such instructions as may be necessary for the debit of the account of each borrower in respect of which there is a direct debit mandate with the monthly payment due from such borrower and for the amount of such monthly payment to be credited to the mortgages trustee GIC account. Under certain circumstances, alternative payment arrangements that ensure timely payment of monthly payments due from the borrower to the mortgages trustee may be agreed between the servicer and the borrower;
- (e) to execute all documents on behalf of the mortgages trustee, the seller, Funding 1 and any further Funding companies which are necessary or desirable for the efficient provision of services under the servicing agreement, including (but not limited to) documents relating to the discharge of mortgages comprised in the trust property;
- (f) to keep records and accounts on behalf of the mortgages trustee in relation to the loans and their related security;
- (g) to keep the customer files and title deeds (to the extent they are retained by the seller) in safe custody and maintain records necessary to enforce each mortgage. It will ensure that each title deed is capable of identification and retrieval and that each title deed is distinguishable from information held by the servicer for other persons. If the servicer's short-term, unsecured, unsubordinated and unguaranteed debt is rated lower than A-2 by Standard & Poor's, or the counterparty risk assessment assigned to the servicer by Moody's is less than P-2(cr) or the servicer's short-term IDR is lower than F-2 by Fitch, it will use reasonable endeavours to ensure the customer files and title deeds are identified as distinct from customer files and title deeds which relate to loans held outside the trust property;
- (h) to provide the mortgages trustee, Funding 1 and any further Funding companies (and their auditors) and (if requested) the Funding 1 security trustee and any further Funding security trustee and any other person nominated by the beneficiaries with access to the title deeds and other records relating to the administration of the loans and mortgages;
- (i) to assist the cash manager in the preparation of a quarterly report substantially in the form set out in the cash management agreement which will include, *inter alia*, information on the loans and payments in arrears;
- (j) to take all reasonable steps, in accordance with the usual procedures undertaken by a reasonable, prudent mortgage lender, to recover all sums due to the mortgages trustee, in respect of the loans;
- (k) to enforce any loan which is in default in accordance with its enforcement procedures or, to the extent that the enforcement procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a reasonable, prudent mortgage lender on behalf of the mortgages trustee;
- (l) to provide such other information to the Funding 1 security trustee, any further Funding security trustee and the mortgages trustee as reasonably requested by the Funding 1 security trustee, any further Funding security trustee or the mortgages trustee;
- (m) not knowingly to fail to comply with any legal requirements in the performance of its obligations under the servicing agreement;
- (n) procure that any increase amount received in respect of the subscription of additional amounts in respect of the class Z variable funding notes shall be advanced as a further advance to Funding 1 in respect of the NR VFN loan tranche;
- (o) co-operate fully and to do all such further acts and things as may be necessary or desirable, and to provide all information in its possession necessary for any reporting obligation to enable the Issuer, Funding 1 and the Mortgages Trustee to comply with their obligations to assist the seller (as originator) to comply with the requirements of Article 7 of the Securitisation Regulation; and
- (p) inform the Registrar of each increase amount.

The requirement for any action to be taken according to the standards of a reasonable, prudent mortgage lender is as defined below in the “**Glossary**”. For the avoidance of doubt, any action taken by the servicer to set variable rates, the differential rates and any applicable discretionary rates or margins which are the same or lower than that of the competitors of the seller will be deemed to be in accordance with the standards of a reasonable, prudent mortgage lender.

### ***Compensation of the servicer***

The mortgages trustee will pay to the servicer an administration fee of 0.08 per cent. per annum (inclusive of any amounts in respect of VAT) on the aggregate amount of the trust property as determined on the trust calculation date in respect of the immediately preceding trust calculation period. The fee will be payable in arrear on each distribution date. Any unpaid balance will be carried forward until the next distribution date and, if not paid earlier, will be payable on the latest occurring final repayment date of a loan tranche outstanding under the intercompany loan or any latest occurring final repayment date of any new loan tranche under any new intercompany loan.

### ***Resignation of the servicer***

Subject to the fulfilment of a number of conditions (including the appointment of a substitute servicer), the servicer may voluntarily resign by giving not less than 12 months' notice to the Funding 1 security trustee, any further Funding security trustee, the mortgages trustee and the beneficiaries. The substitute servicer is required to have experience in administering mortgages in the United Kingdom and must hold all approvals, authorisations, permissions, consents and licences required in connection with the provision of services under the servicing agreement and, in particular, any necessary registrations under the data protection laws and permissions under the FSMA. The substitute servicer must enter into a servicing agreement with the mortgages trustee, Funding 1, the Funding 1 security trustee, any further Funding companies and any further Funding security trustee substantially on the same terms as the relevant provisions of the servicing agreement (which shall, without limitation, include providing the same services as those provided by the servicer under the servicing agreement at the same (or a lesser) level of fees, costs and expenses as set out in the servicing agreement and any modifications to comply with applicable laws or regulations at the relevant time). It will be a further condition precedent to the resignation of the servicer that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of the resignation, unless the noteholders (and any new noteholders, where applicable) otherwise agree by an extraordinary resolution.

Neither the Funding 1 security trustee nor (where applicable) any further Funding security trustee, although party to the servicing agreement, will be obliged to or will act as servicer.

### ***Termination of appointment of the servicer***

The mortgages trustee, Funding 1 and/or any further Funding company (in respect of Funding 1, with the consent of the Funding 1 security trustee and, in respect of any further Funding company, with the consent of the relevant further Funding security trustee) may, upon written notice to the servicer, terminate the servicer's rights and obligations immediately if any of the following events, each a **servicer termination event**, occurs:

- the servicer defaults in the payment of any amount due under the servicing agreement and fails to remedy that default for a period of five London business days after the earlier of becoming aware of the default and receipt of written notice from the mortgages trustee and/or Funding 1 and any further Funding company and/or the Funding 1 security trustee and any further Funding security trustee requiring the default to be remedied;
- the servicer fails in the performance or observance of any of its other covenants or obligations under the servicing agreement which the Funding 1 security trustee and any further Funding security trustees have been directed by the respective issuer security trustees and the issuer security trustees have been directed by the respective note trustees is, in the reasonable opinion of the note trustees, materially prejudicial to the noteholders and new noteholders and does not remedy that failure within 20 London business days after becoming aware of the failure or of receipt of written notice from the mortgages trustee and/or Funding 1 and any further Funding companies and/or the Funding 1 security trustee and further Funding security trustees requiring the servicer's non-compliance to be remedied; or
- an insolvency event occurs in relation to the servicer.

Under the terms of the servicing agreement, following a servicer termination event the mortgages trustee and the beneficiaries shall use reasonable endeavours to appoint a substitute servicer that has experience of administering mortgages of residential property in the United Kingdom and is willing to enter into an agreement substantially on the same terms as the relevant provisions of the servicing agreement.

If the appointment of the servicer is terminated or the servicer resigns, the servicer must deliver the title deeds (to the extent retained by the seller) and customer files relating to the loans to, or at the direction of, the mortgages trustee. The servicing agreement will terminate when Funding 1 and each further Funding company has no interest in the trust property and the intercompany loan and/or any new intercompany loans made to Funding 1 and/or any new intercompany loans made to further Funding companies have been repaid in full.

### ***Right of delegation by the servicer***

The servicer may sub-contract or delegate the performance of all or any of its powers and obligations under the servicing agreement, provided that it meets certain conditions as set out in the servicing agreement (including the prior written consent of Funding 1, the Funding 1 security trustee, any further Funding company and any further Funding security trustee) and provided that the servicer is not released or discharged from any liability therefor and remains liable for the performance or non-performance or breach by any sub-contractor or delegate of the duties so sub-contracted or delegated under the servicing agreement.

The consent of Funding 1, the Funding 1 security trustee, any further Funding company and any further Funding security trustee referred to in this base prospectus will not be required in respect of any delegation to a wholly-owned subsidiary of Santander UK from time to time or to persons such as receivers, lawyers or other relevant professionals. None of the note trustee, the issuer security trustee, the Funding 1 security trustee, the mortgages trustee or Funding 1 will be obliged to act as servicer in any circumstances.

### ***Actual delegation by the servicer***

The consent of the Funding 1 security trustee was obtained on 3 June 2010, under the terms of the servicing agreement, to the delegation of the performance of certain of Santander UK's servicing obligations under the servicing agreement to Santander UK Operations Limited (formerly known as Geoban UK Limited). Santander UK Operations Limited is a wholly owned subsidiary of Santander UK.

The delegated services that Santander UK Operations Limited performs include mortgage administration and processing services and this arrangement does not affect the underwriting procedure described in "**The Loans –Underwriting**" nor do the delegated services include managing of arrears or enforcement and handling of relevant insurance claims, both of which remain with the servicer.

As Santander UK Operations Limited is a wholly owned subsidiary of Santander UK, there is no sub-delegation and full operational and management responsibility for Santander UK Operations Limited is with Santander UK.

Notwithstanding any sub-contracting or delegation of the performance of its obligations under the servicing agreement, the servicer shall not thereby be released or discharged from any liability under the servicing agreement and shall remain responsible for the performance of all of its obligations and the performance or non-performance or the manner of performance of any sub-contractor or delegate of any of the services shall not affect the servicer's obligations under the servicing agreement and any breach in the performance of the services by such sub-contractor or delegate shall, subject to the servicer being entitled for a period of twenty (20) business days from receipt of any notice of the breach to remedy such breach by any sub-contractor or delegate, be treated as a breach of the servicing agreement by the servicer. It is not expected that any delegation of administration and processing services to Santander UK Operations Limited will materially and adversely impact on the provision of the loan administration services under the servicing agreement.

### ***Liability of the servicer***

The servicer will indemnify the mortgages trustee and the beneficiaries against all losses, liabilities, claims, expenses or damages incurred as a result of fraud, negligence or wilful default by the servicer or any of its subcontractors in carrying out its functions under the servicing agreement or any other transaction document or as a result of a breach of the terms of the servicing agreement. If the servicer does breach the terms of the servicing agreement and thereby causes loss to the beneficiaries, then, for so long as the servicer is also the seller, the seller share of the trust property will be reduced by an amount equal to the loss.

## **Governing law**

The servicing agreement and any non-contractual obligations arising out of or in connection with it is governed by English law.

## **Cash management agreement**

On the initial closing date, the cash manager, the mortgages trustee, the seller, Funding 1 and the Funding 1 security trustee entered into the cash management agreement. The rights of Funding 1 in respect of the cash management agreement were assigned by way of security (and, to the extent not assignable, charged) to the Funding 1 security trustee under the Funding 1 deed of charge.

The cash management agreement makes provision for the accession and adherence of any further Funding companies and the relevant further Funding security trustees, although there is no guarantee that any such event may occur. Your consent will not be sought when any further Funding company and the relevant further Funding security trustee accede to the cash management agreement provided that the rating agencies confirm that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, qualified or withdrawn (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

## **Cash management services provided in relation to the mortgages trust**

The cash manager's duties in relation to the mortgages trust include but are not limited to:

- (a) determining the current shares of Funding 1, each further Funding company and the seller in the trust property (including the weighted average Funding 1 share percentage, each further Funding company weighted average share percentage and the seller weighted average share percentage) in accordance with the terms of the mortgages trust deed;
- (b) maintaining the following ledgers on behalf of the mortgages trustee:
  - the Funding 1 share ledger, each further Funding company share ledger and the seller share ledger, which record the current shares of, Funding 1, each further Funding company and the seller, respectively, in the trust property;
  - the losses ledger, which records losses on the loans;
  - the principal ledger, which records principal receipts on the loans received by the mortgages trustee and payments of principal from the mortgages trustee GIC account to Funding 1, each further Funding company and the seller;
  - the revenue ledger, which records revenue receipts on the loans received by the mortgages trustee and payments of revenue receipts from the mortgages trustee GIC account to Funding 1, each further Funding company and the seller; and
  - a ledger which will record any further contribution made by a beneficiary to the mortgages trustee, whether or not such further contribution is in whole or part a refinancing contribution, and any special distribution or refinancing distribution made by the mortgages trustee following receipt of such further contribution or refinancing contribution;
- (c) calculating and distributing the mortgages trust available revenue receipts and the mortgages trust available principal receipts to Funding 1, each further Funding company and the seller in accordance with the terms of the mortgages trust deed;
- (d) arranging for payment of all sums (including costs and expenses) required or permitted to be paid by the mortgages trustee under any of the transaction documents;
- (e) providing the mortgages trustee, Funding 1, each further Funding company, the seller, the rating agencies and (if requested) the Funding 1 security trustee and each further Funding security trustee with a quarterly report in relation to the mortgages trustee; and
- (f) investing amounts standing to the credit of the mortgages trustee GIC account and any other mortgages trustee account in authorised investments.

### **Cash management services provided to Funding 1**

The cash manager's duties in relation to Funding 1 include but are not limited to:

- (a) notifying the Funding 1 swap provider of the notional amount of the Funding 1 swaps for the immediately previous trust calculation period no later than the trust calculation date;
- (b) four London business days before each Funding 1 interest payment date, determining:
  - the amount of Funding 1 available revenue receipts to be applied on the following Funding 1 interest payment date in accordance with the Funding 1 pre-acceleration revenue priority of payments;
  - the amount of Funding 1 available principal receipts to be applied on the following Funding 1 interest payment date in accordance with the Funding 1 pre-acceleration principal priority of payments;
  - the amount of any Funding 1 revenue deficit amount; and
  - the Funding 1 anticipated cash accumulation period;
- (c) if required, directing Funding 1 to make drawings under the liquidity reserve fund (if established) and/or the Funding 1 liquidity facility (if established);
- (d) maintaining the following ledgers on behalf of Funding 1:
  - the Funding 1 principal ledger, which records the amount of Funding 1 principal receipts received by Funding 1 on each distribution date;
  - the Funding 1 revenue ledger, which records all other amounts received by Funding 1 on each distribution date;
  - the general reserve ledger, which records the amount credited to the general reserve fund from a portion of the proceeds of: (i) a Funding 1 start-up loan on a closing date; (ii) other amounts standing to the credit of the general reserve fund (but not exceeding the general reserve required amount); and (iii) all deposits and other credits in respect of the general reserve fund;
  - the eligible bank ledger, which records amounts deposited by account bank A with eligible banks pursuant to instructions from the cash manager from time to time;
  - the principal deficiency ledger, which records principal deficiencies arising from losses on the loans which have been allocated to the Funding 1 share of the trust property or the use of Funding 1's principal receipts to cover any Funding 1 revenue deficit amount;
  - the intercompany loan ledger, which records payments of interest and repayments of principal made on each of the loan tranches under the intercompany loan;
  - the cash accumulation ledger, which records the amount accumulated by Funding 1 from time to time to pay the amounts due on bullet loan tranches and scheduled amortisation instalments;
  - the liquidity reserve ledger, which will record the amounts credited to the liquidity reserve fund from Funding 1 available revenue receipts and from Funding 1 available principal receipts up to the liquidity reserve fund required amount and drawings made under the liquidity reserve fund; and
  - a ledger in respect of the Funding 1 liquidity facility agreement (if established), which will record payments in accordance with the terms agreed in the Funding 1 liquidity facility agreement;
- (e) arranging for the payment of all sums (including costs and expenses) required or permitted to be paid by Funding 1 under any of the transaction documents;

- (f) investing amounts standing to the credit of the Funding 1 GIC account in authorised investments as determined by Funding 1, the cash manager and the Funding 1 security trustee;
- (g) providing instructions to account bank A to deposit all or part of the amounts standing to the credit of the Funding 1 transaction account from time to time with eligible banks in accordance with the panel bank guidelines or to transfer all or part of such amounts to the Funding 1 GIC account;
- (h) making withdrawals from the general reserve fund as and when required;
- (i) applying the Funding 1 available revenue receipts and Funding 1 available principal receipts in accordance with the relevant Funding 1 priority of payments contained in the Funding 1 deed of charge; and
- (j) providing Funding 1, the mortgages trustee, the issuer, the issuer security trustee, the rating agencies and (if requested) the Funding 1 security trustee and each further Funding Security trustee with a quarterly report in relation to Funding 1.

***Deposits with eligible banks in accordance with panel bank guidelines***

Pursuant to the cash management agreement, the cash manager is obliged to procure that the following amounts are, in the first instance, paid into the Funding 1 transaction account held with account bank A:

- all Funding 1 revenue receipts;
- all Funding 1 principal receipts;
- all amounts standing to the credit of the general reserve fund and (if established) the liquidity reserve fund;
- all amounts received by Funding 1 under the Funding 1 swap agreements; and
- any other amounts whatsoever received by or on behalf of Funding 1.

All or part of such amounts which are paid initially into the Funding 1 transaction account may then, upon instructions provided by the cash manager to account bank A, be deposited (a) with one or more eligible bank(s) in accordance with the panel bank guidelines (as defined below), and/or (b) into the Funding 1 GIC account held with account bank B.

Account bank A acts as agent of Funding 1 and at the instruction of the cash manager when placing deposits with eligible banks pursuant to the Funding 1 bank account agreement and the eligible bank terms and conditions. The eligible bank account agreements govern the terms upon which the eligible banks accept and hold deposits received through The Bank of New York Mellon, London Branch.

When providing instructions to account bank A to deposit all or a part of amounts standing to the credit of the Funding 1 transaction account with an eligible bank, the cash manager is required to act in accordance with the panel bank guidelines.

The guidelines governing the deposit of amounts from the Funding 1 transaction account with eligible banks (the **panel bank guidelines**) are set out in the cash management agreement in full. These guidelines may be modified from time to time by the cash manager provided that (i) any modifications to such guidelines are notified in advance to the rating agencies, account bank A and the Funding 1 security trustee; (ii) the rating agencies have confirmed in writing that the then current ratings of the rated notes would not be adversely affected by such modification; and (iii) such modification does not have any adverse effect on the security in respect of the notes.

As at the date of this base prospectus, the panel bank guidelines include, among other things, combinations of:

- credit rating requirements in respect of eligible banks;
- concentration limits in respect of the percentage of amounts which may be deposited with any one eligible bank and its affiliates; and

- maturity requirements in respect of deposits to be made with eligible banks linked to, amongst other things, the credit ratings of the eligible banks.

Under the panel bank guidelines, deposits may be made with eligible banks for periods of 30, 60 or 90 days (depending mainly on the rating of the relevant eligible bank and concentration limits referred to above) but, in any event, any such deposit period is required to mature on or prior to the immediately following Funding 1 interest payment date. On such Funding 1 interest payment date, the monies are returned to the Funding 1 transaction account for application in accordance with the relevant priority of payments.

A further qualification in the cash management agreement for the placing of deposits with eligible banks is that amounts can only be deposited with eligible banks so long as the interest or other rate of return on those deposits is equal to or higher than the Funding 1 GIC rate or such other rate of interest applicable to any account used in place of the Funding 1 GIC account provided that the rating agencies have confirmed that such other rate of interest shall not cause the then current rating of the rated notes to be downgraded, withdrawn or qualified. Under the cash management agreement, the cash manager is in any event permitted to instruct account bank A to place all or a part of the amounts standing to the credit of the Funding 1 transaction account into the Funding 1 GIC account (which account pays out the Funding 1 GIC rate on amounts deposited into it), instead of, or in addition to, the placing of a part or all of such amounts with eligible banks.

A further feature of the panel bank guidelines is the option given to the cash manager to instruct account bank A to deposit up to 50 per cent. (or such other percentage determined from time to time, as part of a review of the panel bank guidelines in accordance with the cash management agreement) of non bullet Funding 1 principal amounts into an account held with Santander UK as an eligible bank in the event that Santander UK's (1) short-term, unsubordinated, unguaranteed and unsecured debt obligations are rated P-2 by Moody's, (2) unsubordinated, unguaranteed and unsecured debt obligations are rated A-2 short-term and BBB+ long-term by S&P and (3) short-term and long-term IDRs are F2 and BBB+ (respectively) by Fitch, and for so long as Santander UK maintains such rating levels and its current FSMA authorisations to accept deposits (such account with Santander UK is referred to as the **Santander A-2/P-2/F2 account**).

The placement of up to 50 per cent. of non bullet Funding 1 principal amounts (accumulated with respect to a Funding 1 interest period) in the Santander A-2/P-2/F2 account is subject to the following conditions which are included in the current version of the panel bank guidelines:

- Santander UK is required to have advanced a subordinated and limited recourse loan (the **Funding 1 loan**) to Funding 1 equal to such deposit on the Santander A-2/P-2/F2 account. The advance under the Funding 1 loan will be applied to increase the Funding 1 share by acquiring an increased interest in the mortgages trust. The Funding 1 loan ranks *pro rata* and *pari passu* with term NR advances. The aggregate amount of non bullet Funding 1 principal amounts deposited in the Santander A-2/P-2/F2 account is required to match the outstanding amount of the Funding 1 loan and the increase in the Funding 1 share;
- non bullet Funding 1 principal amounts can only be deposited in the Santander A-2/P-2/F2 account for a period not exceeding 15 days;
- to the extent that monies standing to the credit of the general reserve fund have been applied in accordance with the Funding 1 priorities of payment, the general reserve fund is required to have been replenished by a corresponding amount, or, if lower, by an amount equal to the general reserve required amount;
- each note is required to have been redeemed on or prior to its step-up date;
- a non asset trigger event (which is continuing on the distribution date on which such amounts are to be deposited in the Santander A-2/P-2/F2 account) shall not have occurred;
- principal amounts due and payable in respect of the class Z notes have been repaid in full; and
- there has not been any debit on the NR principal deficiency sub-ledger which has not been cured.

For so long as Santander UK's (1) short-term, unsubordinated, unguaranteed and unsecured debt obligations are rated higher than P-2 by Moody's, (2) unsubordinated, unguaranteed and unsecured debt obligations are rated higher than A-2 short-term and BBB+ long-term by S&P and (3) short-term and long-

term IDRs are higher than F2 and BBB+ (respectively) by Fitch, the criteria relating to deposits placed in the Santander A-2/P-2/F2 account do not apply and Santander UK is subject to the same panel bank guidelines as other equally rated eligible banks.

### **Compensation of cash manager**

The cash manager will be paid a fee for its services as agreed from time to time with the mortgages trustee, the Funding 1 security trustee and Funding 1, which at the date of the cash management agreement shall be equal to 0.01 per cent. per annum of the aggregate outstanding principal amount of the intercompany loan (prior to any repayment of principal on its due date) and will be paid by Funding 1 and/or the mortgages trustee in four instalments quarterly in arrears on each Funding 1 interest payment date occurring in January, April, July and October in each year in accordance with the Funding 1 deed of charge. The fee will be inclusive of any amounts in respect of VAT, and the aggregate amount payable in respect of such service will not be adjusted in the event of any change in the rate of VAT.

In addition, the cash manager will be entitled to be reimbursed for any expenses or other amounts properly incurred by it in carrying out its duties. The cash manager will be paid by the mortgages trustee prior to distributions to Funding 1 and by Funding 1 prior to amounts due under the intercompany loan.

### **Resignation of cash manager**

The cash manager may only resign on giving 12 months' written notice to Funding 1, the Funding 1 security trustee, any further Funding company, any further Funding security trustee and the mortgages trustee and provided that:

- a substitute cash manager has been appointed and a new cash management agreement is entered into on substantially the same terms as the cash management agreement and satisfactory to the Funding 1 security trustee;
- such substitute cash manager has management experience and is approved by Funding 1, the Funding 1 security trustee, any further Funding company and any further Funding security trustee; and
- the then current ratings of the rated notes (and any new rated notes, where applicable) would not be downgraded, withdrawn or qualified as a result of that replacement (unless the relevant classes of noteholders (and any new noteholders, where applicable) otherwise agree by an extraordinary resolution).

### **Termination of appointment of cash manager**

Funding 1 and any further Funding company and/or the seller (with the prior written consent of the Funding 1 security trustee and any further Funding security trustee) may, upon written notice to the cash manager, terminate the cash manager's rights and obligations immediately if any of the following events occurs:

- the cash manager defaults in the payment of any amount due and fails to remedy the default for a period of five London business days after the earlier of becoming aware of the default or receipt of written notice from the mortgages trustee and/or Funding 1 and any further Funding company and/or the Funding 1 security trustee and any further Funding security trustee requiring the default to be remedied;
- the cash manager fails to comply with any of its other obligations under the cash management agreement which, in the reasonable opinion of the note trustees, is materially prejudicial to the noteholders and any new noteholders and (if capable of remedy) does not remedy that failure within 20 London business days after the earlier of becoming aware of the failure or receiving a written notice from the mortgages trustee and/or Funding 1 and any further Funding company and/or the Funding 1 security trustee and any further Funding security trustee requiring the cash manager's non-compliance to be remedied; or
- the cash manager suffers an insolvency event.

Upon termination of the appointment of the cash manager, Funding 1, any further Funding companies and/or the seller (with the prior written consent of the Funding 1 security trustee and any further Funding security trustees) will agree to use their reasonable endeavours to appoint a substitute cash manager. Any such substitute cash manager will be required to enter into a cash management agreement on

substantially the same terms as the cash management agreement and the appointment of such substitute cash manager and all other documentation is conditional upon the rating agencies having previously confirmed that the then current ratings of the rated notes (and any new rated notes, where applicable) will not be downgraded, withdrawn or qualified as a result of the appointment (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time) (unless the noteholders (and any new noteholders, where applicable) otherwise agree by an extraordinary resolution).

If the appointment of the cash manager is terminated or it resigns, the cash manager must deliver its books of account (and any other information reasonably requested by the Funding 1 security trustee or any further Funding security trustee) relating to the loans and/or any monies held on behalf of the mortgages trustee, Funding 1, the Funding 1 security trustee, any further Funding companies or any further Funding security trustees to or at the direction of the mortgages trustee, Funding 1, the Funding 1 security trustee, any further Funding company or any further Funding security trustee, as the case may be. The cash management agreement will terminate automatically when Funding 1 and/or any further Funding company have no further interest in the trust property and the intercompany loan and any new intercompany loans have been repaid or otherwise discharged.

### **Governing law**

The cash management agreement and any non-contractual obligations arising out of or in connection with it is governed by English law.

### **Issuer cash management agreement**

The issuer cash manager was appointed on the initial closing date by the issuer and the issuer security trustee to provide cash management services to the issuer pursuant to the issuer cash management agreement. The rights of the issuer in respect of the issuer cash management agreement were assigned by way of security (and, to the extent not assignable, charged) to the issuer security trustee pursuant to the issuer deed of charge.

### **Cash management services to be provided to the issuer**

The issuer cash manager's duties include but are not limited to:

- (a) four London business days before each interest payment date, determining:
  - the amount of issuer revenue receipts to be applied to pay interest on the notes on the following interest payment date and to pay amounts due to other issuer secured creditors;
  - the amount of issuer principal receipts to be applied to repay the notes on the following interest payment date; and
  - such other amounts as are expressed to be calculations and determinations made by the issuer cash manager in accordance with the conditions of the notes;
- (b) applying issuer revenue receipts and issuer principal receipts in accordance with the relevant issuer priority of payments set out in the issuer cash management agreement or, as applicable, the issuer deed of charge;
- (c) providing the issuer, the issuer security trustee and the rating agencies with quarterly reports in relation to the issuer;
- (d) arranging payment of all fees to the London Stock Exchange or, as applicable, the FCA;
- (e) if necessary, performing all currency and interest rate conversions (whether it be a conversion from sterling to dollars or vice versa, sterling to euro or vice versa or sterling to another specified currency or vice versa or from floating rates of interest to fixed rates of interest or vice versa) free of charge, cost or expense at the relevant exchange rate;
- (f) investing amounts standing to the credit of the issuer transaction account and the issuer share capital account and (if established) the issuer GIC account in authorised investments; and
- (g) procuring that any increase amount received in respect of the subscription of additional amounts in respect of any class Z variable funding note shall be advanced to Funding 1 as

an increase in the size of the relevant NR VFN loan tranche and informing the registrar of each such increase amount.

### **Compensation of issuer cash manager**

The issuer cash manager will be paid a fee of 0.01 per cent. per annum of the sterling principal amount outstanding of the notes for its services which will be paid in four instalments quarterly in arrear on each interest payment date occurring in January, April, July and October in each year. The fee is inclusive of any amounts in respect of VAT, and the aggregate amount payable in respect of such service will not be adjusted in the event of any change in the rate of VAT.

In addition, the issuer cash manager will be entitled to be reimbursed for any expenses or other amounts properly incurred by it in carrying out its duties. The issuer cash manager will be paid by the issuer prior to amounts due on the notes.

### **Resignation of issuer cash manager**

The issuer cash manager may resign only on giving 12 months' written notice to the issuer security trustee and the issuer and provided the following conditions, *inter alia*, are met:

- the issuer and the issuer security trustee consent in writing to such termination;
- a substitute issuer cash manager has been appointed and a new issuer cash management agreement is entered into on substantially the same terms as the issuer cash management agreement and satisfactory to the issuer security trustee; and
- the ratings of the rated notes then outstanding would not be downgraded, withdrawn or qualified as a result of that replacement.

### **Termination of appointment of issuer cash manager**

The issuer or the issuer security trustee may, upon written notice to the issuer cash manager, terminate the issuer cash manager's rights and obligations immediately if any of the following events occurs:

- the issuer cash manager defaults in the payment of any amount due and fails to remedy the default for a period of five London business days after the earlier of the issuer cash manager becoming aware of the default or receipt by the issuer cash manager of written notice from the issuer and/or the issuer security trustee requiring the default to be remedied;
- the issuer cash manager fails to comply with any of its other obligations under the issuer cash management agreement which in the reasonable opinion of the note trustee, is materially prejudicial to the noteholders and does not remedy that failure within 20 London business days after the earlier of becoming aware of the failure or receiving a written notice from the issuer and/or the issuer security trustee requiring the issuer cash manager's non-compliance to be remedied; or
- the issuer cash manager suffers an insolvency event.

Upon termination of the appointment of the issuer cash manager, the issuer will agree to use its reasonable endeavours to appoint a substitute issuer cash manager. Any such substitute issuer cash manager will be required to enter into an issuer cash management agreement on substantially the same terms as the provisions of the issuer cash management agreement and the appointment of such substitute issuer cash manager and all other documentation is conditional upon the rating agencies having previously confirmed that the then current ratings of the rated notes then outstanding will not be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

If the appointment of the issuer cash manager is terminated or it resigns, the issuer cash manager must deliver its books of account relating to the notes to or at the direction of the issuer security trustee. The issuer cash management agreement will terminate automatically when the notes have been fully redeemed.

### **Governing law**

The issuer cash management agreement and any non-contractual obligations arising out of or in connection with it is governed by English law.

### **Funding 1 bank account agreement**

Pursuant to the terms of the Funding 1 bank account agreement, Funding 1 agreed to maintain the following two bank accounts in England in its name:

- (a) the Funding 1 transaction account (held with account bank A): the general reserve fund is credited to this account and on each distribution date the Funding 1 share of the mortgages trust available revenue receipts, any distribution of Funding 1 principal receipts to Funding 1 under the mortgages trust and any balance remaining in the Funding 1 cash accumulation ledger are initially deposited in this account. The cash manager will provide instructions to account bank A to deposit all or part of such amounts standing to the credit of the Funding 1 transaction account (1) with one or more eligible bank(s) in accordance with the panel bank guidelines, and/or (2) into the Funding 1 GIC account. On each Funding 1 interest payment date, monies on deposit with eligible bank(s) or standing to the credit of the Funding 1 GIC account are transferred to the Funding 1 transaction account and applied by the cash manager in accordance with the relevant order for priority of payments of Funding 1; and
- (b) the Funding 1 GIC account (held with account bank B): upon instruction from the cash manager, monies standing to the credit of the Funding 1 transaction account may be deposited into this account. On each Funding 1 interest payment date upon which payment is due, amounts required to meet Funding 1's obligations to its various creditors (including the issuer) are transferred to the Funding 1 transaction account.

The accounts referred to above are currently maintained with account bank A and account bank B, as applicable, but may be required to be transferred to alternative banks upon the occurrence of specified events, including if the related account bank fails to maintain the minimum applicable ratings described above under "**Triggers tables – Rating Triggers Table**" or if an insolvency-type event occurs in relation to the relevant account bank. In such circumstances Funding 1 and/or the cash manager shall procure the transfer of the rights and obligations of the relevant account bank under the account bank agreement and procure the transfer of all amounts standing to the credit of the relevant bank account to account(s) held with an authorised institution under FSMA with the minimum required ratings which enters into an agreement in form and substance similar to the existing Funding 1 bank account agreement. Upon a breach by the relevant account bank of its obligations under the Funding 1 bank account agreement, Funding 1 may only terminate the appointment of such account bank if a replacement financial institution or financial institutions with the minimum required ratings have entered into an agreement in form and substance similar to the existing bank account agreement. For further information in relation to required ratings and triggers, please see "**Triggers tables – Rating Triggers Table**".

The rights, benefit and interest of Funding 1 in respect of the Funding 1 bank account agreement will be assigned by way of security (and, to the extent not assignable, charged) to the Funding 1 security trustee under the Funding 1 deed of charge.

Under the terms of the Funding 1 bank account agreement, account bank B has agreed to pay interest on the monies standing to the credit of the Funding 1 GIC account at a variable rate of interest of 0.10 per cent. per annum below the Bank of England Base Rate. Eligible banks with whom deposits may be placed pursuant to the panel bank guidelines must pay at least (i) the rate of interest provided by Santander UK as the bank with whom the Funding 1 GIC account is held or any successor to Santander UK in such role, or (ii) such other rate of interest applicable to the Funding 1 GIC account or a successor to such account provided that the rating agencies have confirmed that such other rate of interest shall not cause the then current rating of the rated notes to be downgraded, withdrawn or qualified.

### **Governing law**

The Funding 1 bank account agreement and any non-contractual obligations arising out of or in connection with it is governed by English law.

### **Mortgages trustee bank account agreement**

The mortgages trustee entered into the mortgages trustee bank account agreement on 23 November 2009 with the mortgages trustee account bank, the cash manager, Funding 1 and the Funding 1 security trustee (which replaced the original mortgages trustee bank account agreement entered into on the closing date pursuant to which Alliance & Leicester was originally appointed the account bank to the mortgages trustee) on substantially the same terms as the Funding 1 bank account agreement in relation to the mortgages trustee GIC account. All amounts held by the mortgages trustee will be deposited in the mortgages trustee GIC account with the mortgages trustee account bank. The mortgages trustee account

bank has agreed to pay a variable rate of interest on funds in the mortgages trustee GIC account of 0.10 per cent. per annum below the Bank of England Base Rate. See "**Credit structure – Mortgages trustee GIC account/Funding 1 GIC account**".

### **Issuer bank account agreement**

On 23 November 2009, the issuer entered into a new issuer bank account agreement with the issuer account bank, the issuer cash manager and the issuer security trustee (which replaced the original issuer bank account agreement entered into on the closing date pursuant to which Alliance & Leicester was originally appointed the account bank to the issuer) on substantially the same terms as the Funding 1 bank account agreement in relation to the issuer transaction account and the issuer share capital account. The issuer established the issuer GIC account as a condition precedent to the issue of any notes with quarterly interest payment dates which do not correspond to the quarterly interest payment dates of the notes (other than the monthly payment notes) issued on the initial closing date, which is subject to the issuer bank account agreement and is on similar terms to the Funding 1 GIC account. The rights, benefits and interests of the issuer under the issuer bank account agreement were assigned by way of security (and, to the extent not assignable, charged) to the issuer security trustee under the issuer deed of charge. The issuer may, with the prior written consent of the issuer security trustee, open additional or replacement bank accounts.

The issuer account referred to above (and any collateral account maintained by the issuer as described in "**Description of the transaction documents – Swap agreements - Ratings downgrade of swap providers**") may be required to be transferred to an alternative bank upon the occurrence of specified events, including if the issuer account bank fails to maintain the minimum applicable ratings described above under "**Triggers tables – Rating Triggers Table**" or if an insolvency-type event occurs in relation to the issuer account bank or if the issuer account bank fails to perform its obligations under the issuer bank account agreement. In such circumstances the issuer and/or the issuer cash manager shall procure the transfer of the rights and obligations of the issuer account bank under the issuer bank account agreement and procure the transfer of all amounts standing to the credit of the issuer bank account to account(s) held with an authorised institution under FSMA with the minimum required ratings which enters into an agreement in form and substance similar to the existing issuer bank account agreement. For further information in relation to required ratings and triggers, please see "**Triggers tables – Rating Triggers Table**".

In the event that any collateral is posted by an issuer swap provider pursuant to an issuer swap agreement, the issuer shall instruct the issuer cash manager to open a bank account with Santander UK for the purposes of holding such collateral (any such account, an **issuer swap collateral account**). An issuer swap collateral account shall be opened in respect of each issuer swap provider that is required to post collateral pursuant to an issuer swap agreement. In the event that any such issuer swap account is opened with a bank other than Santander UK, the parties to the issuer bank account agreement (not including Santander UK as the issuer account bank), will enter into an agreement on terms which are identical to the terms of the issuer bank account agreement (except amendments of a minor or technical nature to reflect the identities of the new parties thereto) in respect of such issuer swap collateral account.

### **Funding 1 start-up loan agreements**

On the initial closing date, Alliance & Leicester as the Funding 1 start-up loan provider made available a Funding 1 start-up loan to Funding 1 under a Funding 1 start-up loan agreement. This was a subordinated loan facility available in tranches in the amount set out in the applicable final terms accompanying the base prospectus, which was used for: (i) crediting the general reserve fund on the initial closing date by an amount specified in the applicable final terms accompanying this base prospectus; (ii) meeting the costs and expenses incurred by Funding 1 in connection with its payment to the mortgages trustee in respect of the Funding 1 share of the trust property on the initial closing date; and (iii) paying the fees under the intercompany loan agreement which relate to the costs of issue in respect of the establishment of the programme and the issue of the notes on the initial closing date. The Funding 1 start-up loan provider agreed to be bound by any calculations and determinations made by the cash manager, the Funding 1 security trustee or the mortgages trustee, respectively.

Since the Part VII effective date, the Funding 1 start-up loan provider has been Santander UK. At any time after the initial closing date, additional Funding 1 start-up loan agreements have been and may be entered into (including in circumstances where further Funding companies are established) comprising some or all of the following tranches (labelled as tranche A, tranche B and/or tranche C, depending on each particular Funding 1 start-up loan agreement) to be used for: (i) increasing the general reserve fund on the applicable closing date by an amount specified in the applicable final terms; (ii) for the purposes of providing funding for fees, costs and expenses incurred by or on behalf of Funding 1 in respect of increasing the

Funding 1 share of the trust property and in respect of amounts payable by Funding 1 under the intercompany loan agreement in relation to the costs of the issue of notes as specified in the applicable final terms; (iii) for the purpose of making the payments due under the Funding 1 swap agreements on the applicable closing date payable to the Funding 1 start-up loan provider in its capacity as the Funding 1 swap provider, as described in the applicable final terms. The rights, benefit and interest of Funding 1 in respect of the Funding 1 start-up loan agreements were assigned by way of security (and, to the extent not assignable, charged) to the Funding 1 security trustee under the Funding 1 deed of charge.

### ***Interest on the Funding 1 start-up loans***

Each Funding 1 start-up loan will bear interest at the variable rates of interest specified in the applicable final terms accompanying this base prospectus. Any unpaid interest will be added to the principal amount owed on the Funding 1 start-up loan and will bear interest. Interest is payable by Funding 1 on each Funding 1 interest payment date.

### ***Repayment of the Funding 1 start-up loans***

Funding 1 will repay the Funding 1 start-up loans, but only to the extent that it has Funding 1 available revenue receipts after making higher ranking payments in the relevant Funding 1 priorities of payments (see further “**Funding 1 deed of charge – Funding 1 pre-acceleration priority of payments**” and “**Funding 1 deed of charge – Funding 1 post-acceleration priority of payments**” below). Amounts due to the Funding 1 start-up loan provider are payable after amounts due on the loan tranches are repaid to the issuer. All Funding 1 start-up loan providers will rank *pari passu* and *pro rata* to the respective amounts due to them. However, in respect of each individual Funding 1 start-up loan (and to the extent that such Funding 1 start-up loan is divided into tranches A, B and/or C), Funding 1 will repay tranche C until tranche C is fully repaid and thereafter tranche B until tranche B is fully repaid and thereafter tranche A until tranche A is fully repaid as applicable. After Funding 1 has repaid the Funding 1 start-up loans, it will have no further recourse to the Funding 1 start-up loan provider.

### ***Event of default***

It will be an event of default under the Funding 1 start-up loan agreements if Funding 1 has Funding 1 available revenue receipts to pay amounts due to the Funding 1 start-up loan provider and it does not pay them.

The occurrence of an event of default under the Funding 1 start-up loan agreements may constitute an intercompany loan event of default as set out above in “**The intercompany loan agreement – Funding 1 intercompany loan event of default**”.

### ***Acceleration***

If any intercompany loan acceleration notice is served or if notice is given that the security granted by Funding 1 under the Funding 1 deed of charge is to be enforced, then the Funding 1 start-up loans will become immediately due and payable.

### ***Governing law***

The Funding 1 start-up loan agreements and any non-contractual obligations arising out of or in connection with any Funding 1 start-up loan agreement entered into after the date of this base prospectus are or will be governed by English law.

### ***Funding 1 loan agreement***

The Funding 1 loan provider has agreed to grant to Funding 1 an uncommitted sterling loan facility in an aggregate maximum amount of up to £1,000,000,000 under the Funding 1 loan agreement. Either the Funding 1 security trustee or the cash manager may place an irrevocable request for an advance under the Funding 1 loan upon satisfaction of certain conditions set forth in the Funding 1 loan agreement. Funds advanced under the Funding 1 loan must be used by Funding 1 to make a contribution to the mortgages trust thereby increasing the Funding 1 share. It is a condition for making a deposit in the Santander A-2/P-2/F2 account under the panel bank guidelines that the Funding 1 loan has been drawn in an amount at least equal to the amount deposited in such account.

Interest will accrue on the outstanding balance of the Funding 1 loan at a rate set forth in the Funding 1 loan agreement. The repayment of the Funding 1 loan is subordinated to all other payments or provisions ranking in priority to payments to be made to the Funding 1 loan provider in accordance with the

terms of the Funding 1 loan agreement and the Funding 1 deed of charge. Payments of both principal and interest on the Funding 1 loan will be payable, without priority among them but in proportion to the respective amounts due, with amounts due under the NR loan tranche as set forth in the relevant Funding 1 priority of payments.

The final repayment date for any Funding 1 loan outstanding will be the date of repayment of the last maturing loan tranche. The Funding 1 loan is prepayable in an amount equal to the lower of (i) the Funding 1 loan prepayable amount and (ii) the higher of (x) the potential seller principal distribution amount and (y) any contribution made by the seller for the purposes of making such prepayment. The cash manager is not required to prepay the Funding 1 loan if it considers based on reasonable grounds that amounts may be deposited in the future into the Santander A-2/P-2/F2 account.

The Funding 1 loan is a limited recourse loan. Therefore, if, when amounts in respect of the Funding 1 loan become due and payable under the Funding 1 loan agreement, Funding 1 has insufficient funds available to meet its obligations in full, the obligation of Funding 1 to pay the shortfall under the Funding 1 loan agreement (together with any amounts falling due and payable thereafter) shall be limited to the available funds acquired subsequently by Funding 1 together with the proceeds of the enforcement of the Funding 1 security (as the case may be) in accordance with the terms of the Funding 1 loan agreement and the Funding 1 deed of charge.

The Funding 1 loan principal deficiency sub-ledger has been opened, and is maintained, by the cash manager in respect of the Funding 1 loan. The Funding 1 loan principal deficiency sub-ledger records losses allocated to Funding 1 (which reduce the Funding 1 share of the trust property) against the Funding 1 loan.

### **Governing law**

The Funding 1 loan agreement and any non-contractual obligations arising out of or in connection with the Funding 1 loan agreement are governed by English law.

### **Funding 1 deed of charge**

Funding 1 has granted security for its obligations under the intercompany loan agreement, the Funding 1 start-up loan agreements, the Funding 1 swap agreements and the other transaction documents to which it is a party by entering into the Funding 1 deed of charge with the Funding 1 secured creditors on the initial closing date.

The Funding 1 deed of charge has seven primary functions:

- it sets out the covenants of Funding 1;
- it creates security interests in favour of the Funding 1 security trustee which the Funding 1 security trustee then holds on trust for each of the Funding 1 secured creditors (including Funding 1 secured creditors that accede to the Funding 1 deed of charge in connection with further loan tranches under the intercompany loan or new loan tranches under new intercompany loans);
- it sets out the order in which the cash manager applies money received by Funding 1 prior to enforcement of the security;
- it sets out the enforcement procedures relating to a default by Funding 1 on its covenants under the transaction documents (including provisions relating to the appointment of a receiver);
- it sets out the order in which the Funding 1 security trustee applies money received by Funding 1 after the service of an intercompany loan acceleration notice on Funding 1;
- it sets out the appointment of the Funding 1 security trustee, its powers and responsibilities and the limitations on those responsibilities; and
- it sets out how new creditors of Funding 1 can accede to the terms of the Funding 1 deed of charge.

If Funding 1 enters into new intercompany loan agreements with new issuers, then the new issuers (together with any new Funding 1 start-up loan providers and any new Funding 1 swap providers) will enter into deeds of accession in relation to the Funding 1 deed of charge which may, depending on the type of

notes to be issued, require amendments, amongst other things, to any of the Funding 1 pre-acceleration revenue priority of payments, the Funding 1 pre-acceleration principal priority of payments and the Funding 1 post-acceleration priority of payments. Any such new issuers who accede to the Funding 1 deed of charge will share in the security granted by Funding 1. This means that any other applicable creditors of Funding 1 will share in the security granted by Funding 1 under the Funding 1 deed of charge with the Funding 1 secured creditors existing as at the initial closing date. Consent of existing Funding 1 secured creditors and issuer secured creditors will not be sought in relation to the accession of any new issuer and/or other applicable creditors of Funding 1.

### **Covenants of Funding 1**

The Funding 1 deed of charge contains covenants made by Funding 1 in favour of the Funding 1 security trustee on trust for the benefit of itself, any receiver of Funding 1 and the Funding 1 secured creditors.

### **Funding 1 security**

Under the Funding 1 deed of charge, Funding 1 has created the following security interests in favour of the Funding 1 security trustee for and on behalf of the Funding 1 secured creditors (the **Funding 1 security**) in respect of its obligations under the intercompany loan agreement, the start-up loan agreements, the Funding 1 swap agreements and the other transaction documents to which it is a party:

- an assignment by way of security of or, to the extent not assignable, a charge over (which is likely to take effect as a floating charge) the Funding 1 share of the trust property;
- an assignment by way of security of or, to the extent not assignable, a charge over (which is likely to take effect as a floating charge) all of its rights in the transaction documents to which Funding 1 is a party from time to time;
- a first ranking fixed charge (which is likely to take effect as a floating charge) over all of its rights in respect of any amount standing to the credit of the Funding 1 accounts and all interest paid or payable in respect of those amounts and all debts represented by those amounts;
- a first ranking fixed charge (which is likely to take effect as a floating charge) over all of its rights in respect of all authorised investments made by or on behalf of Funding 1 using monies standing to the credit of the Funding 1 accounts and all interest, monies and proceeds paid or payable in relation to those authorised investments; and
- a first ranking floating charge over all of Funding 1's undertaking and all its property and assets (including, without limitation, its uncalled capital) not otherwise effectively charged or assigned (but extending over any property, assets and undertaking of Funding 1 situated in Scotland or the rights to which are governed by Scots law).

### **Nature of security – fixed charge**

Whether a fixed security interest expressed to be created by the Funding 1 deed of charge will be upheld under English law as a fixed security interest rather than floating security will depend, among other things, on whether the Funding 1 security trustee has the requisite degree of control over the chargor's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Funding 1 security trustee in practice. However, it is likely that the Funding 1 security trustee does not exert sufficient control over the accounts of Funding 1 for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised as a floating charge if the proceeds thereof are paid into a bank account over which the Funding 1 security trustee is not deemed to have sufficient control. Such is likely to be the case in respect of the security (other than the floating charge) referred to in this section. Under Scots law there is no equivalent concept of fixed charges taking effect as floating charges.

### **Nature of security – floating charge**

Unlike the fixed charges, the floating charge does not attach to specific assets but instead “floats” over a class of assets which may change from time to time, allowing Funding 1 to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of Funding 1's business. Any of Funding 1's assets acquired after the initial closing date (including assets acquired as a

result of the disposition of any other asset of Funding 1), which are not subject to the fixed charges mentioned in this section (including all of Funding 1's Scottish assets) will be subject to the floating charge.

The existence of the floating charge will allow the Funding 1 security trustee to appoint an administrative receiver of Funding 1 as long as the capital markets exemption is available. The main advantage of the Funding 1 security trustee being able to appoint an administrative receiver is that a person entitled to appoint an administrative receiver can prevent the appointment of an administrator of Funding 1 by one of Funding 1's other creditors which allows the Funding 1 security trustee to control proceedings in the event Funding 1's other creditors seek such action.

The interest of the Funding 1 secured creditors in property and assets over which there is a floating charge only will rank behind the expenses of any liquidation or any administration and the claims of certain preferential creditors on enforcement of the Funding 1 security. This means that the expenses of any liquidation or any administration and preferential creditors will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to the issuer under the intercompany loan agreement. For a description of the nature of floating charges created after 15 September 2003, in particular the ranking of creditors see "**Issuer deed of charge – Nature of security – floating charge**" below.

The floating charge created by the Funding 1 deed of charge may "crystallise" and become a fixed charge over the relevant class of assets owned by Funding 1 at the time of crystallisation. Crystallisation will occur automatically following the occurrence of specific events set out in the Funding 1 deed of charge, including, among other events, notice to Funding 1 from the Funding 1 security trustee following an intercompany loan event of default, except in relation to Funding 1's Scottish assets where crystallisation will occur only on the appointment of an administrative receiver or on the commencement of the winding-up of Funding 1. A crystallised floating charge will rank ahead of the claims of unsecured creditors but will continue to rank behind the expenses of any liquidation or any administration and the claims of preferential creditors (as referred to in this section) on enforcement of the Funding 1 security.

#### **Funding 1 pre-acceleration priority of payments**

The Funding 1 deed of charge sets out the priority of distribution by the cash manager, as at the initial closing date and prior to the service of an intercompany loan acceleration notice on Funding 1, of amounts standing to the credit of the Funding 1 transaction account on each Funding 1 interest payment date. This priority is described below in "**Cashflows – Distribution of Funding 1 available revenue receipts**" and "**Cashflows – Distribution of Funding 1 available principal receipts**".

#### **Following the creation of new intercompany loan agreements**

Where new issuers make new loan tranches available to Funding 1, those new issuers (together with any new Funding 1 start-up loan providers and any new Funding 1 swap providers) will enter into deeds of accession in relation to the Funding 1 deed of charge which will amend the Funding 1 pre-acceleration revenue priority of payments, the Funding 1 pre-acceleration principal priority of payments (including those priorities of payments applying if a trigger event occurs or if a note acceleration notice is served on one or more of the issuers) and the Funding 1 post-acceleration priority of payments to reflect the amounts due to the new issuer, any new Funding 1 start-up loan provider and any new Funding 1 swap provider. The ranking of those new amounts due will be as follows:

- subject to the rules regarding the application of Funding 1 principal receipts by Funding 1 (see "**Cashflows – Distribution of Funding 1 available principal receipts – The rules**" below), all amounts due and payable to the issuer and any new issuers will be paid, subject to their relevant repayment dates, in descending order of the respective ratings of the loan tranches and new loan tranches with the highest loan tranche rating will be paid first and the loan tranches and new loan tranches with the lowest loan tranche rating will be paid last;
- all Funding 1 swap providers will rank *pari passu* and *pro rata* to the respective amounts due to them; and
- all Funding 1 start-up loan providers will rank *pari passu* and *pro rata* to the respective amounts due to them.

Other creditors of Funding 1 may from time to time become Funding 1 secured creditors by signing a deed of accession. The prior consent of the noteholders, Funding 1 secured creditors existing at that time and the other issuer secured creditors will not be sought in relation to the accession of a new issuer or other relevant creditor to the Funding 1 deed of charge. The Funding 1 deed of charge directs the Funding 1 security trustee to execute any deed of accession for and on behalf of the Funding 1 secured creditors,

provided that the new issuer shall have certified in writing to the Funding 1 security trustee that the conditions precedent to the creation of a new intercompany loan have been satisfied.

### **Enforcement**

The Funding 1 deed of charge sets out the general procedures by which the Funding 1 security trustee may take steps to enforce the Funding 1 security so that the Funding 1 security trustee can protect the interests of each of the Funding 1 secured creditors.

The Funding 1 deed of charge provides that, when exercising its powers, trusts, authorities, duties and discretions (including acceleration of the intercompany loan and/or enforcement of the security), the Funding 1 security trustee shall act only at the request or direction of the issuer security trustee and if it is indemnified and/or secured and/or pre-funded to its satisfaction. The issuer security trustee will only act at the request or direction of the note trustee and if it is indemnified and/or secured and/or pre-funded to its satisfaction.

The Funding 1 security will become enforceable upon the service of an intercompany loan acceleration notice under the intercompany loan, provided that, if the Funding 1 security has become enforceable otherwise than by reason of a default in payment of any amount due in respect of the AAA loan tranches, the Funding 1 security trustee will not be entitled to dispose of all or part of the assets comprised in the Funding 1 security unless either:

- it is advised by an investment bank that a sufficient amount would be realised to allow a full and immediate discharge of all amounts owing in respect of all AAA loan tranches and all prior ranking amounts due by Funding 1; or
- the Funding 1 security trustee is of the sole opinion that the cashflow expected to be received by Funding 1 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 Funding 1, to discharge in full over time all amounts owing in respect of all AAA loan tranches and all prior ranking amounts due by Funding 1.

Each of the Funding 1 secured creditors have agreed under the Funding 1 deed of charge that they will not take steps directly against Funding 1 for any amounts owing to them, unless the Funding 1 security trustee has become bound to enforce the Funding 1 security but has failed to do so within 30 days of becoming so bound.

### **Funding 1 post-acceleration priority of payments**

The Funding 1 deed of charge sets out the priority of distribution as at the initial closing date by the cash manager, following service of an intercompany loan acceleration notice, of amounts standing to the credit of the Funding 1 transaction account on any interest payment date and by the Funding 1 security trustee, following enforcement of the Funding 1 security, of amounts received or recovered by the Funding 1 security trustee or a receiver appointed on its behalf on any date. This priority is described in “**Cashflows – distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration**” below.

### **Appointment, powers, responsibilities and liabilities of the Funding 1 security trustee**

The Funding 1 security trustee was appointed to act as security trustee on behalf of the Funding 1 secured creditors on the terms and conditions of the Funding 1 deed of charge. It holds the benefit of the Funding 1 security on trust for each of the Funding 1 secured creditors in accordance with the terms and conditions of the Funding 1 deed of charge.

The Funding 1 security trustee may, without the consent or sanction of the other Funding 1 secured creditors (save where they are party to the transaction document which is the subject of such modification where their actual consent shall be required), concur with any person in making or sanctioning any modifications to the transaction documents if directed or requested by the issuer security trustee, which in turn is directed or requested by the note trustee, provided that

- the note trustee is of the opinion that such modification will not be materially prejudicial to the interests of the noteholders or, if it is not of that opinion in relation to any class of the noteholders or the modification is a basic terms modification, it has been directed or requested by an extraordinary resolution of such class of the noteholders; or

- the note trustee is of the opinion that such modification is made to correct a manifest or proven error or an error established as such to the satisfaction of the note trustee or is of a formal, minor or technical nature.

The note trustee is entitled to assume that the exercise of its discretions will not be materially prejudicial to the interests of the noteholders if each of the rating agencies has confirmed that the then current rating by it of the rated notes then outstanding would not be downgraded, withdrawn or qualified by such exercise (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

For the purposes of Article 21(4)(d) of the Securitisation Regulation, no provision of the issuer deed of charge requires automatic liquidation of the issuer security upon default of the issuer.

In addition, the Funding 1 security trustee will give its consent to any modifications to any transaction document, that are requested by Funding 1 (or the cash manager, on its behalf) or the issuer (or the issuer cash manager on its behalf) (other than a basic terms modification) provided that Funding 1 (or the cash manager on its behalf) or the issuer (or the issuer cash manager on its behalf) certifies to the Funding 1 security trustee in writing that such modifications are required in order to accommodate (among other things):

- (i) any loan tranches to be advanced to Funding 1 under the intercompany loan and/or the issue of any notes by the issuer;
- (ii) new intercompany loan agreements of Funding 1 or any further Funding companies and/or the issue of new notes by the issuer or any new issuer;
- (iii) the addition of other relevant secured creditors of the issuer, Funding 1, any new issuer or any further Funding company;
- (iv) the accession of further Funding companies as beneficiaries to the mortgages trust deed;
- (v) the issue (directly or indirectly) of debt by Funding 1 and/or any further Funding company (other than as referred to in paragraphs (i) and (ii) above);
- (vi) the sale of new types of loans to the mortgages trustee;
- (vii) changes to the general reserve required amount and/or any additional amounts for the purposes of an arrears or step-up trigger event and/or the liquidity reserve fund required amount and/or the manner in which each of such amounts are funded;
- (viii) the establishment of the Funding 1 liquidity facility; and/or
- (ix) changes to the asset trigger events and non-asset trigger events, and

provided further that:

- in respect of the matters listed in paragraphs (i), (iv) and (vi) above, Funding 1, the cash manager, the issuer and/or the issuer cash manager certify to the note trustee in writing that the relevant conditions precedent have been satisfied; and
- in respect of the matters listed in paragraphs (i) to (ix) above, the note trustee has received written confirmation from each of the rating agencies that as a result of the relevant modifications the then current ratings of the rated notes then outstanding will not be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time). Where a written request for such confirmation is delivered to each rating agency by or on behalf of the issuer and one or more of the rating agencies indicates that it does not consider such confirmation or response necessary in the circumstances, or within 30 days of delivery of such request, such request elicits no confirmation or response and/or such request elicits no statement by one or more of the rating agencies that such confirmation or response could not be given, and at least one of the rating agencies gives such a confirmation or response based on the same facts, then such condition shall be deemed to be modified with respect to the facts set out in the request so that there shall be no requirement for the confirmation or response from any such non-responsive rating agency.

Furthermore, the Funding 1 security trustee shall, without the consent of any Funding 1 secured creditor, be required to give its consent to any modifications to the transaction documents that are requested by Funding 1 or the cash manager, provided that Funding 1 has certified to the Funding 1 security trustee in writing that such modifications are required in order to comply with any requirements which apply to it under EMIR, irrespective of whether such modifications are materially prejudicial to the interests of any Funding 1 secured creditor and provided such modifications do not relate to a basic terms modification. The Funding 1 security trustee shall not be obliged to agree to any modification pursuant to this paragraph which (in the sole opinion of the Funding 1 security trustee) would have the effect of (a) exposing the Funding 1 security trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; and (b) increasing the obligations or duties, or decreasing the protections of the Funding 1 security trustee in the transaction documents and/or the terms and conditions of the notes.

The Funding 1 security trustee shall, without the consent of any Funding 1 secured creditor, be required to give its consent to any modifications to the transaction documents that are requested by Funding 1 (or the cash manager on its behalf), provided that Funding 1 has certified to the Funding 1 Security Trustee in writing that such modifications are required solely for the purposes of enabling the Issuer to:

- remove any removed rating agency from rating notes issued on or after the date of this base prospectus; or
- reappoint of any such removed rating agency or substitute any such removed rating agency for one of the remaining two rating agencies.

The Funding 1 security trustee shall also, without the consent of any Funding 1 secured creditor, be required to give its consent to any modifications to the transaction documents that are requested by Funding 1 or the issuer in relation to a base rate modification, irrespective of whether such modifications are materially prejudicial to the interests of any Funding 1 secured creditor, if directed to so consent by the note trustee in accordance with the terms and conditions of the notes.

#### ***Funding 1 security trustee's fees and expenses***

Funding 1 shall reimburse the Funding 1 security trustee for all its costs and expenses properly incurred in acting as security trustee pursuant to the Funding 1 deed of charge. The Funding 1 security trustee shall be entitled to a fee payable annually in the amount agreed from time to time by the Funding 1 security trustee and Funding 1. Funding 1 will agree to indemnify the Funding 1 security trustee and each of its officers, employees and advisers from and against all claims, actions, proceedings, demands, liabilities, losses, damages, costs and expenses arising out of or in connection with:

- the transaction documents; or
- the Funding 1 security trustee's engagement as security trustee pursuant to the Funding 1 deed of charge,

which it or any of its officers, employees or advisers may suffer as a result of Funding 1 failing to perform any of its obligations.

Funding 1 will not be responsible under the Funding 1 deed of charge for any liabilities, losses, damages, costs or expenses resulting from fraud, negligence or wilful default by the Funding 1 security trustee or any of its officers, employees or advisers or breach by them of the terms of the Funding 1 deed of charge.

#### ***Retirement and removal***

Subject to the appointment of a successor security trustee, the Funding 1 security trustee may retire after giving three months' notice in writing to Funding 1. In order to be eligible to act as Funding 1 security trustee, such successor security trustee must agree to be bound by the terms of the Funding 1 deed of charge and must meet the applicable eligibility requirements under the Funding 1 deed of charge, including the requirement that it satisfies the minimum capitalisation and other applicable conditions in regards to trustee eligibility set forth in the Investment Company Act. If within 60 days of having given notice of its intention to retire, Funding 1 has failed to appoint a replacement security trustee, the outgoing Funding 1 security trustee will be entitled to appoint its successor (provided that such successor is acceptable to the rating agencies and agrees to be bound by the terms of the Funding 1 deed of charge, and further provided that the rating agencies confirm that the then current ratings of the rated notes then outstanding shall not be downgraded, withdrawn or qualified as a result of such appointment (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time)).

Funding 1 may remove the Funding 1 security trustee at any time provided that it has the consent of the issuer security trustee which in turn has the consent of the note trustee, which must not be unreasonably withheld or delayed, to the removal.

In addition, the Funding 1 security trustee may, subject to conditions specified in the Funding 1 deed of charge, appoint a co-trustee to act jointly with it.

***Additional provisions of the Funding 1 deed of charge***

The Funding 1 deed of charge contains a range of provisions regulating the scope of the Funding 1 security trustee's duties and liabilities. These will include the following:

- the Funding 1 security trustee is not responsible for the adequacy or enforceability of the Funding 1 deed of charge or the security interests created thereby or any other transaction document;
- the Funding 1 security trustee is not required to exercise its powers under the Funding 1 deed of charge without being directed to do so by the issuer security trustee;
- the Funding 1 security trustee may rely (without investigation or further inquiry) on documents provided by the mortgages trustee, Funding 1 and the cash manager, the ratings agencies and the advice of consultants and advisers and shall not be liable for any loss or damage arising as a result of such reference;
- the Funding 1 security trustee is not required to monitor compliance by Funding 1 with the transaction documents or whether an intercompany loan event of default under the intercompany loan has occurred;
- the Funding 1 security trustee will be taken not to have knowledge of the occurrence of an intercompany loan event of default under the intercompany loan unless the Funding 1 security trustee has received written notice from a Funding 1 secured creditor stating that an intercompany loan event of default has occurred and describing that intercompany loan event of default;
- any action taken by the Funding 1 security trustee under the Funding 1 deed of charge or any transaction document binds all of the Funding 1 secured creditors;
- each Funding 1 secured creditor must make its own independent investigations, without reliance on the Funding 1 security trustee, as to the affairs of Funding 1;
- the Funding 1 security trustee generally has no liability under or in connection with the Funding 1 deed of charge or any other transaction document, whether to a Funding 1 secured creditor or otherwise, other than to the extent to which (1) the liability is able to be satisfied in accordance with the Funding 1 deed of charge out of the property held by it on trust under the Funding 1 deed of charge and (2) it is actually indemnified for the liability, unless the liability has arisen due to the Funding 1 security trustee's or any of its officers', employees' or advisers' fraud, negligence or wilful misconduct or breach of the terms of the Funding 1 deed of charge; and
- the Funding 1 security trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of Funding 1 security.

The Funding 1 security trustee has had no involvement in the preparation of any part of this base prospectus, other than any particular reference to the Funding 1 security trustee. The Funding 1 security trustee expressly disclaims and takes no responsibility for any other part of this base prospectus. The Funding 1 security trustee makes no statement or representation in this base prospectus, has not authorised or caused the issue of any part of it and takes no responsibility for any part of it. The Funding 1 security trustee does not guarantee the performance of the notes or the payment of principal or interest on the notes.

For the purposes of Article 21(4)(d) of the Securitisation Regulation, no provision of the Funding 1 deed of charge requires automatic liquidation of the Funding 1 security upon default of the issuer.

## **Governing law**

The Funding 1 deed of charge and any non-contractual obligations arising out of or in connection with it is governed by English law (other than certain aspects relating to the Scottish loans and their related security, which are governed by Scots law) .

## **Issuer deed of charge**

The issuer has provided security for its obligations by entering into the issuer deed of charge with the issuer secured creditors.

The issuer deed of charge has five primary functions:

- it sets out covenants of the issuer;
- it creates security interests in favour of the issuer security trustee which the issuer security trustee then holds on trust for each of the issuer secured creditors;
- it sets out the enforcement procedures relating to a default by the issuer of its covenants under the transaction documents (including the appointment of a receiver);
- it sets out the order in which the issuer security trustee applies monies standing to the credit of the issuer accounts following the service of a note acceleration notice on the issuer; and
- it sets out the appointment of the issuer security trustee, its powers and responsibilities and the limitations on those responsibilities.

## **Covenants of the issuer**

The issuer deed of charge contains covenants made by the issuer in favour of the issuer security trustee on trust for the benefit of itself, any receiver of the issuer and the issuer secured creditors.

## **Issuer security**

Under the issuer deed of charge, the issuer created the following security interests in favour of the issuer security trustee for and on behalf of the issuer secured creditors in respect of its obligations:

- an assignment by way of security of or, to the extent not assignable, a charge over (which is likely to take effect as a floating charge) all of the issuer's rights under the transaction documents to which it is a party, including the intercompany loan agreement, the Funding 1 deed of charge, the issuer swap agreements, any issuer swap guarantees, the paying agent and agent bank agreement, the programme agreement, any subscription agreement(s), the issuer corporate services agreement, the issuer bank account agreement, the issuer cash management agreement and the note trust deed;
- a first ranking fixed charge (which is likely to take effect as a floating charge) over all of issuer's rights in respect of any amount standing to the credit of the issuer accounts and all interest paid or payable in respect of those amounts and all debts represented by those amounts;
- a first ranking fixed charge (which is likely to take effect as a floating charge) over all of the issuer's rights in respect of all authorised investments made by or on behalf of the issuer using monies standing to the credit of the issuer accounts and all interest, monies and proceeds paid or payable in relation to those authorised investments; and
- a first ranking floating charge over all of the issuer's undertaking and all its property and assets (including, without limitation, its uncalled capital) not otherwise effectively charged or assigned (but extending over all of the issuer's property, assets and undertaking situated in Scotland or the rights to which are governed by Scots law).

## **Nature of security – fixed charge**

Whether a fixed security interest expressed to be created by the issuer deed of charge will be upheld under English law as a fixed security interest rather than floating security will depend, among other things, on whether the issuer security trustee has the requisite degree of control over the chargor's ability to deal in the

relevant assets and the proceeds thereof and, if so, whether such control is exercised by the issuer security trustee in practice. However, it is likely that the issuer security trustee does not exert sufficient control over the accounts of the issuer for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised a floating charge if the proceeds thereof are paid into a bank account over which the issuer security trustee is not deemed to have sufficient control. Such may be the case in respect of the security (other than the floating charge) referred to in this section. Under Scots law there is no equivalent concept of fixed charges taking effect as floating charges.

### ***Nature of security – floating charge***

Unlike the fixed charges, the floating charge does not attach to specific assets but instead “floats” over a class of assets which may change from time to time, allowing the issuer to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of the issuer's business. Any assets acquired by the issuer after the initial closing date (including assets acquired as a result of the disposition of any other assets of the issuer) which are not subject to fixed charges mentioned in this section (including all of the issuer's Scottish assets) will be subject to the floating charge.

The existence of the floating charge will allow the issuer security trustee to appoint an administrative receiver of the issuer as long as the capital markets exemption is available. The main advantage of the issuer security trustee being able to appoint an administrative receiver is that a person entitled to appoint an administrative receiver can prevent the appointment of an administrator of the issuer by one of the issuer's other creditors which allows the issuer security trustee to control proceedings in the event the issuer's other creditors seek such action. However, see “**Risk Factors – Changes of law may adversely affect your interests**” above relating to the appointment of administrative receivers.

The interest of the issuer secured creditors in property and assets over which there is a floating charge will rank behind the expenses of any liquidation or administration and the claims of certain preferential creditors on enforcement of the issuer security. This means that the expenses of any liquidation or any administration and the claims of preferential creditors will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to the noteholders. Section 250 of the Enterprise Act 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 a new Section 176A of the Insolvency Act (as inserted by Section 251 of the Enterprise 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 liquidation or 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.

The floating charge created by the issuer 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. Except in relation to the issuer's Scottish assets, crystallisation will occur automatically following the occurrence of specific events set out in the issuer deed of charge, including, among other events, service of a note acceleration notice. In relation to the issuer's Scottish assets, crystallisation will occur only on the appointment of an administrative receiver or on the commencement of the winding-up of the issuer. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part, but will rank behind the expenses of any liquidation or administration, the claims of preferential creditors (as referred to in this section) and the beneficiaries of the prescribed part on enforcement of the issuer security.

### ***Enforcement***

If at any time the issuer security becomes enforceable, the note trustee may (for so long as any notes remain outstanding) instruct the issuer security trustee to take such steps as it may think fit to enforce the issuer security. The issuer security trustee is not bound to take such steps unless it is so directed by the note trustee (for so long as any notes remain outstanding) and indemnified and/or secured and/or pre-funded to its satisfaction.

The issuer security will become enforceable at any time following the service of a note acceleration notice on the issuer or, if there are no notes outstanding, following a default in payment of any other secured obligation of the issuer, provided that, if a note acceleration notice is served on the issuer other than due to a default in payment of any amount due on the notes, the issuer security trustee will not be entitled to dispose of all or part of the assets comprised in the issuer security unless either:

- a sufficient amount would be realised to allow a full and immediate discharge of all amounts owing in respect of the class A notes or, if the class A notes have been fully repaid, the class B notes or, if the class B notes have been fully repaid, the class M notes or, if the class M notes have been fully repaid, the class C notes or, if the class C notes have been fully repaid, the class D notes; or
- the issuer security trustee is of the sole opinion that the cashflow expected to be received by the issuer will not, or that there is a significant risk that it will not, be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the issuer, to discharge in full over time all amounts owing in respect of the class A notes or, if the class A notes have been fully repaid, the class B notes or, if the class B notes have been fully repaid, the class M notes or, if the class M notes have been fully repaid, the class C notes or, if the class C notes have been fully repaid, the class D notes and all prior ranking amounts due by the issuer.

Each of the issuer secured creditors (other than the noteholders, the note trustee acting on behalf of the noteholders and the issuer security trustee) will agree under the issuer deed of charge that they will not take steps directly against the issuer (other than in accordance with the transaction documents) for any amounts owing to them, unless the issuer security trustee has become bound to enforce the issuer security but has failed to do so within 30 business days of becoming so bound.

***Issuer post-acceleration principal priority of payments and issuer priority of payments following an intercompany loan acceleration notice***

The issuer deed of charge sets out the priority of distribution by the issuer cash manager, following service of a note acceleration notice and/or an intercompany loan acceleration notice, of amounts standing to the credit of the issuer transaction account and (if established) the issuer GIC account or, as the case may be, by the issuer security trustee, following enforcement of the issuer security, of amounts received or recovered by the issuer security trustee (or a receiver appointed on its behalf). These orders of priority are described in “**Cashflows**” below.

***Appointment, powers, responsibilities and liabilities of the issuer security trustee***

The issuer security trustee was appointed to act as security trustee on behalf of the issuer secured creditors on the terms and conditions of the issuer deed of charge. It holds the benefit of the security created by the issuer deed of charge on trust for each of the issuer secured creditors in accordance with the terms and conditions of the issuer deed of charge.

The issuer security trustee may concur or direct the Funding 1 security trustee to concur with any person in making any modifications to the transaction documents only if so directed or requested by the note trustee, provided that:

- the note trustee is of the opinion that such modification will not be materially prejudicial to the interests of the noteholders or, if it is not of that opinion in relation to any class of the noteholders or the modification is a basic terms modification, it has been directed or requested by an extraordinary resolution of such class of the noteholders; or
- the note trustee is of the opinion that such modification is being made to correct a manifest or proven error established as such to the satisfaction of the note trustee or is of a formal, minor or technical nature.

The note trustee is entitled to assume that the exercise of its rights, powers, duties and discretions will not be materially prejudicial to the interests of the noteholders if each of the rating agencies has confirmed that the then current rating by it of the rated notes then outstanding would not be downgraded, withdrawn or qualified by such exercise (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

In addition, the issuer security trustee will give its consent to any modifications to any transaction document, that are requested by Funding 1 (or the cash manager, on its behalf) or the issuer (or the issuer cash manager on its behalf) (other than a basic terms modification) provided that Funding 1 (or the cash manager on its behalf) or the issuer (or the issuer cash manager on its behalf) certifies to the issuer security trustee in writing that such modifications are required in order to accommodate (among other things):

- (i) any loan tranches to be advanced to Funding 1 under the intercompany loan and/or the issue of any notes by the issuer;

- (ii) new intercompany loan agreements of Funding 1 or any further Funding companies and/or the issue of new notes by the issuer or any new issuer;
- (iii) the addition of other relevant secured creditors of the issuer, Funding 1, any new issuer or any further Funding company;
- (iv) the accession of further Funding companies as beneficiaries to the mortgages trust deed;
- (v) the issue (directly or indirectly) of debt by Funding 1 and/or any further Funding company (other than as referred to in paragraphs (i) and (ii) above);
- (vi) the sale of new types of loans to the mortgages trustee;
- (vii) changes to the general reserve required amount and/or any additional amounts for the purposes of an arrears or step-up trigger event and/or the liquidity reserve fund required amount and/or the manner in which each of such amounts are funded;
- (viii) the establishment of the Funding 1 liquidity facility; and/or
- (ix) changes to the asset trigger events and non-asset trigger events,

and provided further that:

- in respect of the matters listed in paragraphs (i), (iv) and (vi) above, Funding 1, the cash manager, the issuer and/or the issuer cash manager certify to the note trustee in writing that the relevant conditions precedent have been satisfied; and
- in respect of the matters listed in paragraphs (i) to (ix) above, the note trustee has received written confirmation from each of the rating agencies that as a result of the relevant modifications the then current ratings of the rated notes then outstanding will not be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time). Where a written request for such confirmation is delivered to each rating agency by or on behalf of the issuer and one or more of the rating agencies indicates that it does not consider such confirmation or response necessary in the circumstances, or within 30 days of delivery of such request, such request elicits no confirmation or response and/or such request elicits no statement by one or more of the rating agencies that such confirmation or response could not be given, and at least one of the rating agencies gives such a confirmation or response based on the same facts, then such condition shall be deemed to be modified with respect to the facts set out in the request so that there shall be no requirement for the confirmation or response from any such non-responsive rating agency.

Furthermore, the note trustee may direct the issuer security trustee to consent to an EMIR amendment as set forth in **Condition 11.5 (Modifications and Determinations by Note Trustee)** of the terms and conditions of the notes.

The note trustee shall also be required to give its consent and direct the issuer security trustee give its consent to any modifications to the transaction documents that are requested by Funding 1 or the issuer in relation to a base rate modification as set forth in **Condition 11.5 (Modifications and Determinations by Note Trustee)** of the terms and conditions of the notes.

#### ***Issuer security trustee's fees and expenses***

The issuer will reimburse the issuer security trustee for all its costs and expenses properly incurred in acting as issuer security trustee. The issuer security trustee shall be entitled to a fee payable on such dates and in the amount agreed from time to time by the issuer security trustee and the issuer. The issuer has agreed to indemnify the issuer security trustee and each of its officers, employees and advisers from and against all claims, actions, proceedings, demands, liabilities, losses, damages, costs and expenses arising out of or in connection with:

- the transaction documents; or
- the issuer security trustee's engagement as security trustee pursuant to the issuer deed of charge,

which it or any of its officers, employees or advisers may suffer as a result of the issuer failing to perform any of its obligations.

The issuer is not responsible under the issuer deed of charge for any liabilities, losses, damages, costs or expenses resulting from the fraud, negligence or wilful default on the part of the issuer security trustee or any of its officers, employees and advisers or breach by them of the terms of the issuer deed of charge.

### ***Retirement and removal***

Subject to the appointment of a successor security trustee, the issuer security trustee may retire after giving three months' notice in writing to the issuer. In order to be eligible to act as issuer security trustee, such successor security trustee must agree to be bound by the terms of the issuer deed of charge and must meet the applicable eligibility requirements under the issuer deed of charge, including the requirement that it satisfies the minimum capitalisation and other applicable conditions in regards to trustee eligibility set out in the Investment Company Act. If, within 60 days of having given notice of its intention to retire, the issuer has failed to appoint a replacement security trustee, the outgoing issuer security trustee will be entitled to appoint its successor (provided that such successor is acceptable to the rating agencies and agrees to be bound by the terms of the issuer deed of charge, and further provided that the rating agencies confirm that the then current ratings of the rated notes then outstanding shall not be either downgraded, withdrawn or qualified as a result of such appointment (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time)).

The issuer may remove the issuer security trustee at any time providing that it has the consent, which must not be unreasonably withheld or delayed, of the note trustee to the removal.

In addition, the issuer security trustee may, subject to the conditions specified in the issuer deed of charge, appoint a co-trustee to act jointly with it.

### ***Additional provisions of the issuer deed of charge***

The issuer deed of charge contains a range of provisions regulating the scope of the issuer security trustee's duties and liability. These include the following:

- the issuer security trustee will, if reasonably practicable, give prior written notification to the seller of the issuer security trustee's intention to enforce the issuer security (although any failure to so notify will not prejudice the ability of the issuer security trustee to enforce the issuer security);
- the issuer security trustee is not responsible for the adequacy or enforceability of the issuer deed of charge or the security interests created thereby or any other transaction document;
- the issuer security trustee is not required to exercise its powers under the issuer deed of charge or the transaction documents unless:
  - (i) whilst the notes are outstanding, it has been directed or requested to do so by the note trustee in accordance with **Condition 10 (Enforcement Of Notes)** (see "**Terms and conditions of the notes**" below); or
  - (ii) following the redemption of the notes, it has been directed to do so by any other issuer secured creditor;

provided that, in each case, it is indemnified and/or secured and/or pre-funded to its satisfaction;

- the issuer security trustee may rely (without investigation or further inquiry) on documents provided by the issuer, the issuer cash manager, the issuer swap providers, the agent bank, the paying agents, the registrar, the exchange rate agent, the transfer agent, the issuer account bank, the issuer corporate services provider, the rating agencies and the advice of consultants and advisers and shall not be liable for any loss or damage arising as a result of such reliance;
- the issuer security trustee is not required to monitor whether a note event of default has occurred or compliance by the issuer with the transaction documents;

- the issuer security trustee will be taken not to have knowledge of the occurrence of a note event of default unless the issuer security trustee has received written notice stating that a note event of default has occurred;
- the issuer security trustee may rely (without investigation or further inquiry) on any instructions or directions given to it by the note trustee as being given on behalf of the relevant class of noteholders without inquiry about compliance with the note trust deed and shall not be liable for any loss or damage arising as a result of such reliance;
- the issuer security trustee has no duties or responsibilities except those expressly set out in the issuer deed of charge or the transaction documents;
- any action taken by the issuer security trustee under the issuer deed of charge or any of the transaction documents binds all of the issuer secured creditors;
- each issuer secured creditor must make its own independent investigations, without reliance on the issuer security trustee, as to the affairs of the issuer and whether or not to request that the issuer security trustee take any particular course of action under any transaction document;
- the issuer security trustee in a capacity other than as issuer security trustee can exercise its rights and powers as such as if it were not acting as the issuer security trustee;
- the issuer security trustee and its affiliates may engage in any kind of business with the issuer or any of the issuer secured creditors as if it were not the issuer security trustee and may receive consideration for services in connection with any transaction document or otherwise without having to account to the issuer secured creditors;
- the issuer security trustee has no liability under or in connection with the issuer deed of charge or any other transaction document, whether to an issuer secured creditor or otherwise, (1) other than to the extent to which the liability is able to be satisfied in accordance with the issuer deed of charge out of the property held by it on trust under the issuer deed of charge and (2) it is actually indemnified for the liability, unless such liability has arisen due to its or any of its officers', employees' or advisers' fraud, negligence, wilful misconduct or breach of the terms of the issuer deed of charge; and
- the issuer security trustee is not responsible for any deficiency which may arise because it is liable to tax in respect of the proceeds of issuer security.

The issuer security trustee has had no involvement in the preparation of any part of this base prospectus, other than any particular reference to the issuer security trustee. The issuer security trustee expressly disclaims and takes no responsibility for any other part of this base prospectus. The issuer security trustee makes no statement or representation in this base prospectus, has not authorised or caused the issue of any part of it and takes no responsibility for any part of it. The issuer security trustee does not guarantee the success of the notes or the payment of principal or interest on the notes.

For the purposes of Article 21(4)(d) of the Securitisation Regulation, no provision of the issuer deed of charge requires automatic liquidation of the issuer security upon default of the issuer.

### **Governing law**

The issuer deed of charge and any non-contractual obligations arising out of or in connection with it is governed by English law (other than certain aspects relating to the Scottish loans and their related security, which are governed by Scots law).

### **Swap agreements**

#### **General**

Funding 1 has entered into the Funding 1 swap agreements with Santander UK (as the Funding 1 swap provider). The issuer will enter into issuer swaps with the issuer swap provider, unless another issuer swap provider is specified in an applicable drawdown prospectus or supplemental prospectus. In general, the swaps are designed to do the following:

- Funding 1 swaps: to hedge against the possible variance between the mortgages trustee variable rate in respect of the variable rate loans, the base rate in respect of the base rate loans and the fixed rates of interest payable on the fixed rate loans on the one hand and a LIBOR-based rate for three-month sterling deposits or a compounded daily SONIA rate payable in respect of LIBOR-linked intercompany loans and SONIA-linked intercompany loans (as applicable) on the other hand;
- issuer dollar currency swaps: to protect the issuer against changes in the sterling to U.S. dollar exchange rate following the relevant closing date and the possible variance between a LIBOR-based rate for three-month sterling deposits or a compounded daily SONIA rate (as applicable) and either (i) a LIBOR-based rate for one-month dollar deposits applicable to the relevant class of notes, (ii) a LIBOR-based rate for three-month dollar deposits applicable to the relevant class of notes or (iii) a LIBOR-based rate for such other period of dollar deposits as is applicable to the relevant class of notes, in each case as specified in the accompanying final terms, and to address the difference in timing between the interest payment dates in respect of loan tranches under the intercompany loan, which may occur monthly or quarterly, and the interest payment dates in respect of a particular class of notes, which may occur monthly, quarterly or otherwise, in each case as specified in the accompanying final terms;
- issuer euro currency swaps: to protect the issuer against changes in the sterling to euro exchange rate following the relevant closing date and the possible variance between a LIBOR-based rate for three-month sterling deposits or a compounded daily SONIA rate (as applicable) and either (i) a EURIBOR-based rate for one-month euro deposits applicable to the relevant class of notes, (ii) a EURIBOR-based rate for three-month euro deposits applicable to the relevant class of notes or (iii) a EURIBOR-based rate for such other period of euro deposits as is applicable to the relevant class of notes, in each case as specified in the accompanying final terms, and to address the difference in timing between the interest payment dates in respect of loan tranches under the intercompany loan, which may occur monthly or quarterly, and the interest payment dates in respect of the relevant class of notes, which may occur monthly, quarterly or otherwise, in each case as specified in the accompanying final terms;
- other issuer currency swaps: to protect the issuer following the relevant closing date against changes in the sterling to the specified currency exchange rate (if not euro or dollars) and the possible variance between a LIBOR-based rate for three-month sterling deposits or a compounded daily SONIA rate (as applicable) and the rate specified in the accompanying final terms, and to address the difference in timing between the interest payment dates in respect of loan tranches under the intercompany loan, which may occur monthly or quarterly, and the interest payment dates in respect of a particular class of notes which may occur monthly, quarterly or otherwise, in each case as specified in the accompanying final terms; and
- issuer interest rate swap agreements: in addition to the issuer currency swaps outlined in the bullet points above, if the issuer issues sterling notes which are fixed rate notes from time to time, it will enter into issuer interest rate swap transactions in order to hedge its exposure to potential mismatches between the floating rate of interest payable under the Funding 1 intercompany loan and the fixed rates of interest payable by the issuer under those notes.

### ***Funding 1 swaps***

Some of the loans in the portfolio pay a variable rate of interest for a period of time which may be linked to the mortgages trustee variable rate or a variable interest rate other than the mortgages trustee variable rate such as a rate set by reference to the base rate. Other loans pay a fixed rate of interest for a period of time and may pay a differential rate. However, the interest rate payable by Funding 1 with respect to the loan tranches under the intercompany loan agreement is calculated as a margin over LIBOR for three-month sterling deposits or a compounded daily SONIA rate.

Funding 1 and the Funding 1 swap provider entered into the LIBOR Funding 1 swaps pursuant to the LIBOR Funding 1 swap agreement on the initial closing date (and may amend and restate such LIBOR Funding 1 swap agreement on each subsequent closing date) to provide hedging against the possible variances between:

- (a) (i) the mortgages trustee variable rate in respect of the variable rate loans and (ii) a LIBOR-based rate for three-month sterling deposits;
- (b) (i) the base rate in respect of the base rate loans and (ii) a LIBOR-based rate for three-month sterling deposits; and
- (c) (i) the fixed rate of interest payable on the fixed rate loans and (ii) a LIBOR-based rate for three-month sterling deposits.

Funding 1 and the Funding 1 swap provider entered into the SONIA Funding 1 swaps pursuant to the SONIA Funding 1 swap agreement on 13 September 2019 (as the same has been amended and/or restated from time to time thereafter) to provide a hedge against the possible variances between:

- (a) (i) the mortgages trustee variable rate in respect of the variable rate loans and (ii) a compounded daily SONIA rate;
- (b) (i) the base rate in respect of the base rate loans and (ii) a compounded daily SONIA rate; and
- (c) (i) the fixed rate of interest payable on the fixed rate loans and (ii) a compounded daily SONIA rate.

There are fifteen LIBOR Funding 1 swaps; five swaps relating to variable rate loans (the **variable rate loans LIBOR Funding 1 swaps**), five swaps relating to base rate loans (the **base rate loans LIBOR Funding 1 swaps**) and five swaps relating to fixed rate loans (the **fixed rate loans LIBOR Funding 1 swaps**).

There are eight SONIA Funding 1 swaps: one swap relating to the variable rate loans (the **variable rate loans SONIA Funding 1 swaps**), one swap relating to base rate loans (the **base rate loans SONIA Funding 1 swap**) and six swaps relating to fixed rate loans (the **fixed rate loans SONIA Funding 1 swaps**).

The variable rate loans LIBOR Funding 1 swaps and the variable rate loans SONIA Funding 1 swaps (the **variable rate loans Funding 1 swaps**) provide hedging in respect of variable rate loans from time to time which have been grouped together by reference to the maturities of the variable rate loans in those groups. The variable rate loans Funding 1 swaps provide a hedge against a rate of interest equal to the weighted average of the variable rates interest charged to borrowers of the relevant loans which are subject to variable rates of interest, on the one hand, and a LIBOR-based rate for three-month sterling deposits or a compounded daily SONIA rate, as the case may be, on the other hand. Funding 1 remains exposed to the level of any discount applied to the variable rate loans because, in hedging against the possible variance between the underlying basis of calculation of the variable rate loans on the one hand and a LIBOR-based rate for three-month sterling deposits or a compounded daily SONIA rate, as the case may be, on the other hand, the variable rate loans Funding 1 swaps do not take into account any discounts applied to such basis of calculation.

The base rate loans LIBOR Funding 1 swaps and the base rate loans SONIA Funding 1 swaps (the **base rate loans Funding 1 swaps**) provide hedging in respect of base rate loans from time to time which have been grouped together by reference to (in respect of base rate loans with reset dates which predate the maturity dates applicable to those base rate loans) the relevant reset dates, or (in the case of all other base rate loans) the maturity dates, of the base rate loans in those groups.

The fixed rate loans LIBOR Funding 1 swaps and the fixed rate loans SONIA Funding 1 swaps (the **fixed rate Funding 1 swaps**) provide hedging in respect of fixed rate loans from time to time which have been grouped together by reference to the reset dates of the fixed rate loans in those groups.

The Funding 1 swaps have notional amounts (the **notional amount of the Funding 1 swap(s)**) that are designed, in aggregate, to reflect the principal amount outstanding of all intercompany loans less the balance of the Funding 1 principal deficiency ledger. This is achieved by apportioning this notional amount for each Funding 1 swap by applying: (a) a ratio of the principal amount outstanding of LIBOR-linked intercompany loans (in the case of the LIBOR Funding 1 swaps) or SONIA-linked intercompany loans (in the case of the SONIA Funding 1 swaps) to the principal amount outstanding of all intercompany loans; and (b) a ratio of the average daily balance of fixed rate loans (in the case of fixed rate loans Funding 1 swaps), variable rate loans (in the case of variable rate loans Funding 1 swaps) or base rate loans (in the case of base rate loans Funding 1 swaps) to the average daily balance of the loans. Under each Funding 1 swap, the following amounts will be calculated:

- in relation to a LIBOR Funding 1 swap, in respect of an interest period, an amount equal to the product of:
  - (i) an amount produced by applying a rate of three-month LIBOR in respect of an interest period (in respect of LIBOR-linked intercompany loans), plus the weighted average LIBOR spread in respect of fixed rate loans, base rate loans or variable rate loans (as applicable) to the weighted average notional amount for such LIBOR Funding 1 swap for such interest period, such amount to be calculated by the calculation agent on the basis of the actual number of days in such interest period, divided by 365 (known as the **LIBOR swap provider amount**); and
  - (ii) in respect of an interest period, the lesser of
    - (a) 1; and
    - (b) an amount equal to (A) paragraphs (a) and (b) of the Funding 1 available revenue receipts in respect of such interest period (less the amount payable on the relevant payment date, in respect of such interest period, pursuant to items (a) to (c) inclusive of the Funding 1 pre-acceleration revenue priority of payments) divided by (B) the sum of the LIBOR calculation period Funding 1 amounts (as defined below) in respect of all variable rate loans LIBOR Funding 1 swaps, base rate loans LIBOR Funding 1 swaps and fixed rate loans LIBOR Funding 1 swaps for calculation periods relating to such interest period,  
  
(known as the **LIBOR shortfall ratio**).
- in relation to a SONIA Funding 1 swap, in respect of an interest period, an amount equal to the product of:
  - (i) an amount produced by applying a rate of Compounded Daily SONIA (as calculated in accordance with the provisions of the SONIA funding 1 swap for an interest period which is the same as the corresponding notes interest period) in respect of such interest period (in respect of SONIA-linked intercompany loans) plus the weighted average SONIA spread in respect of fixed rate loans, base rate loans or variable rate loans (as applicable), to the weighted average notional amount for such SONIA Funding 1 swap for such interest period, such amount to be calculated by the calculation agent on the basis of the actual number of days in such interest period, divided by 365 (known as the **SONIA swap provider amount**); and
  - (ii) in respect of an interest period, the lesser of:
    - (a) 1; and
    - (b) an amount equal to (A) paragraphs (a) and (b) of the Funding available revenue receipts in respect of such interest period (less the interest payable on the relevant payment date, in respect of such interest period, pursuant to items (a) to (c) inclusive of the Funding pre-acceleration revenue priority of payments) divided by (B) the sum of the SONIA calculation period Funding amount (as defined below) in respect of all variable rate loans SONIA Funding 1 swaps, base rate loans SONIA Funding 1 swaps and fixed rate loans SONIA Funding 1 swaps for calculation periods relating to such interest period,  
  
(known as the **SONIA shortfall ratio** and, together with the LIBOR shortfall ratio, the **shortfall ratio**).
- in relation to a LIBOR Funding 1 swap, in respect of a calculation period, the amount produced by applying a rate equal to either:
  - (i) in the case of the variable rate loans LIBOR Funding 1 swaps, the weighted average of the variable rates of interest charged to borrowers of relevant variable rate loans; or

- (ii) in the case of the base rate loans LIBOR Funding 1 swaps, a weighted average of the base rates of interest charged to the borrowers of relevant base rate loans; or
- (iii) in the case of the fixed rate loans LIBOR Funding 1 swaps, the weighted average of the fixed rates of interest charged to the borrowers of relevant fixed rate loans,

for the actual number of days in the relevant calculation period, to the relevant notional amount of each Funding 1 swap for such calculation period, divided by 365 (known as the **LIBOR calculation period Funding 1 amount**).

- In relation to a SONIA Funding 1 swap, in respect of a calculation period, the amount produced by applying a rate equal to either:
  - (i) in the case of the variable rate loans SONIA Funding 1 swaps, the weighted average of the variable rates of interest charged to borrowers of relevant variable rate loans; or
  - (ii) in the case of the base rate loans SONIA Funding 1 swaps, a weighted average of the base rates of interest charged to borrowers of relevant base rate loans; or
  - (iii) in the case of the fixed rate loans SONIA Funding 1 swaps, the weighted average of the fixed rates of interest charged to borrowers of relevant fixed rate loans,

for the actual number of days in the relevant calculation period, to the relevant notional amount of each Funding 1 swap for such calculation period, divided by 365 (known as the **SONIA calculation period Funding 1 amount**).

On each Funding 1 swap interest payment date the following amounts will be calculated in respect of a LIBOR Funding 1 swap or SONIA Funding 1 swap (as applicable):

- (i) the sum of each of the LIBOR calculation period Funding 1 amounts or SONIA calculation period Funding 1 amounts (as applicable) calculated for the relevant interest period, multiplied by (ii) the relevant shortfall ratio; and
- the LIBOR swap provider amount or SONIA swap provider amount (as applicable) calculated for the relevant interest period.

After these two amounts are calculated in relation to a Funding 1 swap interest payment date in respect of a LIBOR Funding 1 swap or a SONIA Funding 1 swap (as applicable), the following payments will be made on that Funding 1 swap interest payment date:

- if the first amount is greater than the second amount, then Funding 1 will pay the difference to the Funding 1 swap provider;
- if the second amount is greater than the first amount, then the Funding 1 swap provider will pay the difference to Funding 1; and
- if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by the Funding 1 swap provider, that payment will be included in the Funding 1 available revenue receipts and will be applied on the relevant Funding 1 swap interest payment date according to the relevant priority of payments of Funding 1. If a payment is to be made by Funding 1, it will be made according to the relevant priority of payments of Funding 1.

In the event that any Funding 1 swap is terminated prior to the service of an intercompany loan acceleration notice or the latest occurring final repayment date of any loan tranche advanced under the intercompany loan, Funding 1 shall enter into replacement Funding 1 swap(s), on terms acceptable to the rating agencies, with a swap provider whom the rating agencies have previously confirmed will not cause the then current ratings of the rated notes then outstanding to be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time). If Funding 1 is unable to enter into replacement Funding 1 swap(s) on terms acceptable to the rating agencies, this may affect amounts available to pay interest on the loan tranches under the intercompany loan agreement.

**Issuer swap agreements***Issuer currency swap agreements*

The loan tranches under the intercompany loan agreement will be denominated in sterling and interest payable by Funding 1 to the issuer under the loan tranches is calculated as a margin over LIBOR for three-month sterling deposits or a compounded daily SONIA rate. However, some of the notes will be denominated in U.S. dollars and will accrue interest at either a USD LIBOR-based rate for one-month U.S. dollar deposits, a USD LIBOR-based rate for three-month U.S. dollar deposits or such other rate specified in the accompanying final terms. Other notes will be denominated in euro and will accrue interest at either a EURIBOR-based rate for one-month euro deposits, a EURIBOR-based rate for three-month euro deposits or such other rate specified in the accompanying final terms. Other notes will be denominated in another currency (other than sterling, U.S. dollars or euro) as specified in the accompanying final terms and will accrue interest at such rate specified in the accompanying final terms. To deal with the potential currency mismatch between (i) its receipts and liabilities in respect of the loan tranches and (ii) its receipts and liabilities under the notes, the issuer will, pursuant to the terms of the issuer swap agreements in respect of each series, swap its receipts and liabilities in respect of the relevant loan tranches on terms that match the issuer's obligations under the relevant series of notes.

On the closing date of any series of notes, the issuer will pay to the relevant issuer swap provider the issue proceeds of any U.S. dollar notes, euro notes or notes denominated in any other specified currency (other than sterling) and the relevant issuer swap provider will pay to the issuer the equivalent amount in sterling, converted by reference to the dollar currency exchange rate or euro current exchange rate or such other currency exchange rate, as applicable.

The currency amount of each issuer swap will be the principal amount outstanding under the series of notes to which the relevant issuer swap relates. Subject, in the case of the issuer's obligations under certain classes of notes, to certain deferral of interest provisions that will apply when payment of interest under the corresponding notes is deferred in accordance with the terms and conditions of such notes, the issuer swap providers will pay to the issuer amounts in U.S. dollars, euro or such other relevant specified currency, as applicable, that are equal to the amounts of interest to be paid on each of the classes of the notes of the relevant series and the issuer will pay to the issuer swap providers the sterling interest amounts received on the loan tranches corresponding to the classes of notes of the relevant series. In order to allow for the effective currency amount of each issuer swap to amortise at the same rate as the relevant series and class of notes, each issuer swap agreement will provide that, as and when the notes amortise, a corresponding portion of the currency amount of the relevant issuer swap will amortise. Pursuant to each issuer swap agreement, any portion of issuer swap so amortised will be swapped from sterling into U.S. dollars at the relevant U.S. dollar currency exchange rate, into euro at the euro currency exchange rate or into such other relevant specified currency at the relevant specified currency exchange rate, as applicable.

On the final maturity date of each class of notes or, if earlier, the date on which such notes are redeemed in full (other than pursuant to **Condition 5.5 (Optional Redemption for Tax and other Reasons)** under "**Terms and conditions of the notes**" below), the relevant issuer swap provider will pay to the issuer an amount in U.S. dollars, euro or such other relevant specified currency, as applicable, equal to the principal amount outstanding under the relevant notes and the issuer will pay to the relevant issuer swap provider an equivalent amount in sterling, converted by reference to the dollar currency exchange rate, euro currency exchange rate or such other relevant specified currency exchange rate, as applicable.

If the issuer does not have sufficient principal available pursuant to the issuer cash management agreement to pay in full any amount required to be paid by it on any date under the issuer swap agreement and accordingly pays only a part of such amount to the relevant issuer swap provider, then the issuer swap agreement may provide that the relevant issuer swap provider will not be obliged on such date to pay the equivalent of the full amount but will be obliged on such date to pay only the equivalent of such partial amount in U.S. dollars, euro or such other relevant specified currency, as applicable, in each case converted by reference to the dollar currency exchange rate, euro currency exchange rate or such other relevant specified currency exchange rate, as applicable. The relevant issuer swap agreement will set out to which, if any, payments the proportionate reduction of the issuer swap provider's payment applies.

In the event that any issuer currency swap is terminated prior to the service of a note acceleration notice or the final redemption of the relevant series of U.S. dollar denominated, euro denominated notes or such other specified currency denominated notes, as applicable, the issuer cash manager (on behalf of the issuer or, if the issuer security trustee requests the issuer cash manager to act as its agent, on behalf of the issuer security trustee) shall purchase a replacement currency swap in respect of that class and series of notes. Any replacement currency swap must be on terms acceptable to the rating agencies, the issuer and the issuer security trustee and with a replacement issuer swap provider whom the rating agencies have

previously confirmed will not cause the then current ratings of the rated notes then outstanding of the relevant series to be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

If an issuer swap agreement is terminated and the issuer cash manager is unable to purchase (on behalf of the issuer or the issuer security trustee as applicable) a replacement swap as described above, then any payments received by the issuer from Funding 1 on each Funding 1 interest payment date shall be deposited in the issuer bank account (or such other account opened for this purpose) and applied by the issuer to repay the notes on each interest payment date after exchanging at the "spot" rate the relevant proceeds from sterling into U.S. dollars, euros or such other relevant specified currency as required.

#### *Issuer interest rate swap agreements*

Interest payable by Funding 1 to the issuer under the loan tranches under the intercompany loan agreement is calculated as a margin over LIBOR for three-month sterling deposits or a compounded daily SONIA rate. However, some of the sterling notes will accrue interest at a fixed rate of interest. To deal with the potential interest rate mismatch between (i) its receipts and liabilities in respect of the loan tranches and (ii) its receipts and liabilities under the sterling fixed rate notes, the issuer will, pursuant to the terms of the issuer swap agreements in respect of each series of sterling fixed rate notes, swap its receipts and liabilities in respect of the relevant loan tranches on terms that match the issuer's obligations under the relevant series of notes.

The notional amount of each issuer interest rate swap will be the principal amount outstanding under the series of notes to which the relevant issuer interest rate swap relates. Subject, in the case of the issuer's obligations under certain classes of notes, to certain deferral of interest provisions that will apply when payment of interest under the corresponding notes is deferred in accordance with the terms and conditions of such notes, on each interest payment date in respect of the notes the following amounts will be calculated:

- (a) the amount produced by applying LIBOR for three-month sterling deposits or a compounded daily SONIA rate (as applicable) to the notional amount; and
- (b) the amount produced by applying the fixed rate payable in respect of the sterling fixed rate notes to the notional amount.

After these amounts are calculated in respect of each interest rate swap and an interest payment date, the following payments will be made on that interest payment date:

- (i) if the amount determined under paragraph (a) above is greater than the amount determined under paragraph (b), then the issuer will pay the difference to the relevant issuer interest rate swap provider;
- (ii) if the amount determined under paragraph (b) above is greater than the amount determined under paragraph (a), then the relevant issuer interest rate swap provider will pay the difference to the issuer; or
- (iii) if the amount determined under paragraph (a) above is equal to the amount determined under paragraph (b), then neither party will make a payment to the other.

In the event that any issuer interest rate swap is terminated prior to the service of a note acceleration notice or the final redemption of the relevant series of notes, the issuer cash manager (on behalf of the issuer or, if the issuer security trustee requests the issuer cash manager to act as its agent, on behalf of the issuer security trustee) shall purchase a replacement interest rate swap in respect of that class and series of notes. Any replacement interest rate swap must be on terms acceptable to the rating agencies, the issuer and the issuer security trustee and with a replacement issuer swap provider whom the rating agencies have previously confirmed will not cause the then current ratings of the rated notes then outstanding of the relevant series to be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

#### ***Ratings downgrade of swap providers***

Under each of the swap agreements, in the event that the relevant rating(s) of a swap provider, or its respective guarantor, as applicable, is or are, as applicable, downgraded by a rating agency below the rating(s) specified in the relevant swap agreement (in accordance with the requirements of the rating agencies) for such swap provider, and, if applicable, as a result of the downgrade, the then current ratings of the rated notes, in respect of the relevant Funding 1 swap, or the rated notes corresponding to the relevant

issuer swap, in respect of the relevant issuer swap, would or may, as applicable, be adversely affected, the relevant swap provider will, if required in accordance with the relevant Funding 1 swap or the relevant issuer swap, as applicable, be required to take certain remedial measures which may include providing collateral for its obligations under the relevant swap, arranging for its obligations under the relevant swap to be transferred to an entity with rating(s) required by the relevant rating agency as specified in the relevant swap agreement (in accordance with the requirements of the relevant rating agency), procuring another entity with rating(s) required by the relevant rating agency as specified in the relevant swap agreement (in accordance with the requirements of the relevant rating agency) to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant swap or taking such other action as it may agree with the relevant rating agency. For more information on the ratings requirements for swap providers, see “**Triggers tables – Rating Triggers Table – Funding 1 swap provider or guarantor of the Funding 1 swap provider in respect of the LIBOR Funding 1 swap agreement**”, “**Triggers tables – Rating Triggers Table –Funding 1 swap provider or guarantor of the Funding 1 swap provider in respect of the SONIA Funding 1 swap agreement in relation to fixed rate loans SONIA Funding 1 swaps only**” and “**Triggers tables – Rating Triggers Table –Issuer swap provider or guarantor of the issuer swap provider**”.

### **Termination of the swaps**

Any swap agreement may also be terminated in certain other circumstances, including the following, each referred to as a **swap early termination event**:

- at the option of one party to the swap agreement, if there is a failure by the other party to pay any amounts due under that swap agreement and any applicable grace period has expired;
- in respect of the issuer swaps, at the option of the relevant issuer swap provider, if an event of default under the notes occurs and the note trustee serves a note acceleration notice;
- in respect of a Funding 1 swap, at the option of the Funding 1 swap provider, if an event of default under the intercompany loan occurs and the Funding 1 security trustee serves an intercompany loan acceleration notice;
- in respect of the issuer swaps, at the option of either party, if a redemption of the relevant series and class of notes occurs pursuant to **Condition 5.5 (Optional Redemption for Tax and other Reasons)** under “**Terms and conditions of the notes**” below;
- at the option of the issuer (in the case of an issuer swap), if certain tax representations by the relevant issuer swap provider respectively prove to have been incorrect or misleading in any material respect;
- at the option of the Funding 1 swap provider or relevant issuer swap provider, if certain insolvency events occur with respect to the issuer (in the case of an issuer swap) or Funding 1 (in the case of the Funding 1 swaps);
- at the option of the issuer (in the case of an issuer swap) or Funding 1 (in the case of the Funding 1 swaps), upon the occurrence of an insolvency of the Funding 1 swap provider or the relevant issuer swap provider (or, where the relevant issuer swap provider is located in a jurisdiction in which counsel recommend that the swap terminates automatically, without the option of the issuer to elect for termination), or its guarantor, or the merger of the Funding 1 swap provider or the relevant issuer swap provider without an assumption of its obligations under the relevant swap agreement, or if a material misrepresentation is made by the Funding 1 swap provider or the relevant issuer swap provider under the relevant swap agreement, or if the Funding 1 swap provider or relevant issuer swap provider defaults under an over-the-counter derivatives transaction under another agreement between Funding 1 and the Funding 1 swap provider or the issuer and such relevant issuer swap provider, or if a breach of a provision of the relevant swap agreement by the Funding 1 swap provider or the relevant issuer swap provider is not remedied within the applicable grace period, or, if applicable, if the guarantor of the Funding 1 swap provider or the relevant issuer swap provider fails to comply with its obligations under the guarantee;
- if a change in law results in the obligations of one of the parties becoming illegal;
- in respect of the issuer swaps, subject to certain conditions, if withholding taxes are imposed on payments under an issuer swap due to a change in law or a merger of a party with

another entity with the effect that the relevant issuer swap provider is required to pay an additional amount or will receive an amount from which tax has been deducted; and

- if the Funding 1 swap provider or the relevant issuer swap provider or its guarantor, as applicable, is downgraded and fails to comply with the requirements of the ratings downgrade provision contained in the relevant swap agreement and described above under **“Ratings downgrade of swap providers”**.

Upon the occurrence of a swap early termination event, the issuer or the relevant issuer swap provider may be liable to make a termination payment to the other (in the case of an issuer swap) and/or Funding 1 or the Funding 1 swap provider may be liable to make a termination payment to the other (in the case of the Funding 1 swaps). The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers and managers as to the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial.

If any issuer swap is terminated early and a termination payment is due by the issuer to an issuer swap provider, then, pursuant to its obligations under the intercompany loan, Funding 1 shall pay to the issuer an amount equal to the termination payment due to the relevant issuer swap provider less any amount received by the issuer under any replacement issuer swap agreement. These payments will be made by Funding 1 only after paying interest amounts due on the loan tranches and after providing for any debit balance on the principal deficiency ledger. The issuer shall apply amounts received from Funding 1 under the intercompany loan in accordance with the issuer pre-acceleration revenue priority of payments or, as the case may be, the issuer post-acceleration principal priority of payments. The application by the issuer of termination payments due to an issuer swap provider may affect the funds available to pay amounts due to the noteholders (see further **“Risk Factors – You may be subject to risks relating to exchange rates or interest rates on the notes or risks relating to reliance on a 2a-7 swap provider”** above).

If the issuer receives a termination payment from an issuer swap provider, then the issuer shall use those funds towards meeting its costs in effecting currency exchanges at the applicable spot rate of exchange until a replacement issuer swap is entered into and/or a replacement issuer swap is acquired.

Noteholders will not receive extra amounts (over and above interest and principal payable on the notes) as a result of the issuer receiving a termination payment.

In the event that any issuer swap is terminated prior to the earlier to occur of the service of a note enforcement notice and the final redemption of the relevant series of notes, the issuer cash manager (on behalf of the issuer and the issuer security trustee) shall procure the purchase of a replacement issuer swap in respect of that series and class (or sub-class) of notes. Any replacement issuer swap must be entered into on terms acceptable to the rating agencies, the issuer and the issuer security trustee and with a replacement swap provider whom the rating agencies have previously confirmed in writing to the issuer and the issuer security trustee will not cause the then current ratings of the rated notes to be downgraded, withdrawn or qualified. If the issuer is unable to enter into a replacement issuer swap on terms acceptable to the rating agencies, the issuer and the issuer security trustee, this may adversely affect amounts available to pay amounts due under the notes.

### ***Transfer of the swaps***

Each swap provider may, subject to certain conditions specified in the relevant swap agreement, including (without limitation) the satisfaction of certain requirements of the rating agencies, transfer its obligations under any of the swaps to another entity.

### ***Taxation***

Neither Funding 1 nor the issuer is obliged under any of the swaps to gross up payments made by them if a withholding or deduction for or on account of tax is imposed on payments made under the Funding 1 swaps or the issuer swaps.

Each swap provider will generally be obliged to gross up payments made by it to Funding 1 or the issuer, as appropriate, if a withholding or deduction for or on account of tax is imposed on payments made under the Funding 1 swaps or the issuer swaps. However, if an issuer swap provider is required to gross up

a payment under an issuer swap due to a change in law, the relevant issuer swap provider may terminate the relevant issuer swaps.

### **Governing law**

The LIBOR Funding 1 swap agreement, the SONIA Funding 1 swap agreement and the issuer swap agreements (and any non-contractual obligations arising out of or in connection with them) are and/or will be governed by English law.

### **Corporate services agreements**

Each of Funding 1, any further Funding company, the mortgages trustee and Holdings has entered into corporate services agreements with the relevant corporate services provider on the initial closing date (or will enter into corporate services agreements with the relevant corporate services provider on the relevant closing date in respect of each further Funding company). The issuer has entered into a corporate services agreement with the issuer corporate services provider. The mortgages trustee has entered into a corporate services agreement with the mortgages trustee corporate services provider. Funding 1 and Holdings have entered into a corporate services agreement with the corporate services provider. Pursuant to each corporate services agreement, the relevant corporate services provider has agreed or will agree to provide corporate services to each of the entities.

The corporate services agreements are or will be governed by English law.

### **The remarketing agreement**

If money market notes are designated as remarketable notes in the relevant final terms, the issuer will enter into an agreement (the **remarketing agreement**) pursuant to which it will appoint the remarketing agent specified in the final terms to act as its agent and to use its reasonable efforts to identify third party purchasers for such remarketable notes on each mandatory transfer date prior to the occurrence of a mandatory transfer termination event. Any amounts paid to the remarketing agent by any third party or the conditional purchaser for the remarketable notes as part of the mandatory transfer will be held by the remarketing agent as fiduciary for the relevant purchaser.

To facilitate the transfer of interests in the remarketable notes as part of the mandatory transfer, the remarketing agent may appoint a tender agent (the **tender agent**) specified in the final terms for the purpose of arranging delivery and payment by and to holders of the remarketable notes on the relevant mandatory transfer date. No further action will be required by such noteholders for the transfer of the remarketable notes to or for the account of the remarketing agent.

Prior to each mandatory transfer date prior to the occurrence of a mandatory transfer termination event, subject to the occurrence of a remarketing termination event (as defined below) then outstanding, the remarketing agent will approach potential investors with a view to procuring purchasers for the remarketable notes on the relevant mandatory transfer date. The remarketing agent will seek bids from investors for the margin to apply to the remarketable notes from the relevant mandatory transfer date. If there is one or more third parties willing to purchase in aggregate all the outstanding remarketable notes of the relevant series and class, the margin on all the remarketable notes of that series and class will be reset to an amount (not greater than the maximum reset margin) (the **reset margin**) being the lowest margin at which all such remarketable notes will be purchased by third parties as determined by the remarketing agent. If all of such remarketable notes cannot be placed with third parties, the margin will be reset to the maximum reset margin. The conditional purchaser will be obliged to purchase any such remarketable notes not otherwise purchased by third parties. If a remarketing termination event occurs, the reset margin will equal the maximum reset margin.

The issuer may terminate the remarketing agreement in certain circumstances, including where the remarketing agent becomes insolvent, no longer has the requisite authority or ability to act in accordance with the terms of the remarketing agreement or a material breach of warranty or covenant remains outstanding under the remarketing agreement.

The remarketing agent will have the right to terminate the remarketing agreement and will have no further obligations thereunder in certain circumstances, including where a note event of default has occurred and is continuing, there has been an event beyond the control of the remarketing agent or the issuer as a result of which the remarketing agent is unable to perform its obligations under the remarketing agreement or which in the reasonable opinion of the remarketing agent represents a material market change affecting the relevant remarketable note, the issuer is in material breach of any representations and warranties given by it in the conditional purchase agreement as at the closing date of the relevant remarketable notes, the

requirements of Rule 2a-7 under the Investment Company Act in respect of the eligibility of such remarketable notes have changed since the closing date of such notes or a mandatory transfer termination event occurs. The occurrence of any of these events or a termination by the issuer pursuant to the previous paragraph where an alternative remarketing agent has not yet been appointed upon delivery of a notice from the remarketing agent to the issuer and the principal paying agent giving notice of termination is a **remarketing termination event**. The occurrence of a remarketing termination event does not affect the obligations of the conditional purchaser under the conditional purchase agreement (unless there has been a mandatory transfer termination event or a note event of default that is continuing).

A **mandatory transfer termination event** will occur if the conditional purchaser has purchased all the relevant remarketable notes under the terms of a mandatory transfer and the remarketing agent has confirmed such purchase or the tender agent has confirmed the interest in such remarketable notes has been transferred to the name or account of, or on behalf of, the conditional purchaser (either being a **conditional purchaser confirmation**), the confirmation in either case being given in writing to the issuer and the principal paying agent. If a conditional purchaser confirmation has been given with respect to any remarketable notes, the issuer will not be obliged to procure any subsequent purchasers of such remarketable notes and the remarketing agent will not be obliged to further remarket such notes.

## THE MORTGAGES TRUST

The following section contains a summary of the material terms of the mortgages trust deed. This summary is subject to the more detailed provisions of the mortgages trust deed.

### General legal structure

This section describes the material terms of the mortgages trust, including how money is distributed from the mortgages trust to Funding 1, each further Funding company (if any) and the seller.

The mortgages trust is a bare trust constituted under English law, with the mortgages trustee as trustee, for the benefit of the seller, Funding 1 and each further Funding company (if any) as beneficiaries. The mortgages trust was constituted for the programme described in this base prospectus and for the possibility of future financings (directly or indirectly) by any further Funding companies.

The terms of the mortgages trust deed may be amended as and when new issuers are established or new loan types are added to the mortgages trust or when further Funding companies acquire an interest in the trust property. Such amendments may affect the timing of payments on the notes. The prior consent of noteholders will not be sought in relation to any of the proposed amendments to the mortgages trust deed, provided (*inter alia*) that the rating agencies confirm that the ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of such amendments (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time). There can be no assurance, however, that the effect of any such amendments will not ultimately adversely affect your interests as a noteholder (see “**Risk Factors – The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests**” above).

### The trust property

Under the terms of the mortgages trust deed, the mortgages trustee holds all of the trust property on trust absolutely for the benefit of Funding 1 (as to the Funding 1 share), for each further Funding company (as to its respective further Funding company share) and for the seller (as to the seller share). The **trust property** consists of:

- the sum of £100 settled by Sanne Trustee Services Limited on trust on the initial closing date;
- the portfolio of loans and their related security sold to the mortgages trustee by the seller on the initial closing date;
- any new loans and their related security sold to the mortgages trustee by the seller after the initial closing date;
- any increase in the current balance of a loan due to a borrower making underpayments or taking payment holidays or making cash withdrawals under a flexible loan or the seller making a further advance under a loan (for the avoidance of doubt, in the case of excluded further advances or further advances otherwise repurchased pursuant to the terms of the mortgage sale agreement, until so repurchased) or due to the capitalisation of arrears or accrued interest and other amounts in arrears in respect of any loan;
- any revenue receipts and principal receipts on the loans in the portfolio;
- any contribution paid by Funding 1, any further Funding company or the seller to the mortgages trustee, for application in accordance with the terms of the mortgages trust deed, but only until such contributions have ceased to be trust property having been applied by the mortgages trustee in accordance with the terms of the mortgages trust deed;
- any Funding 1 loan;
- any other amounts received under or in respect of the loans and their related security on or after the relevant sale date (excluding third party amounts), including the proceeds of any sale of the loans and their related security and any other proceeds of sale of any other trust property;

- any authorised investments made by or on behalf of the mortgages trustee;
- rights under the insurance policies that are assigned to the mortgages trustee or which the mortgages trustee has the benefit of; and
- amounts on deposit (and interest earned on those amounts) in the mortgages trustee GIC account,
- less
- any actual losses in relation to the loans and any actual reductions occurring in respect of the loans as described in paragraph (a) of “**Adjustments to trust property**” below;
- distributions of revenue receipts and principal receipts made from time to time to the beneficiaries of the mortgages trust; and
- refinancing distributions and/or special distributions made from time to time to the beneficiaries of the mortgages trust.

No beneficiary is entitled to particular loans and their related security separately from any other beneficiary. Instead each of the beneficiaries has an undivided interest in all of the loans and their related security forming part of the trust property. The beneficial interest of Funding 1, any further Funding company and the seller represent *pro rata* interests in the trust property.

The accompanying final terms will set out the approximate Funding 1 share, seller share and each further Funding company share (if any) of the trust property as at the relevant closing date.

#### **Fluctuation of share in the trust property**

The shares of Funding 1, each further Funding company (if any) and the seller in the trust property will fluctuate depending on a number of factors, including:

- (a) the allocation of principal receipts and revenue receipts on the loans to Funding 1, each further Funding company and/or the seller;
- (b) losses arising on the loans;
- (c) if new loans and their related security are sold to the mortgages trustee;
- (d) any of the beneficiaries increasing its beneficial interest in, and hence its share of, the trust property by making contributions (excluding, in respect of the Funding companies, deferred contributions) to the mortgages trustee in accordance with the mortgages trust deed;
- (e) the mortgages trustee making a special distribution (including from the proceeds of class Z variable funding notes) or a refinancing distribution to any beneficiary on a distribution date;
- (f) if a borrower makes underpayments or takes payment holidays under a flexible loan;
- (g) if a borrower makes a drawing under a flexible loan;
- (h) if the seller makes a further advance to a borrower under a loan (for the avoidance of doubt, in the case of excluded further advances or further advances otherwise repurchased pursuant to the terms of the mortgage sale agreement, until so repurchased); and
- (i) the capitalisation of arrears or accrued interest and other amounts in arrears in respect of any loan.

Neither the Funding 1 share nor any further Funding company share of the trust property may be reduced below zero. The seller will not be entitled to receive principal receipts which would reduce the seller share of the trust property to an amount less than the minimum seller share unless and until the Funding 1 share and any further Funding company share of the trust property have been reduced to zero or following the occurrence of an asset trigger event.

The seller's share of the trust property does not provide credit enhancement for the loan tranches or the notes as any losses from loans included in the trust property will be allocated proportionately between Funding 1 and the seller on each distribution date depending on their respective shares of the trust property.

## Contributions to the mortgages trust

Pursuant to the terms of the mortgages trust deed, each of the beneficiaries may from time to time contribute certain assets to the mortgages trust (each a **contribution**). A contribution may be made to the mortgages trust by way of an initial contribution, a refinancing contribution, a seller contribution, a deferred contribution or a further contribution.

An **initial contribution** is a contribution by way of cash payable, pursuant to the terms of the mortgages trust deed, by Funding 1 or any further Funding company in respect of any trust property sold to the mortgages trustee at the time of such contribution for the purposes of enabling the mortgages trustee to fund the payment of the initial purchase price owed by the mortgages trustee to the seller, pursuant to the terms of the mortgage sale agreement, in respect of any loans and their related security sold by the seller to the mortgages trustee at such time.

A **refinancing contribution** is a contribution by way of cash payable, pursuant to the terms of the mortgages trust deed, by a beneficiary to the mortgages trustee. A refinancing contribution made by a beneficiary will increase the share of that beneficiary in the trust property by a corresponding amount. The mortgages trustee will allocate and pay amounts received as a refinancing contribution on a further contribution date to make a refinancing distribution to Funding 1 or any further Funding company (as applicable) specified by the beneficiary that made the refinancing contribution on such further contribution date. The recipient's share in the trust property will be reduced accordingly (see further "**Refinancing distributions**" below). A refinancing contribution can be made by any one of the beneficiaries while any indebtedness of any of Funding 1 or the further Funding companies is outstanding where such beneficiary elects, in its sole discretion, to designate all or part of that contribution as a refinancing contribution in relation to the recipient Funding company. The amount of any refinancing contribution cannot exceed the aggregate principal amount of all debt obligations of the Funding companies then outstanding.

A **seller contribution** is a contribution by way of cash payable, pursuant to the terms of the mortgages trust deed, by the seller to the mortgages trustee to increase the share of the seller in the trust property. A seller contribution will be in an amount equal to the unpaid interest element otherwise due under any flexible loan which is subject to an authorised underpayment or payment holiday.

A **deferred contribution** is a contribution by way of cash payable, pursuant to the terms of the mortgages trust deed, by Funding 1 or any further Funding company and in respect of the share of that Funding company in the trust property for the purposes of enabling the mortgages trustee to fund the payment of the deferred purchase price owed by the mortgages trustee, pursuant to the terms of the mortgage sale agreement, to the seller in respect of the portfolio.

A **further contribution** is a contribution (excluding any initial contribution or deferred contribution, but including a refinancing contribution and a seller contribution) by way of cash payable pursuant to the terms of the mortgages trust deed by a beneficiary to the mortgages trustee to increase the share of that beneficiary in the trust property. Upon receipt of a further contribution (other than in respect of a further contribution which is also a refinancing contribution or a seller contribution) made by Funding 1 or any further Funding company on a further contribution date, the mortgages trustee will pay an amount equal to such further contribution to the seller on such further contribution date (whether or not such date is a distribution date) by way of a special distribution (and the payment of such special distribution will decrease the seller share of the trust property by an equal amount).

In the case of a further contribution due to a borrowing by Funding 1 under the Funding 1 loan, such further contribution shall increase Funding 1's share and correspondingly decrease the seller's share.

## Dates for recalculation of the share of each beneficiary

The cash manager will calculate the then current share of each of the beneficiaries on the following dates based on the aggregate current balance of the loans constituting the trust property (as adjusted from time to time) as at the close of business on the last day of the immediately preceding trust calculation period or, as the case may be, interim trust calculation period:

- (a) the initial closing date, the London business day following the last day of each calendar month and the day on which the mortgages trust is terminated (each such date, a **trust calculation date**). The period from (and including) the first day of each calendar month (or, as applicable, the initial closing date) to (and including) the last day of that calendar month or, as applicable, the date of termination of the mortgages trust shall be a **trust calculation period**;

- (b) the day on which there is a sale of any new loans to the mortgages trustee (each such date, a **sale date**); and
- (c) the day on which any of the beneficiaries makes a further contribution to the mortgages trust (each such date, a **further contribution date**).

The reason for the recalculation of the share of each beneficiary on a sale date or further contribution date is so as to determine the percentage share of each beneficiary which will reflect the addition of new loans and their related security or a further contribution (as the case may be) to the trust property. When the cash manager recalculates the relevant shares and share percentages of each beneficiary on a trust calculation date, that recalculation will apply for the then current trust calculation period (commencing on the first day of the calendar month in which such trust calculation date occurs). However, if during such trust calculation period the seller sells new loans to the mortgages trustee or a further contribution (excluding a seller contribution) is made, the recalculation made by the cash manager on that sale date or further contribution date (as applicable) (each an **interim trust calculation date**) will only apply from (and including) that sale date or further contribution date to (and including in the case of (a) and excluding in the case of (b)) the earlier to occur of (a) the end of that then current trust calculation period and (b) the next occurring sale date or further contribution date (which shall be (a), in the case that (a) and (b) occur on the same date). The portion of a trust calculation period that is less than a full trust calculation period is called an **interim trust calculation period**.

The percentage share that each beneficiary has will determine that beneficiary's entitlement to revenue receipts and principal receipts from the loans in the trust property and also the allocation of losses or capitalised arrears arising on the loans for the then current trust calculation period or interim trust calculation period, as applicable. The method of determining those percentage shares is as set out below.

**Distribution date** means the eighth day of each month or, if not a London business day, the next succeeding London business day, being the date that the mortgages trustee will distribute principal receipts and revenue receipts to the beneficiaries.

#### Funding 1 share – trust calculation date recalculation

On each trust calculation date (also referred to in this section as the **relevant trust calculation date**), the interest of Funding 1 (the **Funding 1 share**) is recalculated to take effect for the then current trust calculation period (commencing on the first day of the calendar month in which such trust calculation date occurs) or the relevant interim trust calculation period (as applicable) in accordance with the following formulae:

The Funding 1 share will be an amount equal to:

$$A - B - C + D + E + F$$

The percentage share of Funding 1 (the **Funding 1 share percentage**) will be an amount equal to:

$$\frac{A - B - C + D + E + F \times 100}{G}$$

in the latter case, expressed as a percentage and rounded upwards to five decimal places,

where:

- A = the amount of the Funding 1 share as determined on the immediately preceding trust calculation date or, as the case may be, the initial closing date;
- B = the sum of (i) the amount of any principal receipts on the loans to be distributed to Funding 1 on the distribution date immediately following the relevant trust calculation date and (ii) any refinancing distribution made to Funding 1 in the immediately preceding trust calculation period;
- C = the amount of losses sustained on the loans in the immediately preceding trust calculation period and the amount of any reductions occurring in respect of the loans as described in paragraph (a) to (d) in "**Adjustments to trust property**" below, in each case allocated to Funding 1 in the immediately preceding trust calculation period;

- D = the amount of any initial contribution paid by Funding 1 to the mortgages trustee during the immediately preceding trust calculation period in respect of the Funding 1 share of any new loans sold by the seller to the mortgages trustee during such trust calculation period (the new trust property);
- E = the amount of any further contribution paid by Funding 1 to the mortgages trustee during the immediately preceding trust calculation period to increase the Funding 1 share;
- F = the aggregate amount of any interest which is overdue in respect of the loans which the seller has agreed to capitalise and which has been capitalised and added in the accounts of the seller to the outstanding principal balance of a loan (capitalised arrears) which have been allocated to Funding 1 in the immediately preceding trust calculation period; and
- G = the aggregate current balance of all the loans in the trust property as at the last day of the immediately preceding trust calculation period after making or provisioning for the distributions, allocations and additions referred to in B, C, D, E and F above and after taking account of (without double counting any amounts referred to in B, C, D, E and F above):
- the sale, if any, of new trust property during the immediately preceding trust calculation period;
  - any distribution of principal receipts and revenue receipts to any of the beneficiaries on the distribution date immediately following the relevant trust calculation date;
  - any contributions by any beneficiaries in the immediately preceding trust calculation period;
  - any distributions to any beneficiaries in the immediately preceding trust calculation period;
  - the amount of any losses or capitalised arrears to be allocated to the beneficiaries in the immediately preceding trust calculation period;
  - the amount of any increase in the current balances due to capitalisation of insurance premiums due by borrowers during the immediately preceding trust calculation period;
  - the adjustments referred to in paragraphs (a) to (d) in “**Adjustments to trust property**” below; and
  - the amount of any other additions to or subtractions from the outstanding principal balance of loans comprising the trust property (including any subtractions made from the outstanding principal balance resulting from overpayments made by borrowers and/or any additions to the outstanding principal balance resulting from borrowers making cash withdrawals or underpayments or taking payment holidays under a flexible loan or the seller making further advances to a borrower (for the avoidance of doubt, in the case of excluded further advances or further advances otherwise repurchased pursuant to the terms of the mortgage sale agreement, until so repurchased) or a borrower making further drawdowns under a loan during the immediately preceding trust calculation period, as described below in “**Additions to and reductions in the trust property**”).

### **Further Funding company's share**

The share of each further Funding company (a **further Funding company share**) and the percentage share of each further Funding company (the **further Funding company share percentage**) will be recalculated on each trust calculation date in the same way that the Funding 1 share and the Funding 1 share percentage are recalculated in the above section (“**Funding 1 share – trust calculation date recalculation**”), except that references to Funding 1 are to be read as references to the relevant Funding company.

### Funding 1 share – sale date and further contribution date recalculations

On each interim trust calculation date, the Funding 1 share will be recalculated for the related interim trust calculation period, for the sole purpose of calculating the distributions to be made from the trust property on the immediately succeeding distribution date, in accordance with the following formula:

- (a) the then current Funding 1 share will be an amount equal to:

$$A - B + D$$

- (b) the current Funding 1 share percentage will be an amount equal to:

$$\frac{A - B + D \times 100}{G}$$

expressed as a percentage and rounded upwards to five decimal places, where:

- A = the size of the Funding 1 share as determined on the later of the trust calculation date, or interim trust calculation date (as applicable) immediately preceding the relevant trust calculation date, or interim trust calculation date (as applicable);
- B = the actual amount of any refinancing distribution paid to Funding 1 on such interim trust calculation date;
- D = (a) the amount of any initial contribution paid by Funding 1 to the mortgages trustee on such interim trust calculation date which is a sale date in respect of the Funding 1 share of any new loans sold by the seller to the mortgages trustee or, as the case may be, (b) an amount equal to the further contribution paid by Funding 1 to the mortgages trustee on such interim trust calculation date which is a further contribution date; and
- G = the sum of:
- (i) the aggregate current balance of all of the loans in the trust property as at the immediately preceding trust calculation date or the interim trust calculation date (as applicable); and
  - (ii) the aggregate current balance of the new loans sold to the mortgages trustee after the immediately preceding trust calculation date or the interim trust calculation date (as applicable), including the new trust property sold to the mortgages trustee on such interim trust calculation date which is a sale date.

### Each further Funding company

Each further Funding company share and each further Funding company share percentage will be recalculated on each trust calculation date and, if applicable, each interim trust calculation date occurring during the then current trust calculation period in the same way that the Funding 1 share and the Funding 1 share percentage are recalculated in the above section (“**Funding 1 share – sale date and further contribution date recalculations**”), except that references to Funding 1 are to be read as references to the relevant further Funding company.

### Adjustments to trust property

If any of the following events occurs during a trust calculation period or, as applicable, interim trust period immediately preceding the relevant trust calculation date, or as applicable, relevant interim trust calculation date, then the aggregate current balance of the loans in the trust property will be reduced or deemed to be reduced for the purposes of the calculation of **G** above:

- (a) any borrower exercises a right of set-off so that the amount of principal and interest owing under a loan is reduced but no corresponding payment is received by the mortgages trustee. In this event, the aggregate current balance of the loans constituting the trust property will be reduced by an amount equal to the amount of that set-off; and/or

- (b) (i) a loan or its related security does not materially comply with the representations and warranties contained in the mortgage sale agreement, or (ii) a loan or its related security is the subject of a product switch or a further advance (other than an excluded further advance), which does not comply with the relevant conditions for remaining in the trust property (and, in each case, the seller fails to repurchase the loan or loans under the relevant mortgage account and their related security to the extent required by the terms of the mortgage sale agreement) or the seller makes an excluded further advance and does not repurchase the loan under the relevant mortgage account and its related security as required under the terms of the mortgage sale agreement or (iii) if the seller accepts an application from a borrower to transfer a portable loan to a new property. In any of these events, the aggregate current balance of the loans constituting the trust property will be deemed to be reduced for the purposes of the calculation of **G** by an amount equal to the current balance of the relevant loan or loans under the relevant mortgage account; and/or
- (c) the seller would be required to repurchase a loan and its related security as required by the terms of the mortgage sale agreement, but the loan and its related security is not capable of being repurchased. In this event, the aggregate outstanding principal balance of the loans constituting the trust property will be deemed to be reduced for the purposes of the calculation of **G** by an amount equal to the current balance of the relevant loan or loans under the relevant mortgage account; and/or
- (d) the seller breaches any other material warranty under the mortgage sale agreement and/or (for so long as the seller is the servicer) the servicing agreement, which will also be grounds for terminating the appointment of the servicer. In this event, the aggregate current balance of the loans constituting the trust property will be deemed to be reduced for the purposes of the calculation of **G** by an amount equal to the resulting loss (if any) incurred by the beneficiaries.

The reductions or deemed reductions set out in paragraphs (a) to (d) above will be made on each London business day, but only aggregated and accounted for on the next following relevant trust calculation date, sale date or further contribution date (as applicable), first to the seller's share (including the minimum seller share) and, thereafter will be made to each Funding 1 share and any further Funding company share, *pro rata* according to the then current Funding 1 share and the then current further Funding company share thereof.

Any sums that are subsequently recovered by the mortgages trustee in connection with a reduction or deemed reduction of the trust property under paragraphs (a) to (d) above will constitute a revenue receipt under the relevant loan. Such revenue receipt will be allocated to Funding 1 and any further Funding companies according to the then current Funding 1 share and the current further Funding company share (but only if and to the extent that the related reductions were applied against the Funding 1 share and the further Funding company's share) and thereafter will belong to the seller.

### **The weighted average share percentages**

On any trust calculation date where the seller has sold new loans to the mortgages trustee (the date on which such sale occurs being a **sale date**) or a beneficiary has made a further contribution (the date on which such further contribution is made being a **further contribution date**) during the immediately preceding trust calculation period, the cash manager will calculate (for the sole purpose of making the distributions to be made on the immediately succeeding distribution date) the weighted average of the current Funding 1 share percentage, each further Funding company share percentage and seller share percentage in respect of each interim trust calculation period occurring in that immediately preceding trust calculation period. The calculation will be based on the amount of the revenue receipts and principal receipts received and the losses sustained during each of the preceding interim trust calculation periods.

### **The weighted average Funding 1 share percentage**

The **weighted average Funding 1 share percentage** for any such trust calculation date will be equal to:

- (a) in respect of the distribution of revenue receipts to be made on the immediately succeeding distribution date (the **weighted average Funding 1 share (revenue) percentage**), the sum, in respect of all interim trust calculation periods during the trust calculation period immediately preceding the relevant trust calculation date, of:

- (i) for each interim trust calculation period during that trust calculation period, the product of:
  - (A) the related Funding 1 share percentage for that interim trust calculation period; and
  - (B) the amount of all revenue receipts received by the mortgages trustee during that interim trust calculation period;divided by:
  - (ii) the aggregate of all revenue receipts received by the mortgages trustee during the trust calculation period immediately preceding that trust calculation date;
- (b) in respect of the distribution of principal receipts to be made on the immediately succeeding distribution date (the **weighted average Funding 1 share (principal) percentage**), the sum, in respect of all interim trust calculation periods during the trust calculation period immediately preceding the relevant trust calculation date, of:
  - (i) for each interim trust calculation period during that trust calculation period, the product of:
    - (A) the related Funding 1 share percentage for that interim trust calculation period; and
    - (B) the amount of all principal receipts received by the mortgages trustee during that interim trust calculation period;divided by:
    - (ii) the aggregate of all principal receipts received by the mortgages trustee during the trust calculation period immediately preceding that trust calculation date; and
- (c) in respect of the allocation of losses to be made on the immediately succeeding distribution date (the **weighted average Funding 1 share (losses) percentage**), the sum, in respect of all interim trust calculation periods during the trust calculation period immediately preceding the relevant trust calculation date, of:
  - (i) for each interim trust calculation period during that trust calculation period, the product of:
    - (A) the related Funding 1 share percentage for that interim trust calculation period; and
    - (B) the amount of all losses sustained on the loans during that interim trust calculation period;divided by:
    - (ii) the aggregate of all losses sustained on the loans during the trust calculation period immediately preceding that trust calculation date.

**The weighted average share percentage of each further Funding company and the weighted average Funding 1 share percentage**

The **weighted average further Funding company share percentage** of each further Funding company will be calculated in the same way as the weighted average Funding 1 share percentage, except that references to Funding 1 are to be read as references to the relevant further Funding company.

The **weighted average further Funding company share (revenue) percentage** of each further Funding company will be calculated in the same way as the weighted average Funding 1 share (revenue) percentage, except that references to Funding 1 are to be read as references to the relevant further Funding company.

The **weighted average further Funding company share (principal) percentage** of each further Funding company will be calculated in the same way as the weighted average Funding 1 share (principal)

percentage, except that references to Funding 1 are to be read as references to the relevant further Funding company.

The **weighted average further Funding company share (losses) percentage** of each further Funding company will be calculated in the same way as the weighted average Funding 1 share (losses) percentage, except that references to Funding 1 are to be read as references to the relevant further Funding company.

### **Seller share – trust calculation date recalculation**

On each trust calculation date, the interest of the seller will be recalculated for the relevant trust calculation period or related interim trust calculation period in accordance with the following formulae:

The **seller share** will be an amount equal to:

- the aggregate current balance of the loans constituting the trust property as at the last day of the trust calculation period immediately preceding the relevant trust calculation date (as adjusted in accordance with the calculation of "G" as set out above) *minus* the Funding 1 share and each further Funding company share as calculated on the relevant trust calculation date.

The percentage share of the seller will be an amount equal to:

- 100 per cent. *minus* the Funding 1 share percentage and each further Funding company share percentage as calculated on the relevant trust calculation date.

The seller has agreed, in the mortgages trust deed, that it shall not be entitled to receive principal receipts which would reduce the seller share to an amount less than 5 per cent. of the aggregate current balance of loans in the trust property. With respect to the commitment of the seller to retain a material net economic interest in the securitisation, please see the statements set out under "**Regulatory Requirements**".

None of the Funding 1 share, each further Funding company share or the seller share may be reduced to or below zero, regardless of the requirements in relation to the minimum seller share.

### **The weighted average seller share percentage**

On any trust calculation date in respect of which the seller has sold new loans to the mortgages trustee or a beneficiary has made a further contribution during the immediately preceding trust calculation period, the cash manager will calculate (for the sole purpose of making the distributions to be made on the immediately succeeding distribution date) the weighted average of the current seller share percentages that were calculated previously in respect of each interim trust calculation period occurring in that immediately preceding trust calculation period. The calculation will be based on the amount of the revenue receipts and the principal receipts received and the losses sustained during each of the preceding interim trust calculation periods.

The **weighted average seller share percentage** for any such trust calculation date will be equal to:

- (a) in respect of the distribution of revenue receipts to be made on the immediately succeeding distribution date (the **weighted average seller share (revenue) percentage**), the sum based on the following formula:

100 per cent. *minus* (the then current weighted average Funding 1 share (revenue) percentage *plus* the then current weighted average further Funding company share (revenue) percentage);

- (b) in respect of the distribution of principal receipts to be made on the immediately succeeding distribution date (the **weighted average seller share (principal) percentage**), the sum based on the following formula:

100 per cent. *minus* (the then current weighted average Funding 1 share (principal) percentage *plus* the then current weighted average further Funding company share (principal) percentage);

- (c) in respect of the allocation of losses to be made on the immediately succeeding distribution date (the **weighted average seller share (losses) percentage**), the sum based on the following formula:

100 per cent. *minus* (the then current weighted average Funding 1 share (losses) percentage *plus* the then current weighted average further Funding company share (losses) percentage).

### Minimum seller share

The seller share includes an amount known as the **minimum seller share**. As at any closing date, the applicable final terms will set out the approximate minimum seller share as at such date. The amount of the minimum seller share will fluctuate depending on changes to the characteristics of the loans in the trust property. The seller will not be entitled to receive principal receipts which would reduce the seller share to an amount less than the minimum seller share unless and until:

- each of the Funding 1 share and any further Funding company share is in an amount equal to zero; or
- an asset trigger event occurs.

The minimum seller share will be the amount determined on each trust calculation date and each closing date (in each case, after any sale of loans to the mortgages trustee on that date) and will be an amount equal to the greater of: (i) the greater of (a) 5 per cent. of the aggregate principal amount outstanding of all notes, other than any notes that are at all times held by the seller or one or more of its wholly-owned affiliates, calculated in accordance with the U.S. Credit Risk Retention Requirements at the relevant date of determination or as otherwise permitted under the U.S. Credit Risk Retention Requirements, and (b) falling on and following the date on which the seller is required to comply with the EU Risk Retention Requirements, 5 per cent. of the aggregate current balance of the loans within the trust property calculated in accordance with the EU Risk Retention Requirements or such other amount required by the relevant EU Risk Retention Requirements, and (ii) the amount determined (without double counting) pursuant to the following formula:

$$X + Y + Z$$

where:

$$X =$$

- (a) save where paragraph (c) below applies, if the FSCS excess amounts (as defined below) can be determined on the relevant trust calculation date or closing date, 103.4 per cent. of the aggregate of the FSCS excess amounts, or such other percentage of the aggregate of the FSCS excess amounts determined by the seller and notified to the mortgages trustee following its annual review (or, if the short-term unsecured, unguaranteed and unsubordinated debt obligations of the seller cease to have an Issuer Default Rating at least as high as F1 (or its equivalent) by Fitch or A-1 (or its equivalent) by Standard and Poor's, following its quarterly review), provided that, in each case, such amount shall not be less than 103 per cent. of the aggregate of the FSCS excess amounts; or
- (b) save where paragraph (c) below applies, if the FSCS excess amounts cannot be determined on the relevant trust calculation date or closing date, 3.4 per cent. of the aggregate outstanding principal balance of all loans comprised in the trust property or such other percentage of the aggregate outstanding principal balance of all loans comprised in the trust property determined by the seller and notified to the mortgages trustee following its annual review (or, if the short-term unsecured, unguaranteed and unsubordinated debt obligations of the seller cease to have an Issuer Default Rating at least as high as F1 (or its equivalent) by Fitch or A-1 (or its equivalent) by Standard and Poor's, following its quarterly review), provided that such amount shall not, in any case, be less than 3 per cent. of the aggregate outstanding principal balance of all loans comprised in the trust property; or
- (c) if the seller does not have a counterparty risk assessment by Moody's of at least Baa3(cr) or if the long-term, unguaranteed, unsecured and unsubordinated rating of the seller is less than BBB- by Standard & Poor's or its long-term Issuer Default Rating is less than BBB- by Fitch (and regardless of whether the FSCS excess amounts can be determined on the relevant trust calculation date or closing date), the greater of (i) 3.4 per cent. of the

aggregate outstanding principal balance of all loans comprised in the trust property and (ii) the aggregate amount of all deposits of borrowers held with the seller whose loans and their related security are held within the mortgages trust as at the date of notification to the borrowers of the assignment or assignation of the loans and their related security to the mortgages trustee pursuant to the mortgage sale agreement;

where:

**FSCS excess amount** means, in respect of each borrower whose total deposits with the seller exceed the FSCS limit, the total deposit account balances of that borrower with the seller minus the FSCS limit; and

**FSCS limit** means the then current applicable compensation limit for depositors in the UK established by the Financial Services Compensation Scheme;

Y = the product of:  $p \times q \times r$

where:

p = 8 per cent.;

q = the **flexible draw capacity**, being an amount equal to the maximum amount of cash withdrawal that borrowers may draw under flexible loans included in the trust property as at the end of the immediately preceding trust calculation period; and

r = 3; and

Z = the aggregate current balance of all cash withdrawals made by borrowers under flexible loans in the trust property and the aggregate current balance of all further advances under the loans in the trust property, in each case as at the end of the immediately preceding trust calculation period pursuant to loans that are regulated by the CCA that are not represented to be enforceable (excluding excluded further advances or further advances pursuant to loans otherwise repurchased pursuant to the terms of the mortgage sale agreement).

The purpose of X is to mitigate the risks relating to certain set-off risks relating to the loans. The amount of X may be reduced from time to time at the request of any of the beneficiaries (acting reasonably) provided that the Funding 1 security trustee and any further Funding security trustee has previously received written confirmation from the rating agencies that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding as a result thereof will not be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

The purpose of Y is to mitigate the risk of the seller failing to fund cash withdrawals (which borrowers are entitled to draw) under flexible loans in the portfolio (excluding for these purposes further advances that the seller has a discretion to advance).

The purpose of Z is to mitigate enforceability risks relating to cash withdrawals and further advances under loans in the portfolio that are regulated by the CCA that are not represented to be enforceable.

### **Adjustments to distributions**

In calculating on each trust calculation date and making the distributions on each distribution date, the mortgages trustee, or the cash manager on its behalf, will take account of and make adjustments for such calculations and distributions in order that:

- (a) any increase in the Funding 1 share or any further Funding company share as a result of the payment by Funding 1 or any further Funding company of any contribution (excluding a deferred contribution) during the trust calculation period immediately preceding such distribution date (or during any interim trust calculation period during that trust calculation period) is deemed to have taken effect as an increase in Funding 1 or that further Funding company's share from the date on which such contribution was paid to the mortgages trustee; and

- (b) any decrease in the seller share as a result of the payment of a special distribution to the seller will be deemed to have taken effect as a decrease in the seller share from the date on which such special distribution was paid to the seller.

### Cash management of trust property – revenue receipts

Under the cash management agreement, the cash manager is responsible for distributing revenue receipts on behalf of the mortgages trustee on each distribution date in accordance with the order of priority described in the following section. For further information on the role of the cash manager, see “**Description of the transaction documents – Cash management agreement**” above.

### Mortgages trust calculation of revenue receipts

**Mortgages trust available revenue receipts** will be calculated by the cash manager on each trust calculation date and is an amount equal to the sum of:

- revenue receipts on the loans (for the avoidance of doubt, excluding principal receipts);
- interest received or payable to the mortgages trustee on the mortgages trustee GIC account; and
- the amount of any seller contribution received by the mortgages trustee;

less:

- amounts due to third parties (also known as **third party amounts**), including:
  - (a) amounts under a direct debit which are repaid to the bank making the payment if that bank is unable to recoup that amount itself from its customer's account;
  - (b) payments by borrowers to the seller of any fees and other charges which are due to the seller (including payments of insurance premiums, if any, due to the seller in respect of any seller arranged insurance policy to the extent not paid or payable by the seller (or to the extent such insurance premiums have been paid by the seller in respect of any loan, which is not repurchased by the seller, to reimburse the seller)); and
  - (c) recoveries in respect of amounts deducted from loans as described in paragraphs (a) to (d) in “**Adjustments to trust property**” above, which will belong to and be paid to Funding 1, any further Funding companies and/or the seller as described therein,

which amounts may be paid daily from monies on deposit in the mortgages trustee GIC account.

In the mortgages trust revenue priority of payments below, references to the term **relevant trust calculation date** means the trust calculation date occurring on the first London business day of the immediately preceding trust calculation period.

On each distribution date (or, in respect of amounts due to third parties under paragraph (a) below, when due), the cash manager will apply mortgages trust available revenue receipts in accordance with the following **mortgages trust revenue priority of payments**:

- (a) first, *pari passu* and *pro rata*, to pay:
- amounts due and payable to the mortgages trustee under the provisions of the mortgages trust deed or to become due and payable to the mortgages trustee during the then current trust calculation period; and
  - amounts due and payable to third parties or to become due and payable to third parties during the then current trust calculation period from the mortgages trustee in respect of the mortgages trust, but only if:
    - (i) payment is not due as a result of a breach by the mortgages trustee of the documents to which it is a party; and/or
    - (ii) payment has not already been provided for elsewhere;

- (b) then, *pari passu* and *pro rata*, to pay:
- amounts due and payable to the servicer or to become due and payable to the servicer during the then current trust calculation period, in each case by the mortgages trustee under the provisions of the servicing agreement;
  - amounts due and payable to the cash manager or to become due and payable to the cash manager during the then current trust calculation period, in each case by the mortgages trustee under the provisions of the cash management agreement;
  - amounts due and payable to the mortgages trustee corporate services provider or to become due and payable to the mortgages trustee corporate services provider during the then current trust calculation period, in each case by the mortgages trustee under the provisions of the mortgages trustee corporate services agreement; and
  - amounts due and payable to the mortgages trustee account bank or to become due and payable to the mortgages trustee account bank during the then current trust calculation period, in each case by the mortgages trustee under the provisions of the mortgages trustee bank account agreement; and
- (c) *finally, pari passu* but subject to the proviso below, to allocate and pay the remaining mortgages trust available revenue receipts to:
- Funding 1 in an amount determined by multiplying the total amount of the remaining mortgages trust available revenue receipts by the Funding 1 share percentage as calculated on the trust calculation date falling in the immediately preceding trust calculation period (or, in the case of the first distribution date, as of the initial closing date);
  - each further Funding company in an amount determined by multiplying the total amount of the remaining mortgages trust available revenue receipts by each further Funding company share percentage as calculated on the trust calculation date falling in the immediately preceding trust calculation period (or, in the case of the first distribution date, as of the initial closing date); and
  - the seller in an amount determined by multiplying the total amount of the remaining mortgages trust available revenue receipts by the seller share percentage as calculated on the trust calculation date falling in the immediately preceding trust calculation period (or, in the case of the first distribution date, as of the initial closing date),

**PROVIDED THAT**, if a sale date or further contribution date has occurred during the trust calculation period immediately preceding the relevant distribution date, then the cash manager will use:

- (a) the weighted average Funding 1 share (revenue) percentage (instead of the Funding 1 share percentage) in respect of such trust calculation period in determining the amount of mortgages trust available revenue receipts to distribute to Funding 1;
- (b) the weighted average further Funding company share (revenue) percentage of each further Funding company (instead of each further Funding company share percentage) in respect of such trust calculation period in determining the amount of mortgages trust available revenue receipts to distribute to each further Funding company;
- (c) the weighted average seller share (revenue) percentage (instead of the seller share percentage) in respect of such trust calculation period in determining the amount of mortgages trust available revenue receipts to distribute to the seller.

Amounts due to the mortgages trustee, the servicer, the cash manager, the mortgages trustee corporate services provider and the mortgages trustee account bank by the mortgages trustee include amounts payable in respect of VAT as provided in the relevant transaction documents, if any.

## Cash management of trust property – principal receipts

Under the cash management agreement, the cash manager is also responsible for distributing principal receipts on behalf of the mortgages trustee on each distribution date. To understand how the cash manager distributes principal receipts on the loans on each distribution date, you need to understand the definitions set out below. The definitions may change as new trust property is acquired. You will not have any right of prior review or consent to such changes, provided that (among other things) the rating agencies confirm that the ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of such changes (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

On each trust calculation date, the cash manager will ascertain whether the following distribution date is within a cash accumulation period relating to a cash accumulation loan tranche for Funding 1 or any further Funding company and will ascertain Funding 1's and any further Funding company's cash accumulation requirement and repayment requirement.

The cash accumulation period will be calculated separately for each cash accumulation loan tranche.

### Definitions

An **asset trigger event** will occur when an amount is debited to the AAA principal deficiency sub-ledger of Funding 1 or any new further Funding company, unless such debit is made when the sum of the amount standing to the credit of the general reserve ledger, liquidity reserve ledger (if any) and the Funding 1 revenue ledger together with amounts determined and due to be credited to the Funding 1 revenue ledger prior to the immediately following Funding 1 interest payment date after such debit is made, is greater than the amount necessary to pay items (a) to (f) of the Funding 1 pre-acceleration revenue priority of payments on the immediately following Funding 1 interest payment date after such debit is made. For more information on the principal deficiency ledger, see "Credit structure" below. The definition of **asset trigger event** may change as new loan types are sold to the mortgages trustee or when any further Funding company acquires an interest in the trust property, subject to satisfaction of the relevant conditions precedent and confirmation from the rating agencies that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time) (see "**Description of the transaction documents – Funding 1 deed of charge – Appointment, powers, responsibilities and liabilities of the issuer security trustee**" and "**Description of the transaction documents – Issuer deed of charge – Appointment, powers, responsibilities and liabilities of the issuer security trustee**" above).

A **bullet loan tranche** means any loan tranche or any new loan tranche where the full amount of principal is scheduled to be repaid in full on one date (being the bullet repayment date). In respect of any bullet loan tranches made to Funding 1, such bullet loan tranches will be deemed to be pass-through loan tranches if:

- a trigger event occurs;
- in respect of the bullet loan tranches made by the issuer, the issuer security is enforced; or
- the Funding 1 security is enforced.

The bullet loan tranches to be made by the issuer to Funding 1 on any closing date will be set out in the applicable final terms accompanying this base prospectus. Any bullet loan tranches made to Funding 1 will be notified to noteholders in the first investor report published after the date such bullet loan tranches are made and will include details of the amount and bullet repayment date of such bullet loan tranche.

If a bullet loan tranche is made to any further Funding company the amount and bullet repayment date of that bullet loan tranche will be notified to noteholders in the first investor report published after the date such bullet loan tranche is made.

There may be circumstances when the bullet loan tranches made to a further Funding company will be deemed to be a pass-through loan tranche. Noteholders will not be notified of these.

A **cash accumulation loan tranche** means a bullet loan tranche and/or scheduled amortisation loan tranche.

A **cash accumulation ledger** means a ledger maintained by the cash manager to record the amount accumulated by Funding 1 or any further Funding company from time to time to pay relevant accumulation amounts. There will be a separate cash accumulation ledger for each Funding company.

A **cash accumulation period** means, as applicable, a Funding 1 cash accumulation period and/or a further Funding company cash accumulation period.

A **cash accumulation requirement** means, on a trust calculation date, in relation to Funding 1 or any further Funding company:

- the principal amount remaining to be repaid in relation to each relevant accumulation amount due to that Funding company;
- plus, on a trust calculation date falling immediately prior to a Funding company interest payment date, amounts due and payable by that Funding company on the following Funding company interest payment date (or which will become due and payable in the current Funding company interest period) in priority to principal amounts due by that Funding company on the relevant accumulation amount under the pre-acceleration principal priority(s) of payments relevant to that Funding company (e.g. in relation to Funding 1, see items (a) to (c) (inclusive) of the Funding 1 pre-acceleration principal priority of payments);
- plus, on a trust calculation date falling immediately prior to a Funding company interest payment date, the amount of principal that will be required on the following Funding company interest payment date to meet the Funding company revenue deficit amount (if any) in respect of that Funding company;
- less the amount standing to the credit of the cash accumulation ledger of the relevant Funding company at the last Funding company interest payment date (which amount was not distributed on that Funding company interest payment date and which is available to reduce the relevant cash accumulation requirement);
- less the sum of each relevant cash accumulation requirement amount paid to the relevant Funding company on a previous distribution date during the relevant Funding company interest period.

**Funding company loan tranche** means any loan tranche made to a Funding company.

**Funding 1 cash accumulation period** means in, a scheduled amortisation loan tranche, 3 months and, in respect of a bullet loan tranche, the period of time beginning on the earlier of the following two dates:

- (a) the date determined after counting back in time from the relevant scheduled repayment date of the relevant accumulation amount, the number of months calculated under the definition of the Funding 1 anticipated cash accumulation period; and
- (b) the date determined after counting back in time from the relevant scheduled repayment date of the relevant accumulation amount, the number of months specified in the relevant final terms accompanying this base prospectus,

provided that, if the beginning of a Funding 1 cash accumulation period as determined above would fall on a date which is not a distribution date, then the Funding 1 cash accumulation period shall commence on the distribution date falling immediately before that date. A Funding 1 cash accumulation period shall end in respect of a relevant accumulation amount when Funding 1 has accumulated an amount equal to that particular relevant accumulation amount.

**Funding 1 anticipated cash accumulation period** means, on any trust calculation date, the anticipated number of months required by Funding 1 to accumulate sufficient principal receipts to pay the relevant accumulation amount of Funding 1 in relation to the relevant cash accumulation loan tranche made to Funding 1, which will be equal to (a) 3 months in respect of scheduled amortisation instalments and (b) the following in respect of bullet loan tranches:

$$\frac{J + K - L}{M \times N \times O}$$

calculated in months and rounded up to the nearest whole number, where:

- J = the relevant accumulation amount;
- K = the aggregate outstanding principal amount on that trust calculation date of:
- each cash accumulation loan tranche made to Funding 1 that was not fully repaid on its scheduled repayment date; and
  - each other cash accumulation loan tranche made to Funding 1, the scheduled repayment date of which falls on or before the scheduled repayment date of the relevant accumulation amount;
- L = the amount of any available cash already standing to the credit of the cash accumulation ledger of Funding 1 at the start of that Funding 1 interest period (which is available to pay the relevant accumulation amount) plus the aggregate amount of cash accumulation requirement paid to Funding 1 since the previous Funding 1 interest payment date;
- M = means the sum of each monthly CPR on the 12 most recent trust calculation dates which have occurred prior to that date divided by 12;
- N = 0.85; and
- O = the aggregate current balance of the loans comprised in the trust property as calculated on the previous trust calculation date in respect of the previous trust calculation period (or, if applicable, the initial closing date).

A **further Funding company cash accumulation period** means the anticipated period required by that further Funding company to accumulate sufficient funds to repay a cash accumulation loan tranche made to a further Funding company (ending when that further Funding company has accumulated an amount equal to that cash accumulation loan tranche, taking into account its obligation to accumulate for any other cash accumulation loan tranche before, or at the same time as, the relevant cash accumulation loan tranche).

The **monthly CPR** means, on any trust calculation date, the total principal receipts received during the immediately preceding trust calculation period divided by the aggregate current balance of the loans comprised in the trust property calculated on the previous trust calculation date in respect of the previous trust calculation period.

A **non-asset trigger** event will occur on a trust calculation date if:

- (a) an insolvency event occurs in relation to the seller on or before that trust calculation date;
- (b) the seller's role as servicer is terminated and a new servicer is not appointed within 60 days;
- (c) the current seller share is less than the minimum seller share on two consecutive trust calculation dates (in each case by reference to the most recent trust calculation date); or
- (d) as at the trust calculation date immediately preceding the relevant trust calculation date, the aggregate outstanding principal balance of loans comprised in the trust property is less than the required loan balance amount specified in the most recent final terms and this has not been remedied by the relevant trust calculation date.

The definition of non-asset trigger event may change as new loan types are sold to the mortgages trustee or when a further Funding company acquires an interest in the trust property, subject to satisfaction of the relevant conditions precedent and confirmation from the rating agencies that the then current ratings of the rated notes (and any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time) (see "**Description of the transaction documents – Funding 1 deed of charge – Appointment, powers, responsibilities and liabilities of the Funding 1 security trustee**" and "**Description of the transaction documents – Description of the transaction documents – Issuer deed of charge – Appointment, powers, responsibilities and liabilities of the issuer security trustee**" above).

An **original bullet loan tranche** means any Funding company loan tranche which at any time has been a bullet loan tranche (even if such Funding company loan tranche has subsequently become a pass-through loan tranche).

An **original scheduled amortisation instalment** means that part of a Funding company loan tranche which at any time has been a scheduled amortisation loan tranche (even if such Funding company loan tranche has subsequently become a pass-through loan tranche).

A **pass-through loan tranche** means a loan tranche which has no scheduled repayment date other than the final repayment date. The loan tranches of Funding 1 from time to time will be all the loan tranches other than the cash accumulation loan tranches of Funding 1. If a pass-through trigger event occurs or the Funding 1 security or the issuer security is enforced, then the bullet loan tranches and the scheduled amortisation loan tranches (other than those in relation to money market notes) will be deemed to be pass-through loan tranches.

The **relevant accumulation amount** means the amount of funds to be accumulated over a cash accumulation period in order to repay a bullet loan tranche or make a scheduled amortisation instalment in respect of a scheduled amortisation loan tranche, in each case on its scheduled repayment date (whether or not actually repaid on that scheduled repayment date).

The **repayment requirement** means, on a trust calculation date, the amount (if any) by which:

the aggregate of all principal amounts that will be due and payable by a Funding company on the next Funding company interest payment date in respect of the Funding company loan tranches made to that Funding company on the basis:

- (a) that there would be no deferral of those Funding company loan tranches due to the operation of applicable deferral rules (e.g. in respect of Funding 1 (separate rules may apply to further Funding companies), pursuant to Rule (1) as described below in “**Cashflows – Distribution of Funding 1 available principal receipts – The rules**”);
- (b) in respect of Funding 1 only (separate rules may apply to further Funding companies), where Rule (2) set out in that section applies to an intercompany loan, that the amount so payable by Funding 1 in respect of loan tranches and new loan tranches (where applicable) (other than bullet loan tranches and scheduled amortisation instalments) under that intercompany loan shall be treated as the lesser of:
  - (A) the amount due and payable in respect of those loan tranches and new loan tranches (where applicable);
  - (B) the aggregate amount that may be repaid by Funding 1 on a Funding 1 interest payment date in respect of those loan tranches and new loan tranches (where applicable) if Rule (2) applies;and
  - (C) the remaining mortgages trust available principal receipts after paying or providing for amounts set out in items (a) to (c) (inclusive) of the mortgages trust principal priority of payments;
- (c) that Funding company loan tranche will be treated as due and payable if they are already due and payable, or would become due and payable on or before the next Funding company interest payment date in accordance with the terms of the relevant Funding 1 pre-acceleration principal priorities of payment or, in respect of each further Funding company, the relevant principal priorities of payment for that further Funding company; and
- (d) that amounts due and payable to that Funding company in respect of bullet loan tranches and scheduled amortisation instalments are excluded,

exceeds the sum of:

- (i) the amounts standing to the credit of the principal ledger of that Funding company as at the last Funding company interest payment date (which amount was not distributed on that Funding company interest payment date); and
- (ii) the sum of each repayment requirement amount paid to the relevant Funding company on a previous distribution date during the relevant Funding company interest period.

A **scheduled amortisation instalment** means that part of a scheduled amortisation loan tranche which is payable on each of the scheduled repayment dates of that Funding company loan tranche specified

in the relevant final terms and, following the last such specified scheduled repayment date, on each Funding 1 interest payment date thereafter, the outstanding principal amount of that loan tranche.

A **scheduled amortisation loan tranche** means any Funding company loan tranche which is scheduled to be repaid in multiple instalments (being scheduled amortisation instalments) on scheduled repayment dates in accordance with the terms of the relevant debt instruments of the Funding companies. In respect of any scheduled amortisation loan tranches made to Funding 1 under the intercompany loan agreement, such scheduled amortisation loan tranches will be deemed to be pass-through loan tranches if:

- a trigger event occurs;
- in respect of the scheduled amortisation loan tranches made by the issuer, the security granted by the issuer is enforced; or
- the security granted by Funding 1 is enforced.

The scheduled amortisation loan tranches made by the issuer to Funding 1 on the initial closing date are set out in the final terms for each issue of notes together with their scheduled amortisation instalments. Any scheduled amortisation loan tranches made to Funding 1 after the initial closing date will be notified to noteholders in the first investor report available after the date such scheduled amortisation loan tranche is made.

If a scheduled amortisation loan tranche is made to any further Funding company, the amount and scheduled repayment dates of each scheduled amortisation instalment will be notified to noteholders in the first investor report available after the date such scheduled amortisation loan tranche is made.

There may be circumstances when the scheduled amortisation loan tranches made to a further Funding company will be deemed to be pass-through loan tranches.

A **scheduled repayment date** means the Funding company interest payment date when a Funding company is required to repay a bullet loan tranche or make a scheduled amortisation instalment in respect of a scheduled amortisation loan tranche. If bullet loan tranches or scheduled amortisation loan tranches are made to a further Funding company, the scheduled repayment date of those loan tranches will be notified to noteholders in the first investor report published after the date such bullet loan tranches or scheduled amortisation loan tranches are made.

A **trigger event** means an asset trigger event and/or a non-asset trigger event.

### **Mortgages trust calculation of principal receipts**

**Mortgages trust available principal receipts** are calculated by the cash manager on each trust calculation date and will be equal to the amount that is standing to the credit of the principal ledger on that trust calculation date.

The cash manager will calculate the repayment requirement and the cash accumulation requirement on each trust calculation date and the relevant amounts will be notified to the mortgages trustee (who will be entitled to rely on such notifications).

### ***Mortgages trust allocation and distribution of principal receipts prior to the occurrence of a trigger event***

On each distribution date (the **relevant distribution date**) where no trigger event has occurred on or before the immediately preceding trust calculation date, the cash manager will apply mortgages trust available principal receipts, seller contributions and refinancing contributions as follows (the **mortgages trust principal priority of payments**):

- (a) first, *pari passu* and *pro rata* if any of Funding 1 and/or any further Funding company has a cash accumulation requirement on that distribution date:
  - (i) to allocate and pay to Funding 1 an amount equal to the lesser of (1) all mortgages trust available principal receipts multiplied by the Funding 1 share percentage and (2) an amount up to but not exceeding the sum of Funding 1's cash accumulation requirement (if any) on that distribution date; and
  - (ii) to allocate and pay to each further Funding company an amount equal to the lesser of (1) all mortgages trust available principal receipts multiplied by the relevant

Funding company share percentage and (2) an amount up to but not exceeding the sum of such further Funding company's cash accumulation requirement (if any) on that distribution date;

- (b) then, *pari passu* and *pro rata*:
  - (i) to allocate and pay to Funding 1 an amount up to but not exceeding Funding 1's cash accumulation requirement (if any) on that distribution date after taking into account any amounts received by Funding 1 in accordance with item (a)(i) above; and
  - (ii) to allocate and pay to each further Funding company an amount up to but not exceeding that further Funding company's cash accumulation requirement (if any) on that distribution date after taking into account any amounts received by such further Funding company in accordance with item (a)(ii) above;
- (c) then, *pari passu* and *pro rata*, if any of Funding 1 and/or any further Funding companies has a repayment requirement on that distribution date:
  - (i) to allocate and pay to Funding 1 an amount equal to the lesser of (1) all remaining mortgages trust available principal receipts multiplied by the Funding 1 share percentage and (2) an amount up to but not exceeding the sum of Funding 1's repayment requirement (if any) on that distribution date; and
  - (ii) to allocate and pay to each further Funding company an amount equal to the lesser of (1) all remaining mortgages trust available principal receipts multiplied by that further Funding company's Funding company share percentage and (2) an amount up to but not exceeding the sum of such further Funding company's repayment requirement (if any) on that distribution date;
- (d) then, *pari passu* and *pro rata*:
  - (i) to allocate and pay to Funding 1 an amount up to but not exceeding Funding 1's repayment requirement (if any) on that distribution date after taking into account any amounts received by Funding 1 in accordance with item (c)(i) above; and
  - (ii) to allocate and pay to each further Funding company an amount up to but not exceeding such further Funding company's repayment requirement (if any) on that distribution date after taking into account any amounts received by such further Funding company in accordance with item (c)(ii) above; and
- (e) finally, provided that the seller share on the immediately preceding trust calculation date is not less than the minimum seller share, to allocate and pay all remaining mortgages trust available principal receipts to the seller,

provided that, in relation to items (a) to (e) above, the following rules shall apply:

- (a) the amount of mortgages trust available principal receipts to be allocated and paid:
  - (i) to Funding 1 on a distribution date will be reduced by an amount equal to the aggregate of Funding 1 available revenue receipts which are to be applied on the immediately succeeding Funding 1 interest payment date in reduction of deficiencies on the principal deficiency ledger of Funding 1; and
  - (ii) to such further Funding company on a distribution date will be reduced by an amount equal to the aggregate of available revenue receipts of such further Funding company which are to be applied on the immediately succeeding relevant Funding company interest payment date in reduction of deficiencies on the principal deficiency ledger(s) of the relevant Funding company,

but in each case only to the extent that (following any such reduction) amounts falling due under items (a), (b), (c) and (d) above are still able to be paid in full;

- (b) the amount of mortgages trust available principal receipts to be allocated and paid to Funding 1 on a distribution date immediately preceding a Funding 1 interest payment date will be increased by an amount (and will reduce the seller share of such mortgages trust

available principal receipts by a corresponding amount) equal to the lesser of (A) the deficit that would otherwise arise on the immediately succeeding Funding 1 interest payment date in Funding 1 available revenue receipts to pay items (a) to (e) inclusive, (g), (j), (l) and (n) of the Funding 1 pre-acceleration revenue priority of payments after the application of Funding 1 principal available receipts (plus any part of the balance of the cash accumulation ledger which is not comprised in Funding 1 available principal receipts) and (B) the aggregate principal amount outstanding of all NR loan tranches less the balance of the NR principal deficiency sub-ledger (such amount, the **Funding 1 revenue deficit cure amount**);

- (c) a Funding company will not be entitled to have allocated to it (nor will it have allocated to it or receive) in aggregate an amount of mortgages trust available principal receipts from the mortgages trustee on a distribution date which is in excess of:
  - (i) in respect of Funding 1, the Funding 1 share on such distribution date;
  - (ii) in respect of each further Funding company, such further Funding company share on such distribution date; and
- (d) if on any trust calculation date prior to the occurrence of a non-asset trigger event the seller share is less than the minimum seller share:
  - (i) the mortgages trustee will make provision in an amount which would have been payable to the seller if the seller share had been greater than the minimum seller share; and
  - (ii) the seller will not receive nor have allocated to it any amount so provided for by the mortgages trustee in item (e) above until such time as the seller share is greater than the minimum seller share and provided that (i) the seller will not receive nor will have allocated to it any such amount if a non-asset trigger event occurs and is occurring and (ii) if an asset trigger event occurs and is occurring, the seller will have allocated to it and will be paid such amount but only to the extent permitted by the rules governing distribution of principal receipts after the occurrence of an asset trigger event.

***Mortgages trust allocation and distribution of principal receipts on or after the occurrence of a non-asset trigger event but prior to the occurrence of an asset trigger event***

On each distribution date after the occurrence of a non-asset trigger event and until the occurrence of an asset trigger event, the cash manager will apply all mortgages trust available principal receipts by way of allocation and payment to the Funding companies *pari passu* and *pro rata* according to the Funding 1 share and the applicable Funding company share, respectively, until each of the Funding 1 share and the Funding company share (as calculated on the trust calculation date falling in the immediately preceding trust calculation period) is zero. The remainder, if any, of such receipts will be allocated and paid to the seller.

Following the occurrence of a non-asset trigger event, the notes will be subject to prepayment risk (that is, they may be repaid earlier than expected). See above “**Risk Factors – The occurrence of a non-asset trigger event may accelerate the repayment of certain notes and/or delay the repayment of other notes**”.

***Mortgages trust allocation and distribution of principal receipts on or after the occurrence of an asset trigger event***

On each distribution date after the occurrence of an asset trigger event, the cash manager will allocate and pay all mortgages trust available principal receipts, *pari passu* and *pro rata*, to Funding 1, each further Funding company and the seller according to the Funding 1 share percentage, the relevant further Funding company percentage and the seller share percentage, respectively (in each case as calculated on the trust calculation date falling in the immediately preceding trust calculation period), until each of the Funding 1 share and each further Funding company share is zero. Following the occurrence of an asset trigger event, the making of allocations and payments to the seller may reduce the seller share below the minimum seller share.

Notwithstanding the foregoing, if a sale date has occurred during the trust calculation period immediately preceding such distribution date, the cash manager on behalf of the mortgages trustee will apply all principal receipts by way of allocation and payment between and to Funding 1, each further Funding company and the seller according to the weighted average Funding 1 share (principal) percentage, the

relevant weighted average further Funding company share (principal) percentage and the weighted average seller share (principal) percentage, for that distribution date, until each of the Funding 1 share and each further Funding company share is zero.

Following the occurrence of an asset trigger event, it is possible that the notes of any series may not be repaid in full by their respective final maturity dates. See above “**Risk Factors – The occurrence of an asset trigger event or enforcement of the issuer security or the Funding 1 security may accelerate the repayment of certain notes and/or delay the repayment of other notes**”.

## **Losses**

All losses arising on the loans will be applied in reducing each beneficiary's share.

Save as otherwise provided, each beneficiary's share of the losses will be determined on any date by multiplying the amount of losses by:

- in relation to Funding 1, the Funding 1 share percentage;
- in relation to each further Funding company, the relevant further Funding company share percentage; and
- in relation to the seller, the seller share percentage,

in each case as calculated on the trust calculation date in the immediately preceding trust calculation period, until the share of each beneficiary is zero, regardless of the requirements in relation to the minimum seller share.

However, if, during the trust calculation period immediately preceding a trust calculation date, the seller has sold new loans to the mortgages trustee or a further contribution (excluding a seller contribution) is made by a beneficiary, then the amount of losses shall be multiplied by, as applicable, the weighted average Funding 1 share (losses) percentage, the relevant weighted average further Funding company share (losses) percentage of each further Funding company and the weighted average seller share (losses) percentage, in each case as calculated for the immediately preceding trust calculation period on that trust calculation date, rather than the then current Funding 1 share percentage, the then current further Funding company share percentage and the then current seller share percentage, respectively.

## **Disposal of trust property**

The trust property is held on bare trust for the benefit of Funding 1, any further Funding companies and the seller absolutely. Subject as provided otherwise in the mortgages trust deed and the other transaction documents, the mortgages trustee is not entitled to dispose of the trust property or create any security interests over the trust property.

If an event of default occurs under the intercompany loan agreement relating to Funding 1 and (following the service on Funding 1 of an intercompany loan acceleration notice) the Funding 1 security trustee enforces the Funding 1 security, then the Funding 1 security trustee will be entitled, among other things, to sell the Funding 1 share (see “**Description of the transaction documents – Funding 1 deed of charge**” above).

## **Additions to and reductions in the trust property**

An overpayment made by a borrower under a flexible loan will constitute a principal receipt in respect of the relevant loan and shall be distributed to the beneficiaries in accordance with the mortgages trust principal priority of payments, and this will result in a reduction of the current balance of the relevant loan by the amount of such overpayment on the following day.

If a borrower makes a cash withdrawal under a flexible loan, then pursuant to the terms of the mortgage sale agreement, the seller will be solely responsible for funding that cash withdrawal. Similarly, pursuant to the terms of the mortgage sale agreement, the seller will be solely responsible for funding any further advance made to a borrower. Any cash withdrawal or further advance made to a borrower where the loan remains in the mortgages trust will increase the current balance of the relevant loan with effect from the following day and will increase the seller share, in each case by the amount of that cash withdrawal or further advance as calculated on the next trust calculation date. Any flexible loan pursuant to which a further advance is made may be purchased by the seller and if purchased by the seller will decrease the seller

share, in each case by the current balance of that flexible loan immediately prior to the further advance being made by the seller as calculated on the next trust calculation date.

If a borrower exercises a right to make an underpayment or take a payment holiday under a flexible loan, then that will increase the current balance of the loan with effect from the following day by an amount equal to the amount of interest not paid on the relevant loan in the month during which such underpayment or payment holiday option is exercised. Prior to an insolvency event in respect of the seller, the seller shall make a seller contribution to the mortgages trustee in an amount equal to the unpaid interest element otherwise payable under any loan which is subject to an underpayment or payment holiday. If the seller makes such a seller contribution, then it will be deemed to be a revenue receipt, and only the seller share shall increase by a corresponding amount. The seller may cease making such contributions if it is subject to an insolvency event.

### **Increasing the shares of the Funding companies by way of further contributions and additional initial contributions**

If Funding 1 or any further Funding company enters into a new intercompany loan, then any such Funding company may apply the proceeds of that new intercompany loan as either a further contribution on a further contribution date or an additional initial contribution to the mortgages trust on a sale date to increase its beneficial interest in, and the Funding 1 share or the relevant further Funding company share (as applicable) on a distribution date. A Funding company will be permitted to do this only if certain conditions are met, including *inter alia*:

- (a) no event of default under the transaction documents or the transaction documents relating to any further Funding company has occurred and is continuing or unwaived as at the relevant further contribution date or sale date (as applicable);
- (b) no deficiency was recorded on the principal deficiency ledger or any further Funding company principal deficiency ledger (as applicable) as at the relevant further contribution date or sale date (as applicable);
- (c) the rating agencies have confirmed that the proposed increase in the Funding 1 or the relevant further Funding company share (as applicable) would not cause the then current ratings of the rated notes (or any new rated notes, where applicable) then outstanding to be downgraded, withdrawn or qualified (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time); and
- (d) as of the last day of the immediately preceding trust calculation period, the aggregate current balance of the loans in the trust property, in respect of which the aggregate amount in arrears is more than 3 times the monthly payment then due, is less than 4 per cent. of the aggregate current balance of the loans in the trust property as of such date, unless the rating agencies have confirmed that the then current ratings of the rated notes (or any new rated notes, where applicable) then outstanding will not be downgraded, withdrawn or qualified as a result of any increase in, as applicable, the Funding 1 share or the Funding company share.

### **Special distributions**

Pursuant to the terms of the mortgages trust deed, the Funding companies and the seller will agree that amounts held by the mortgages trustee on any date in respect of any further contribution (other than a refinancing contribution) paid by any Funding company to the mortgages trustee (therefore excluding, for the avoidance of doubt, seller contributions) will be allocated and paid by the mortgages trustee to the seller as a distribution (a **special distribution**) from the mortgages trust on such date whether or not such date is a distribution date. The payment of any such special distribution will reduce the seller share with a corresponding increase to the relevant Funding company's share.

### **Refinancing distributions**

Each of the beneficiaries may make a refinancing contribution (being a contribution designated as such by the beneficiary) to the mortgages trustee from time to time. A refinancing contribution is a cash payment made by a beneficiary to the mortgages trustee, which the relevant beneficiary directs the mortgages trustee to apply to reduce the share of another beneficiary (other than the seller). A beneficiary may only give such a direction to the mortgages trustee with the prior consent of the relevant Funding company whose share will be reduced. In respect of Funding 1, the consent of the Funding 1 security trustee

will also be required. Similarly, in the case of each further Funding company, the relevant further Funding security trustee's consent will be required.

Pursuant to the terms of the mortgages trust deed, the beneficiaries will agree that amounts held by the mortgages trustee on any date in respect of any refinancing contribution paid by a beneficiary to the mortgages trustee on that date will be allocated and paid by the mortgages trustee to the relevant Funding company as a refinancing distribution (a **refinancing distribution**) from the mortgages trust on such date whether or not such date is a distribution date. The payment of any such refinancing distribution will reduce the share of the receiving Funding company with a corresponding increase to the contributing beneficiary's share.

If a further Funding company enters into new loan tranches that would have the effect of extending the Funding 1 cash accumulation period in respect of any cash accumulation loan tranche that is, as at the date that such new loan tranche is entered into, in a cash accumulation period or which would, as a result of the issue of that such new loan tranche, be in a cash accumulation period (each an **affected cash accumulation loan tranche**), then the proceeds of such new loan tranche must be applied to make a refinancing contribution to the mortgages trustee. The mortgages trustee shall apply the proceeds of such refinancing contribution to make a refinancing distribution to Funding 1 in an amount equal to the aggregate cash accumulation requirement of Funding 1 in respect of each affected cash accumulation loan tranche.

Certain conditions will apply to the right of the seller to make refinancing contributions and hence increase the seller share with a corresponding decrease in the relevant Funding company share. In respect of a refinancing contribution to be made by the seller to Funding 1, these include that Funding 1 agrees to apply the proceeds of the refinancing contribution to repay (in whole or in part) a loan tranche made to it or the Funding 1 loan, as the case may be.

### **Termination of the mortgages trust**

The mortgages trust will terminate on the date on which there is no remaining trust property or, if earlier, the date on which:

- (a) all of the loan tranches and all new loan tranches have been repaid in full;
- (b) the Funding 1 share and each Funding company share has been reduced to zero; or
- (c) the beneficiaries collectively agree to terminate the mortgages trust,

so long as all amounts due from the Funding companies to their respective secured creditors have been repaid in full.

Subject to applicable law, the beneficiaries are not entitled to remove or replace the mortgages trustee as the trustee of the mortgages trust. The mortgages trustee is not entitled to retire as the trustee of the mortgages trust or appoint any additional trustee of the mortgages trust.

### **Governing law**

The mortgages trust deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

## CASHFLOWS

### Definition of Funding 1 available revenue receipts

**Funding 1 available revenue receipts** for each Funding 1 interest payment date will be calculated by the cash manager on the day falling four business days prior to such Funding 1 interest payment date and will be an amount equal to the sum of:

- all mortgages trust available revenue receipts distributed or to be distributed to Funding 1 during the then current interest period;
- other net income of Funding 1 including all amounts of interest received on the Funding 1 GIC account, the Funding 1 transaction account and/or in respect of authorised investments and amounts received by Funding 1 under each relevant Funding 1 swap agreement (other than any early termination amount received by Funding 1 under each relevant Funding 1 swap agreement), in each case to be received during the then current interest period;
- any amounts standing to the credit of the general reserve ledger in excess of the general reserve required amount as a result of a reduction in the general reserve required amount;
- without double counting with the excess amounts referred to in paragraph above, the amounts then standing to the credit of the general reserve ledger, subject to any limits or conditions on the purposes for which the general reserve fund may be utilised (including, without limitation, that the general reserve fund may not be used to fund shortfalls on the class Z notes);
- if a liquidity reserve fund rating event has occurred and is continuing, and there are no amounts standing to the credit of the general reserve ledger, the amounts then standing to the credit of the liquidity reserve ledger and available to be drawn to the extent necessary to pay items (a) to (g) in the Funding 1 pre-acceleration revenue priority of payments;
- if a liquidity reserve fund rating event has occurred but is no longer continuing due to an increase in the seller's rating since the preceding Funding 1 interest payment date, and Funding 1 elects to terminate the liquidity reserve fund, all amounts standing to the credit of the liquidity reserve ledger;
- any amounts standing to the credit of the liquidity reserve ledger in excess of the liquidity reserve fund required amount as a result of a reduction in the liquidity reserve fund required amount;
- any amount available to be drawn by Funding 1 under the Funding 1 liquidity facility (if established) for payment of any amounts other than Funding 1 liquidity facility principal payments or Funding 1 liquidity facility subordinated payments (as agreed under the terms of the Funding 1 liquidity facility agreement) and subject to any limits or conditions on the purposes for which the Funding 1 liquidity facility may be used; and
- (only to the extent required after making the calculation set out below) the aggregate of all Funding 1 principal receipts (if any) which are applied on the relevant Funding 1 interest payment date to pay up to the applicable limits items (a) to (e) inclusive, (g), (j), (l) and (n) of the Funding 1 pre-acceleration revenue priority of payments.
- Funding 1 available revenue receipts does not include:
  - any refinancing contribution which is applied to reduce the Funding 1 share of the trust property during the Funding 1 interest period ending on the relevant Funding 1 interest payment date as described above in "**The mortgages trust**"; or
  - any proceeds of a new intercompany loan received by Funding 1 during the Funding 1 interest period ending on the relevant Funding 1 interest payment date as described above in "**Description of the transaction documents – The intercompany loan agreement– New intercompany loan agreements**".

Amounts of interest accrued in respect of non bullet Funding 1 principal amounts which cannot be withdrawn from the Santander A-2/P-2/F2 account (including, without limitation, in the event of a moratorium

on insolvency, bank insolvency, administration or bank administration of Santander UK, or Santander UK being unable to pay these amounts) shall cease to constitute Funding 1 available revenue receipts and shall not be available to be applied in accordance with the relevant priority of payments (see “**Description of the transaction documents – Cash management agreement – Deposits with eligible banks in accordance with panel bank guidelines**” for a description of the circumstances when monies will be deposited in the Santander A-2/P-2/F2 account).

Four business days prior to each Funding 1 interest payment date, the cash manager will calculate whether Funding 1 available revenue receipts (as calculated above) will be sufficient to pay items (a) to (e) inclusive, (g), (j), (l) and (n) of the Funding 1 pre-acceleration revenue priority of payments.

If the cash manager determines that there is an insufficiency, then Funding 1 shall pay or provide for that insufficiency by applying amounts then standing to the credit of (a) first, the Funding 1 principal ledger (if any) and (b) second, any amounts standing to the credit of the cash accumulation ledger after deducting the amounts standing to the credit of the Funding 1 principal ledger (if any) from such ledger, and the cash manager shall make a corresponding entry in the relevant principal deficiency ledger, as described below in “Credit structure – **Principal deficiency ledger**”. Funding 1 principal receipts thus applied may not be used to pay interest on any loan tranche if and to the extent that would result in a deficiency being recorded, or an existing deficiency being increased, on a principal deficiency sub-ledger relating to a loan tranche with a higher rating designation. If there are no (or insufficient) amounts standing to the credit of the Funding 1 principal ledger and the cash accumulation ledger to cure such insufficiency, then the cash manager will direct Funding 1 to request a drawing under the liquidity reserve fund to apply towards the revenue shortfall in accordance with the Funding 1 pre-acceleration revenue priority of payments. See “Credit structure – **Liquidity reserve fund**” and “Credit structure – **Funding 1 liquidity facility**” below.

If the cash manager determines that there is an excess of Funding 1 available revenue receipts over the amount required to pay the specified items in the Funding 1 pre-acceleration revenue priority of payments, then Funding 1 shall apply such excess to extinguish any balance on the principal deficiency ledger, as described below in “Credit structure – **Principal deficiency ledger**”.

#### **Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**

This section sets out the priority of payments of Funding 1 available revenue receipts as at the date of this base prospectus.

Except for (1) amounts due to third parties (other than parties to the transaction documents) from the issuer and/or Funding 1 under item (a), (2) amounts due to account bank A, account bank B and/or the issuer account bank, and (3) amounts due to the Funding 1 swap provider on a LIBOR Funding 1 swap interest payment date and/or SONIA Funding 1 swap interest payment date (as applicable) that is not a Funding 1 interest payment date, which, in each case, will be paid when due (provided that, in the case of (3), provision is made for all payments due under items (a), (b) and (c) below on the next Funding 1 interest payment date), on each Funding 1 interest payment date prior to the service of an intercompany loan acceleration notice on Funding 1, the cash manager will apply (i) the Funding 1 available revenue receipts for such date and (ii) if Funding 1 available revenue receipts for such date are insufficient to pay items (a) to (e) inclusive, (g), (j), (l) and (n) below, amounts standing to the credit of the Funding 1 principal ledger and the cash accumulation ledger (in the manner described above) in the following priority (the **Funding 1 pre-acceleration revenue priority of payments**):

- (a) (without priority among them but in proportion to the respective amounts due, to pay amounts due to:
- the Funding 1 security trustee (together with interest and any amount in respect of VAT thereon) and to provide for any amounts due or to become due in the immediately following interest period to the Funding 1 security trustee under the Funding 1 deed of charge;
  - to pay amounts due to the issuer by way of payment of the fee under the intercompany loan agreement in respect of the issuer's obligations specified in items (a) to (c) inclusive of the issuer pre-acceleration revenue priority of payments or, as the case may be, items (a) and (b) of the issuer post-enforcement priority of payments, as described in “**Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration**” and “**Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration**” below; and

- any third party creditors of Funding 1 (other than those referred to later in this priority of payments), which amounts have been incurred without breach by Funding 1 of the transaction documents to which it is a party (and for which payment has not been provided for elsewhere) and to provide for any of these amounts expected to become due and payable in the immediately following interest period by Funding 1 and to pay or discharge any liability of Funding 1 for corporation tax on any chargeable income or gain of Funding 1;

and then towards payment to Funding 1 of an amount equal to the sum of (1) £1,250 and (2) an amount equal to the aggregate of £1,250 in respect of each previously occurring Funding 1 interest payment date to the extent that such amount was not paid in accordance with this paragraph (a) on such Funding 1 interest payment date or any subsequently occurring Funding 1 interest payment date;

- (b) without priority among them but in proportion to the respective amounts due, towards payment of amounts, if any, due and payable (in each case together with any VAT thereon) to the cash manager under the terms of the cash management agreement, to the account banks under the terms of the Funding 1 bank account agreement, to the Funding 1 corporate services provider under the corporate services agreement in relation to Funding 1 and Holdings and to Santander UK under the terms of the secretarial services agreement;
- (c) to pay amounts due to the Funding 1 liquidity facility provider under the Funding 1 liquidity facility agreement (if established) (except for amounts drawn thereunder to make Funding 1 liquidity facility principal payments and any Funding 1 liquidity facility subordinated amounts);
- (d) towards payment of all amounts (if any) due and payable to the Funding 1 swap provider under each relevant Funding 1 swap agreement (including termination payments, but excluding any Funding 1 swap excluded termination amount (as defined later in this section));
- (e) without priority among them, but in proportion to the respective amounts due, towards payment of interest due and payable on the AAA loan tranches;
- (f) towards a credit to the AAA principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;
- (g) without priority among them, but in proportion to the respective amounts due, towards payment of interest due and payable on the AA loan tranches;
- (h) if a liquidity reserve fund rating event has occurred and is continuing, towards a credit to the liquidity reserve ledger to the extent the amount standing to the credit thereof is less than the liquidity reserve fund required amount, taking into account any net replenishment of the liquidity reserve fund on that Funding 1 interest payment date from Funding 1 available principal receipts (see item (c) of the relevant Funding 1 pre-acceleration principal priority of payments);
- (i) towards a credit to the AA principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;
- (j) without priority among them, but in proportion to the respective amounts due, towards payment of interest due and payable on the A loan tranches;
- (k) towards a credit to the A principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;
- (l) without priority among them, but in proportion to the respective amounts due, towards payment of interest due and payable on the BBB loan tranches;
- (m) towards a credit to the BBB principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;
- (n) without priority among them, but in proportion to the respective amounts due, towards payment of interest due and payable on the BB loan tranches;

- (o) towards a credit to the BB principal deficiency sub-ledger in an amount sufficient to eliminate any debit on that ledger;
- (p) towards payment of any amounts due to the issuer in respect of its obligations (if any) to make a termination payment to an issuer swap provider (but excluding any issuer swap excluded termination amount);
- (q) (to the extent any rated notes are outstanding) towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the general reserve required amount, taking into account any net replenishment of the general reserve fund on that Funding 1 interest payment date from Funding 1 available principal receipts (see item (b) of the relevant Funding 1 pre-acceleration principal priority of payments);
- (r) towards a credit to, without priority among them but in proportion to the respective amounts due (i) the NR principal deficiency sub-ledger and (ii) the Funding 1 loan principal deficiency sub-ledger, in an amount sufficient to eliminate any debit thereon;
- (s) without priority among them but in proportion to the respective amounts due, towards payment of interest due and payable on the NR loan tranches and the Funding 1 loan;
- (t) without priority among them but in proportion to the respective amounts due, to pay (without double counting):
- to the issuer in respect of its obligations (if any) to pay any issuer swap excluded termination amount;
  - any other amounts due to the issuer under the intercompany loan agreement and not otherwise provided for in this priority of payments (which amounts may include, without limitation, an amount to be paid by the issuer in consideration of it entering into any replacement issuer swap agreement to the extent not already paid using an early termination amount received or receivable by the issuer pursuant to the original issuer swap agreement);
  - any Funding 1 swap excluded termination amount due and payable by Funding 1 under each relevant Funding 1 swap agreement; and
  - to the Funding 1 liquidity facility provider under the Funding 1 liquidity facility (if established) of Funding 1 liquidity subordinated amounts (as agreed under the terms of the Funding 1 liquidity facility agreement);
- (u) [RESERVED];
- (v) without priority among them but in proportion to the respective amounts due, towards payment of amounts due to the Funding 1 start-up loan provider under the Funding 1 start-up loan agreements; and
- (w) toward payment of any deferred contribution due to the mortgages trustee pursuant to the terms of the mortgages trust deed.

#### **Definition of issuer revenue receipts**

Issuer revenue receipts will be calculated by the issuer cash manager four business days prior to each interest payment date and will be an amount equal to the sum of:

- interest to be paid by Funding 1 on the relevant Funding 1 interest payment date in respect of the loan tranches under the intercompany loan which correspond to notes with interest payment dates corresponding to such Funding 1 interest payment date;
- interest previously paid by Funding 1 on a previous Funding 1 interest payment date and required to be held in the issuer GIC account until such interest payment date;
- fees to be paid to the issuer by Funding 1 on the relevant Funding 1 interest payment date under the terms of the intercompany loan;

- interest payable on the issuer transaction account and (if established) the issuer GIC account and any income from authorised investments which will be received on or before the relevant interest payment date;
- other net income of the issuer including amounts received or to be received under the issuer swap agreements on or before the relevant interest payment date (other than any early termination amount received by the issuer under any issuer swap agreement to the extent used to purchase any replacement issuer swap) and including any amount received by the issuer in consideration of it entering into a replacement issuer swap agreement (which amounts shall be deemed to be received by the issuer in respect of the loan tranche corresponding to the series and class of notes to which the replaced issuer swap agreement relates) but excluding (i) the return or transfer of any excess swap collateral as set out under any of the issuer swap agreements and (ii) in respect of each issuer swap provider, prior to the designation of an early termination date under the relevant issuer swap agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than excess swap collateral) provided by such issuer swap provider to the issuer pursuant to the relevant issuer swap agreement (and any interest or distributions in respect thereof); and
- any additional amount the issuer receives from any taxing authority on account of amounts paid to that taxing authority for and on account of tax by an issuer swap provider under an issuer swap agreement.

On each Funding 1 interest payment date, all Funding 1 available revenue receipts received by the issuer in respect of interest paid on a loan tranche will be credited to a sub-ledger (in respect of the related series and class of notes) to the ledger on which the issuer cash manager records issuer revenue receipts received and paid out of the issuer revenue ledger (the **issuer revenue ledger**).

#### **Distribution of issuer revenue receipts before note acceleration**

The issuer cash management agreement sets out the priority of distribution by the issuer cash manager, prior to the service of a note acceleration notice on the issuer, of issuer revenue receipts and issuer principal receipts on each interest payment date. The order of priority will be as described in this section as supplemented by the final terms related to each series.

Except for amounts due to third parties by the issuer under item (b) below or amounts due to the issuer account bank under item (c) below, which will be paid when due, on each interest payment date the issuer cash manager will apply issuer revenue receipts in the following manner (the **issuer pre-acceleration revenue priority of payments**):

- (a) without priority among them but in proportion to the respective amounts due, to pay amounts due to:
  - the issuer security trustee, together with interest and any amount in respect of VAT thereon, and to provide for any amounts due or to become due during the following interest period to the issuer security trustee under the issuer deed of charge;
  - the note trustee, together with interest and any amount in respect of VAT thereon, and to provide for any amounts due or to become due during the following interest period to the note trustee under the note trust deed; and
  - the agent bank, the paying agents, the registrar, the exchange rate agent (if applicable) and the transfer agent (if any), together with interest and any amount in respect of VAT thereon, and any costs, charges, liabilities and expenses then due or to become due during the following interest period to the agent bank, the registrar, the transfer agent, the exchange rate agent (if applicable) and the paying agents under the paying agent and agent bank agreement;
  - and then to pay to the issuer and amount equal to £1,250 to be retained by the issuer as profit;
- (b) to pay amounts due to any third party creditors of the issuer (other than those referred to later in this priority of payments), which amounts have been incurred without breach by the issuer of the transaction documents to which it is a party and for which payment has not been provided for elsewhere and to provide for any of those amounts expected to become

due and payable during the following interest period by the issuer and to pay or discharge any liability of the issuer for corporation tax on any chargeable income or gain of the issuer;

- (c) without priority among them but in proportion to the respective amounts due, to pay amounts due, together with any amount in respect of VAT thereon as provided therein, and to provide for any amounts due, or to become due, in the immediately following interest period, to the issuer cash manager under the issuer cash management agreement, to the issuer corporate services provider under the issuer corporate services agreement and to the issuer account bank under the issuer bank account agreement;
- (d) from amounts (excluding principal) received by the issuer from Funding 1 in respect of each AAA loan tranche or by way of fee in respect of any termination payment other than as excluded in respect of (i) below (and, in respect of (ii) below, the amounts (if any), excluding principal, received from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class of notes):
  - (i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class of class A notes (including any termination payment, but excluding any issuer swap excluded termination amount) on such interest payment date in accordance with the terms of the relevant issuer swap agreement;
  - (ii) to pay interest due and payable (if any) on the related series and class of class A notes on such interest payment date;
- (e) from amounts (excluding principal) received by the issuer from Funding 1 in respect of each AA loan tranche or by way of fee in respect of any termination payment other than as excluded in respect of (i) below (and, in respect of (ii) below, the amounts (if any), excluding principal, received from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class of notes):
  - (i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class of class B notes (including any termination payment, but excluding any issuer swap excluded termination amount) on such interest payment date in accordance with the terms of the relevant issuer swap agreement;
  - (ii) to pay interest due and payable (if any) on the related series and class of class B notes on such interest payment date;
- (f) from amounts (excluding principal) received by the issuer from Funding 1 in respect of each A loan tranche or by way of fee in respect of any termination payment other than as excluded in respect of (i) below (and, in respect of (ii) below, the amounts (if any), excluding principal, received from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class of notes):
  - (i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class of class M notes (including any termination payment, but excluding any issuer swap excluded termination amount) on such interest payment date in accordance with the terms of the relevant issuer swap agreement;
  - (ii) to pay interest due and payable (if any) on the related series and class of class M notes on such interest payment date;
- (g) from amounts (excluding principal) received by the issuer from Funding 1 in respect of each BBB loan tranche or by way of fee in respect of any termination payment other than as excluded in respect of (i) below (and, in respect of (ii) below, the amounts (if any), excluding principal, received from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class of notes):
  - (i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class of class C notes (including any termination payment, but excluding any issuer swap excluded termination amount) on such

interest payment date in accordance with the terms of the relevant issuer swap agreement;

- (ii) to pay interest due and payable (if any) on the related series and class of class C notes on such interest payment date;
- (h) from amounts (excluding principal) received by the issuer from Funding 1 in respect of each BB loan tranche or by way of fee in respect of any termination payment other than as excluded in respect of (i) below (and, in respect of (ii) below, the amounts (if any), excluding principal, received from the issuer swap provider(s) under the issuer swap agreement(s) in respect of the related series and class of notes):
  - (i) to pay the amounts due and payable to the relevant issuer swap provider(s) (if any) in respect of the related series and class of class D notes (including any termination payment, but excluding any issuer swap excluded termination amount) on such interest payment date in accordance with the terms of the relevant issuer swap agreement;
  - (ii) to pay interest due and payable (if any) on the related series and class of class D notes on such interest payment date;
- (i) from amounts (excluding principal) received by the issuer from Funding 1 in respect of each NR loan tranche, to pay interest due and payable (if any) on the related series (if applicable) and class of class Z notes on such interest payment date;
- (j) without priority among them but in proportion to their respective amounts due, any issuer swap excluded termination amount due and payable by the issuer to an issuer swap provider;
- (k) [RESERVED]; and
- (l) the balance to the issuer.

Prior to the service of a note acceleration notice on the issuer, on each interest payment date, the amounts standing to the credit of any sub-ledger of the issuer revenue ledger (in respect of a series and class of notes) may only be applied by the issuer cash manager to pay the interest and other amounts due in respect of such series and class of notes under the issuer pre-acceleration revenue priority of payments provided that to the extent that on any interest payment date, amounts standing to the credit of the issuer revenue ledger (excluding amounts standing to the credit of the sub-ledgers for each series and class of notes) are insufficient to pay items (a) to (c) of the issuer pre-acceleration revenue priority of payments, then the issuer cash manager will, in no order of priority among them but in proportion to the amount required, apply amounts standing to the credit of the sub-ledgers of the issuer revenue ledger in respect of the class Z notes of each series on such date to meet such shortfall (until the balance of such sub-ledgers is zero), then amounts standing to the credit of the sub-ledgers of the issuer revenue ledger in respect of the class D notes of each series (until the balance of such sub-ledgers is zero), then amounts standing to the credit of the sub-ledgers of the issuer revenue ledger in respect of the class C notes of each series (until the balance of such sub-ledgers is zero), then amounts standing to the credit of the sub-ledgers of the issuer revenue ledger in respect of the class M notes of each series (until the balance of such sub-ledgers is zero), then amounts standing to the credit of the sub-ledgers of the issuer revenue ledger in respect of the class B notes of each series (until the balance of such sub-ledgers is zero) and then amounts standing to the credit of the sub-ledgers of the issuer revenue ledger in respect of the class A notes (until the balance of such sub-ledgers is zero).

#### **Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration**

Following the service of a note acceleration notice on the issuer, but prior to the service of an intercompany loan acceleration notice on Funding 1 under the Funding 1 deed of charge, the issuer cash manager or, if the issuer security has also been enforced, the issuer security trustee will apply issuer revenue receipts and any other amounts received or recovered by the issuer security trustee (or a receiver appointed on its behalf) in the same priority as set out in the issuer pre-acceleration revenue priority of payments, except that such amounts will be applied on the date of receipt or recovery, and:

- in addition to the amounts due to the issuer security trustee under item (a) of the issuer pre-acceleration revenue priority of payments, issuer revenue receipts will be applied to pay

amounts due to any receiver appointed by the issuer security trustee together with interest and any amount in respect of VAT thereon, and to provide for any amounts due or to become due to the receiver during the following interest period; and

- the issuer security trustee will not be required to pay amounts due to any entity which is not an issuer secured creditor.

### **Distribution of Funding 1 available principal receipts**

#### ***Payment of principal receipts to Funding 1 by the mortgages trustee***

On each distribution date, mortgages trust available principal receipts will be paid to Funding 1 in the manner and to the extent provided by the mortgages trust principal priority of payments (see “**The mortgages trust – Mortgages trust calculation of principal receipts**” above) and shall be deposited in the Funding 1 GIC account and credited by the cash manager to the **Funding 1 principal ledger** (being a ledger maintained by the cash manager for Funding 1).

#### ***Definition of Funding 1 available principal receipts***

**Funding 1 available principal receipts** will be calculated by the cash manager on the day falling four business days prior to each Funding 1 interest payment date and will be an amount equal to the sum of:

- all mortgages trust available principal receipts received by Funding 1 during the interest period ending on the relevant Funding 1 interest payment date;
- all other Funding 1 principal receipts standing to the credit of the cash accumulation ledger which are to be applied on the next Funding 1 interest payment date to repay a bullet loan tranche and/or, subject to Rule (1) below, a scheduled amortisation instalment in respect of a scheduled amortisation loan tranche, or to make a payment under items (a) and (b) of the Funding 1 pre-acceleration principal priority of payments and, if such Funding 1 interest payment date occurs on or after a trigger event, the remainder of such receipts standing to the credit of the cash accumulation ledger;
- the amount, if any, to be credited to the principal deficiency ledger pursuant to the terms of the Funding 1 pre-acceleration revenue priority of payments on the relevant Funding 1 interest payment date;
- in so far as available for and needed to make a reserve principal payment (see “Credit structure – **General reserve fund**” below), the amount that would then be standing to the credit of the general reserve ledger, less any amounts applied or to be applied on the relevant date in payment of interest and other revenue expenses as set out in items (a) to (e) inclusive, (g), (j), (l) and (n) of the Funding 1 pre-acceleration revenue priority of payments, plus any amounts which will be credited to the general reserve ledger under item (b) of the relevant Funding 1 pre-acceleration principal priority of payments on the next Funding 1 interest payment date (i.e. occurring at the end of such period of four business days);
- in so far as available for and needed to make a liquidity reserve principal payment (see “**Credit structure – Liquidity reserve fund**” below), the amount that would then be standing to the credit of the liquidity reserve ledger, less any amounts applied or to be applied on the relevant date in payment of interest and other revenue expenses as set out in items (a) to (g) of the Funding 1 pre-acceleration revenue priority of payments, plus any amounts which will be credited to the liquidity reserve ledger under item (c) of the relevant Funding 1 pre-acceleration principal priority of payments on the next Funding 1 interest payment date (i.e. occurring at the end of such period of four business days); and
- any amount available to be drawn under the Funding 1 liquidity facility (if established) to make a Funding 1 liquidity facility principal payment (as agreed under the terms of the Funding 1 liquidity facility agreement),

less amounts to be applied on the relevant Funding 1 interest payment date to pay items (a) to (e) (inclusive), (g), (j), (l) and (n) of the Funding 1 pre-acceleration revenue priority of payments.

Non bullet Funding 1 principal amounts which cannot be withdrawn from the Santander A-2/P-2/F2 account (including, without limitation, in the event of moratorium on insolvency, bank insolvency,

administration or bank administration of Santander UK, or Santander UK being unable to pay these amounts) shall cease to constitute Funding 1 available principal receipts and shall not be available to be applied in accordance with the relevant priority of payments (see “**Description of the transaction documents – Cash management agreement – Deposits with eligible banks in accordance with panel bank guidelines**” for a description of the circumstances when monies will be deposited in the Santander A-2/P-2/F2 account).

#### ***Due and payable dates of loan tranches***

The repayment of any loan tranche prior to the occurrence of a trigger event, service of a note acceleration notice or service of an intercompany loan acceleration notice will be made in accordance with the terms of the intercompany loan agreement. The accompanying final terms will specify the due and payable dates of the loan tranches related to the series of notes issued.

The following sections set out various priorities of payments for Funding 1 available principal receipts under the following circumstances, and are collectively referred to as the **Funding 1 pre-acceleration principal priority of payments**:

- repayment of loan tranches before a trigger event and before intercompany loan acceleration or acceleration of all notes;
- repayment of loan tranches after a non-asset trigger event but before intercompany loan acceleration or acceleration of all notes;
- repayment of loan tranches after an asset trigger event but before intercompany loan acceleration notice or acceleration of all notes; and
- repayment of loan tranches after acceleration of all notes but before intercompany loan acceleration.

#### ***Repayment of loan tranches before a trigger event and before intercompany loan acceleration or acceleration of all notes***

On each Funding 1 interest payment date prior to the occurrence of a trigger event or the service on Funding 1 of an intercompany loan acceleration notice or the service on the issuer of a note acceleration notice, the cash manager shall apply Funding 1 available principal receipts in the following priority:

- (a) in accordance with the terms of the Funding 1 liquidity facility agreement, towards repayment of amounts outstanding under the Funding 1 liquidity facility (if established) that were drawn in order to make Funding 1 liquidity facility principal payments;
- (b) to the extent only that monies have been drawn from the general reserve fund to make reserve principal payments, towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the general reserve required amount;
- (c) if a liquidity reserve rating event has occurred and is continuing (i) to initially fund the liquidity reserve fund up to the liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the liquidity reserve fund up to the liquidity reserve fund required amount;
- (d) in order of their final repayment dates, beginning with the earliest such date (and if two or more AAA loan tranches have the same final repayment date, in proportion to the respective amounts due) to repay the principal amounts due (if any) on such Funding 1 interest payment date on the AAA loan tranches, in each case subject to Rules (1) and (2) below;
- (e) in no order of priority among them, to repay the principal amounts due (if any) on such Funding 1 interest payment date on the AA loan tranches, in each case subject to Rules (1) and (2) below;
- (f) in no order of priority among them, to repay the principal amounts due (if any) on such Funding 1 interest payment date on the A loan tranches, in each case subject to Rules (1) and (2) below;

- (g) in no order of priority among them, to repay the principal amounts due (if any) on such Funding 1 interest payment date on the BBB loan tranches, in each case subject to Rules (1) and (2) below;
- (h) in no order of priority among them, to repay the principal amounts due (if any) on such Funding 1 interest payment date on the BB loan tranches, in each case subject to Rules (1) and (2) below;
- (i) in no order of priority among them but in proportion to the respective amounts due, to repay the principal amounts due (if any) on such Funding 1 interest payment date on (i) the NR loan tranches and (ii) the Funding 1 loan, in each case subject to Rules (1) and (2) below;
- (j) *then*, towards a credit to the cash accumulation ledger until the balance is equal to Funding 1's cash accumulation liability (as calculated after any payments are made at items (d) to (i) of this priority of payments); and
- (k) the remainder to be credited to the Funding 1 principal ledger.

### **The rules**

In the applicable circumstances, the following rules apply in determining the amounts to be paid under items (d), (e), (f), (g), (h) and (i) of the priority of payments set out above and below:

#### **Rule (1) – deferral of repayment of pass-through loan tranches and/or scheduled amortisation instalments in certain circumstances**

1. If on a Funding 1 interest payment date:

- (a) there is a debit balance on the BB principal deficiency sub-ledger, the BBB principal deficiency sub-ledger, the A principal deficiency sub-ledger or the AA principal deficiency sub-ledger, after application of the Funding 1 available revenue receipts on that Funding 1 interest payment date; or
- (b) the adjusted general reserve fund level is less than the general reserve required amount; or
- (c) the aggregate outstanding principal balance of loans in the mortgages trust, in respect of which the aggregate amount in arrears is more than three times the monthly payment then due, is more than 4 per cent. of the aggregate outstanding principal balance of loans in the mortgages trust,

Then, until the relevant circumstance as described in sub-paragraphs (a), (b) or (c) above has been cured or otherwise ceases to exist, if:

- (a) any AAA loan tranche (whether or not such AAA loan tranche is then due and payable) remains outstanding after making the payments under item (d) of the above priority of payments and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (j) of the above priority of payments, then the AA loan tranches will not be entitled to principal repayments under item (e) of the above priority of payments;
- (b) any AAA loan tranche or any AA loan tranche (whether or not such AAA loan tranche or AA loan tranche is then due and payable) remains outstanding after making the payments under items (d) and/or (e) of the above priority of payments, and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (j) of the above priority of payments, then the A loan tranches will not be entitled to principal repayments under item (f) of the priority of payments set out above;
- (c) any AAA loan tranche, any AA loan tranche or any A loan tranche (whether or not such AAA loan tranche, AA loan tranche or A loan tranche is then due and payable) remains outstanding after making the payments under items (d) and/or (e) and/or (f) of the above priority of payments and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (j) of the above priority of payments, then the BBB loan tranches will not be entitled to principal repayments under item (g) of the priority of payments set out above;

- (d) any AAA loan tranche, any AA loan tranche, any A loan tranche or any BBB loan tranche (whether or not such AAA loan tranche, AA loan tranche, A loan tranche or BBB loan tranche is then due and payable) remains outstanding after making the payments under items (d) and/or (e) and/or (f) and/or (g) of the above priority of payments and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (j) of the above priority of payments, then the BB loan tranches will not be entitled to principal repayments under item (h) of the priority of payments set out above; and/or
- (e) any AAA loan tranche, any AA loan tranche, any A loan tranche, any BBB loan tranche or any BB loan tranche (whether or not such AAA loan tranche, AA loan tranche, A loan tranche, BBB loan tranche or BB loan tranche is then due and payable) remains outstanding after making the payments under items (d) and/or (e) and/or (f) and/or (g) and/or (h) of the above priority of payments and/or the balance of the cash accumulation ledger is not equal to the cash accumulation liability of Funding 1 after making payments under item (j) of the above priority of payments, then the NR loan tranches and the Funding 1 loan will not be entitled to principal repayments under item (i) of the priority of payments set out above.

2. If on a Funding 1 interest payment date in respect of which principal in respect of any loan tranche is scheduled to be paid:

- (a) for any AA loan tranche, the amount of principal due (or any part thereof) in respect of the AA loan tranche may only be paid if, after giving effect to such payment and the payment to be made on such date in respect of the related series and class of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount;
- (b) for any A loan tranche, the amount of principal due (or any part thereof) in respect of the A loan tranche may only be paid if, after giving effect to such payment and the payment to be made on such date in respect of the related series and class of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount and the class B available subordinated amount is at least equal to the class B required subordinated amount;
- (c) for any BBB loan tranche, the amount of principal due (or any part thereof) in respect of the BBB loan tranche may only be paid if, after giving effect to such payment and the payment to be made on such date in respect of the related series and class of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount, the class B available subordinated amount is at least equal to the class B required subordinated amount and the class M available subordinated amount is at least equal to the class M required subordinated amount;
- (d) for any BB loan tranche, the amount of principal due (or any part thereof) in respect of the BB loan tranche may only be paid if, after giving effect to such payment and the payment to be made on such date in respect of the related series and class of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount, the class B available subordinated amount is at least equal to the class B required subordinated amount, the class M available subordinated amount is at least equal to the class M required subordinated amount and the class C available subordinated amount is at least equal to the class C required subordinated amount; and
- (e) for (i) any NR loan tranche and (ii) the Funding 1 loan, the amount of principal due (or any part thereof) in respect of the NR loan tranche and the Funding 1 loan may only be paid if, after giving effect to such payment and the payment to be made on such date in respect of the related series and class of notes, the class A available subordinated amount is at least equal to the class A required subordinated amount, the class B available subordinated amount is at least equal to the class B required subordinated amount, the class M available subordinated amount is at least equal to the class M required subordinated amount, the class C available subordinated amount is at least equal to the class C required subordinated amount and the class D available subordinated amount is at least equal to the class D required subordinated amount,

save that in calculating the class A available subordinated amount, the class B available subordinated amount, the class M available subordinated amount, the class C available

subordinated amount and the class D available subordinated amount for the purposes of the above, rating agency excess spread will be deemed to be zero.

See “**The issuance of notes**” above for a description of the various required subordinated amounts and available subordinated amounts.

3. If on a Funding 1 interest payment date:

- (a) one or more bullet loan tranches are within a cash accumulation period at that time (irrespective of whether any scheduled amortisation instalments are then in a cash accumulation period); and
- (b) either:
  - (i) the quarterly CPR is less than 10 per cent.; or
  - (ii) both:
    - (A) the quarterly CPR is equal to or greater than 10 per cent., but less than 15 per cent., and
    - (B) the annualised CPR is less than 10 per cent.;

Then, on or before their step-up dates, the scheduled amortisation loan tranches will be entitled to principal repayments under items (d) and/or (e) and/or (f) and/or (g) and/or (h) and/or (i) of the priority of payments set out above only to the extent permitted under the scheduled amortisation repayment restrictions (as defined below).

For the purposes hereof:

**annualised CPR** means the result of:

$$1 - ((1 - M)^{12})$$

where:

**M** is expressed as a percentage and determined as at the most recent trust calculation date as indicated in the definition of **Funding 1 anticipated cash accumulation period** (see “**The mortgages trust – Definitions**” above);

**bullet accumulation liability** means, on any Funding 1 interest payment date prior to any payment under item (i) of the above priority of payments, the aggregate of each relevant accumulation amount at that time of each bullet loan tranche which is within a cash accumulation period;

**bullet accumulation shortfall** means, at any time, that the cash accumulation ledger amount is less than the bullet accumulation liability;

**cash accumulation ledger amount** means, at any time, the amount standing to the credit of the cash accumulation ledger at that time (immediately prior to any drawing to be applied on that interest payment date and prior to any payment under item (i) of the above priority of payments);

**cash accumulation liability** means, on any Funding 1 interest payment date, prior to any payment under item (i) of the above priority of payments the sum of:

- (1) the bullet accumulation liability at that time; and
- (2) the aggregate of each relevant accumulation amount at that time of each scheduled amortisation instalment which is within a cash accumulation period;

**scheduled amortisation repayment restrictions** means, on a Funding 1 interest payment date:

- (a) where there is no bullet accumulation shortfall at that time, the total amount withdrawn from the cash accumulation ledger on that Funding 1 interest payment date for repayment of the relevant scheduled amortisation instalments shall not exceed the cash accumulation ledger amount less the bullet accumulation liability at that time; and

- (b) where there is a bullet accumulation shortfall at that time:
- (i) no amount may be withdrawn from the cash accumulation ledger on that Funding 1 interest payment date to be applied in repayment of the relevant scheduled amortisation instalments; and
  - (ii) thereafter, an amount may be applied in repayment of the relevant scheduled amortisation instalments if the sum of the cash accumulation ledger amount and the amount of Funding 1 available principal receipts after the application of items (b) and (c) and before item (d) of the above priority of payments is greater than the bullet accumulation liability of Funding 1 at that time.

**Rule (2) – repayment of payable pass-through loan tranches after a step-up date**

Following the occurrence of the step-up date under a series of loan tranches (**series A loan tranches**) and provided that the Funding 1 share of the trust property is greater than zero, the aggregate amount repaid on a Funding 1 interest payment date in relation to loan tranches (other than bullet loan tranches or scheduled amortisation instalments) comprising those series A loan tranches under items (d), (e), (f), (g), (h) and (i) of the priority of payments set out above shall be limited to an amount calculated as follows:

$$\text{Funding 1 principal funds} \times \frac{\text{outstanding principal amount of series A loan tranches}}{\text{aggregate outstanding principal amount of all loan tranches}}$$

where **Funding 1 principal funds** means, in respect of any Funding 1 interest payment date, the sum of:

- (a) the aggregate of the following amount for each trust calculation period which has ended in the period from the previous Funding 1 interest payment date to the most recent trust calculation date, such amount being the product of:
  - (i) the Funding 1 share percentage or, as applicable, the weighted average Funding 1 share (principal) percentage, as calculated at the start of the relevant trust calculation period; and
  - (ii) the aggregate amount of principal receipts received by the mortgages trustee during the relevant trust calculation period;
- (b) the amount credited to the principal deficiency ledger on the relevant Funding 1 interest payment date; and
- (c) the amount, if any, credited to the Funding 1 principal ledger pursuant to item (k) of the above Funding 1 pre-acceleration principal priority of payments on the immediately preceding Funding 1 interest payment date.

To the extent they remain unpaid, bullet loan tranches and scheduled amortisation instalments will continue to be due and payable on each Funding 1 interest payment date following the relevant step-up date.

**Allocations involving Rule (2)**

Where Rule (2) applies at a level of any priority of payments, the funds available for making payments at that level shall first be allocated without reference to Rule (2). However, if the amount so allocated to one or more loan tranches exceeds the amount permitted under Rule (2) to be paid in respect of those loan tranches (the **capped loan tranches**), the excess shall then be reallocated among any other relevant loan tranches at that level using the method of allocation as applies at that level but without reference to the capped loan tranches in calculating such reallocation. If a further such excess arises as a result of the reallocation process, the reallocation process shall be repeated at that level in relation to each such further excess that arises until no further funds can be allocated at that level following which the remaining excess shall then be applied at the next level of that priority of payments.

Rules 1 and 2 above are referred to in this base prospectus as the **repayment tests**.

**Repayment of loan tranches after a non-asset trigger event but before intercompany loan acceleration or acceleration of all notes**

Following the occurrence of a non-asset trigger event (where no asset trigger event has occurred) under the mortgages trust deed but prior to the service on Funding 1 of an intercompany loan acceleration notice under the Funding 1 deed of charge or the service on the issuer of a note acceleration notice under the note trust deed, the bullet loan tranches and the scheduled amortisation loan tranches will be deemed to be pass-through loan tranches and on each Funding 1 interest payment date (which shall, if not already the case, be a monthly payment date) Funding 1 will be required to apply Funding 1 available principal receipts in the following priority:

- (a) in accordance with the terms of the Funding 1 liquidity facility agreement, towards repayment of amounts outstanding under the Funding 1 liquidity facility (if established) that were drawn in order to make Funding 1 liquidity facility principal payments;
- (b) to the extent only that monies have been drawn from the general reserve fund to make reserve principal payments, towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the general reserve required amount;
- (c) if a liquidity reserve rating event has occurred and is continuing (i) to initially fund the liquidity reserve fund up to the liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the liquidity reserve fund up to the liquidity reserve fund required amount;
- (d) in order of their final repayment dates, beginning with the earliest such date (and if two or more AAA loan tranches have the same final repayment date, in proportion to the respective amounts due) to repay the AAA loan tranches until the AAA loan tranches are fully repaid;
- (e) in no order of priority among them, to repay the AA loan tranches until the AA loan tranches are fully repaid;
- (f) in no order of priority among them, to repay the A loan tranches until the A loan tranches are fully repaid;
- (g) in no order of priority among them, to repay the BBB loan tranches until the BBB loan tranches are fully repaid;
- (h) in no order of priority among them, to repay the BB loan tranches until the BB loan tranches are fully repaid; and
- (i) in no order of priority among them, but in proportion to the respective amounts due, to repay (i) the NR loan tranches until the NR loan tranches are fully repaid, and (ii) the Funding 1 loan until the Funding 1 loan is fully repaid.

***Repayment of loan tranches after an asset trigger event but before intercompany loan acceleration notice or acceleration of all notes***

Following the occurrence of an asset trigger event (whether or not a non-asset trigger event occurs or has occurred) but prior to the service on Funding 1 of an intercompany loan acceleration notice under the Funding 1 deed of charge or the service on the issuer of a note acceleration notice under the note trust deed, the bullet loan tranches and the scheduled amortisation loan tranches will be deemed to be pass-through loan tranches and on each Funding 1 interest payment date (which shall, if not already the case, be a monthly payment date) Funding 1 will be required to apply Funding 1 available principal receipts in the following priority:

- (a) in accordance with the terms of the Funding 1 liquidity facility agreement, towards repayment of amounts outstanding under the Funding 1 liquidity facility (if established) that were drawn in order to make Funding 1 liquidity facility principal payments;
- (b) to the extent only that monies have been drawn from the general reserve fund to make reserve principal payments, towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the general reserve required amount;
- (c) if a liquidity reserve rating event has occurred and is continuing (i) to initially fund the liquidity reserve fund up to the liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient

to do so, to replenish the liquidity reserve fund up to the liquidity reserve fund required amount;

- (d) without priority among them, but in proportion to the amounts due, to repay the AAA loan tranches until the AAA loan tranches are fully repaid;
- (e) without priority among them, but in proportion to the amounts due, to repay the AA loan tranches until the AA loan tranches are fully repaid;
- (f) without priority among them, but in proportion to the amounts due, to repay the A loan tranches until the A loan tranches are fully repaid;
- (g) without priority among them, but in proportion to the amounts due, to repay the BBB loan tranches until the BBB loan tranches are fully repaid;
- (h) without priority among them, but in proportion to the amounts due, to repay the BB loan tranches until the BB loan tranches are fully repaid; and
- (i) without priority among them, but in proportion to the respective amounts due, to repay (i) the NR loan tranches until the NR loan tranches are fully repaid, and (ii) the Funding 1 loan until the Funding 1 loan is fully repaid.

***Repayment of loan tranches after acceleration of all notes but before intercompany loan acceleration***

If a note acceleration notice is served on the issuer under the note trust deed, then that will not result in automatic enforcement of the Funding 1 security under the Funding 1 deed of charge. In those circumstances, however, the bullet loan tranches and any scheduled amortisation loan tranches will be deemed to be pass-through loan tranches and on each Funding 1 interest payment date (which shall, if not already the case, be a monthly payment date) Funding 1 will be required to apply Funding 1 available principal receipts in the following priority:

- (a) in accordance with the terms of the Funding 1 liquidity facility agreement, towards repayment of amounts outstanding under the Funding 1 liquidity facility (if established) that were drawn in order to make Funding 1 liquidity facility principal payments;
- (b) to the extent only that monies have been drawn from the general reserve fund to make reserve principal payments, towards a credit to the general reserve ledger to the extent the amount standing to the credit thereof is less than the general reserve required amount;
- (c) if a liquidity reserve rating event has occurred and is continuing (i) to initially fund the liquidity reserve fund up to the liquidity reserve fund required amount and (ii) once it has been initially funded, to the extent that Funding 1 available revenue receipts are insufficient to do so, to replenish the liquidity reserve fund up to the liquidity reserve fund required amount;
- (d) without priority among them, but in proportion to the amounts due, to repay the AAA loan tranches until the AAA loan tranches are fully repaid;
- (e) without priority among them, but in proportion to the amounts due, to repay the AA loan tranches until the AA loan tranches are fully repaid;
- (f) without priority among them, but in proportion to the amounts due, to repay the A loan tranches until the A loan tranches are fully repaid;
- (g) without priority among them, but in proportion to the amounts due, to repay the BBB loan tranches until the BBB loan tranches are fully repaid;
- (h) without priority among them, but in proportion to the amounts due, to repay the BB loan tranches until the BB loan tranches are fully repaid; and
- (i) without priority among them, but in proportion to the respective amounts due, to repay (i) the NR loan tranches until the NR loan tranches are fully repaid, and (ii) the Funding 1 loan until the Funding 1 loan is fully repaid.

***Repayment of loan tranches when Funding 1 receives an amount outstanding under the proceeds of a new intercompany loan or a refinancing distribution***

If either:

- (a) the proceeds of a new intercompany loan are to be used to refinance all or part of the loan tranche under the intercompany loan made to Funding 1 as described above in “**Description of the transaction documents – The intercompany loan agreement– New intercompany loan agreements**”; or
- (b) Funding 1 has received, or will receive during the Funding 1 interest period ending on the relevant Funding 1 interest payment date, a refinancing distribution funded by another beneficiary and either:
  - (i) the issuer has issued, or will issue within the period of 60 days of receipt of that refinancing distribution, an optional redemption notice to noteholders in the circumstances set out in (and in accordance with) the terms and conditions of the notes; or
  - (ii) with the consent of Funding 1 and the Funding 1 security trustee, the contributing beneficiary specifies that the proceeds of the refinancing distribution are to be applied (in whole or in part) by Funding 1 towards repayment of all or part of the loan tranche under the intercompany loan or the Funding 1 loan, as the case may be,

then Funding 1 will not apply the amount received under the new intercompany loan or the relevant refinancing distribution as described above in “**Distribution of Funding 1 available principal receipts**”. Rather, Funding 1 will apply the amount received under the new intercompany loan or, as applicable, the relevant refinancing distribution to repay the relevant loan tranches under the intercompany loan after repayment of amounts outstanding under the Funding 1 liquidity facility (if established) that were drawn in order to make Funding 1 liquidity principal payments. If (at any time) only one loan tranche is outstanding under the intercompany loan, then Funding 1 shall apply the amount received under the new intercompany loan or, as applicable, the relevant refinancing distribution to repay such loan tranche; provided, that the beneficiary has not specified that the refinancing distribution should be used to repay the Funding 1 loan.

***Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration***

The Funding 1 deed of charge sets out the priority of distribution of amounts received by the cash manager following the service of an intercompany loan acceleration notice on Funding 1 or, if the Funding 1 security has also been enforced, of amounts received or recovered by the Funding 1 security trustee (or a receiver appointed on its behalf) on the date of receipt or recovery of such amounts.

The cash manager will apply amounts received following the service of an intercompany loan acceleration notice on Funding 1 or, as applicable, the Funding 1 security trustee will apply amounts received or recovered following the enforcement of the Funding 1 security in accordance with the following priority (the **Funding 1 post-acceleration priority of payments**) on the date of receipt or recovery of such amounts:

- (a) without priority among them but in proportion to the respective amounts due, to pay amounts due to:
  - (i) the Funding 1 security trustee and any receiver appointed by the Funding 1 security trustee, together with interest and any amount in respect of VAT thereon as provided therein, and to provide for any amounts due or to become due to the Funding 1 security trustee and the receiver in the following interest period under the Funding 1 deed of charge; and
  - (ii) the issuer in respect of the issuer's obligations specified in items (a) and (b) of the issuer post-enforcement priority of payments following an intercompany loan acceleration;
- (b) without priority among them but in proportion to the respective amounts due, towards payment of amounts (if any) due to the cash manager under the terms of the cash management agreement, to the account banks under the terms of the Funding 1 bank account agreement, to the corporate services provider under the corporate services agreements relating to Funding 1, and Holdings and to Santander UK under the secretarial services agreement;

- (c) towards payment of amounts due to the Funding 1 liquidity facility provider under the Funding 1 liquidity facility agreement (if established) (except for any Funding 1 liquidity facility subordinated amounts);
- (d) towards payment of amounts (if any) due to the Funding 1 swap provider under each relevant Funding 1 swap agreement (including any termination payment, but excluding any Funding 1 swap excluded termination amount);
- (e) without priority among them, but in proportion to the respective amounts due, towards payments of interest, principal and fees due and payable on the AAA loan tranches;
- (f) without priority among them, but in proportion to the respective amounts due, towards payments of interest, principal and fees due and payable on the AA loan tranches;
- (g) without priority among them, but in proportion to the respective amounts due, towards payments of interest, principal and fees due and payable on the A loan tranches;
- (h) without priority among them, but in proportion to the respective amounts due, towards payments of interest, principal and fees due and payable on the BBB loan tranches;
- (i) without priority among them, but in proportion to the respective amounts due, towards payments of interest, principal and fees due and payable on the BB loan tranches;
- (j) without priority among them, but in proportion to the respective amounts due, towards payments of interest, principal and fees due and payable on the (i) the NR loan tranches, and (ii) the Funding 1 loan;
- (k) towards payment of any amounts due to the issuer in respect of its obligations (if any) to make a termination payment to an issuer swap provider (but excluding any issuer swap excluded termination amount);
- (l) without priority among them but in proportion to the respective amounts due, to pay (without double counting):
  - (i) amounts due to the issuer in respect of its obligations (if any) to pay any issuer swap excluded termination amount to an issuer swap provider following an issuer swap provider default or an issuer swap provider downgrade termination event (as appropriate);
  - (ii) any other amounts due to the issuer under the intercompany loan agreement and not otherwise provided for earlier in this priority of payments;
  - (iii) any Funding 1 swap excluded termination amounts due to the Funding 1 swap provider; and
  - (iv) the Funding 1 liquidity facility provider under the Funding 1 liquidity facility (if established) any Funding 1 liquidity facility subordinated amounts (as agreed under the terms of the Funding 1 liquidity facility agreement);
- (m) without priority among them but in proportion to the amounts then due, towards payment of amounts due to the Funding 1 start-up loan provider under the Funding 1 start-up loan agreements.

### Definition of issuer principal receipts

Prior to the service of a note acceleration notice, **issuer principal receipts** will be calculated by the issuer cash manager four business days prior to each Funding 1 interest payment date and will be an amount equal to all principal amounts to be repaid by Funding 1 to the issuer under the intercompany loan during the relevant interest period. Following the service of a note acceleration notice on the issuer, but prior to the service of an intercompany loan acceleration notice on Funding 1, **issuer principal receipts** means the sum calculated by the issuer cash manager or, if the issuer security has also been enforced, by the issuer security trustee four business days prior to each interest payment date as the amount to be repaid by Funding 1 to the issuer under the intercompany loan during the relevant interest period or, as the case may be, the sum recovered by the issuer security trustee (or the receiver appointed on its behalf) on any other business day representing the principal balance of the intercompany loan.

On each interest payment date, all Funding 1 available principal receipts received by the issuer from Funding 1 constituting principal repayments on a loan tranche will be credited to a sub-ledger (in respect of the related series and class of notes) to the issuer principal ledger.

### **Distribution of issuer principal receipts before note acceleration**

Prior to the service of a note acceleration notice on the issuer, the issuer, or the issuer cash manager on its behalf, will apply any issuer principal receipts on each interest payment date to repay the notes in the following manner (the **issuer pre-acceleration principal priority of payments**):

- the class A notes: from principal amounts received by the issuer from Funding 1 in respect of each AAA loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes):
  - (i) to pay amounts due and payable (in respect of principal) on such interest payment date to the relevant issuer swap providers in respect of the related series and class of class A notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on such interest payment date on the related series and class of class A notes;
- the class B notes: from principal amounts received by the issuer from Funding 1 in respect of each AA loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes):
  - (i) to pay amounts due and payable (in respect of principal) on such interest payment date to the relevant issuer swap providers in respect of the related series and class of class B notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on such interest payment date on the related series and class of class B notes;
- the class M notes: from principal amounts received by the issuer from Funding 1 in respect of each A loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes):
  - (i) to pay amounts due and payable (in respect of principal) on such interest payment date to the relevant issuer swap providers in respect of the related series and class of class M notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on such interest payment date on the related series and class of class M notes;
- the class C notes: from principal amounts received by the issuer from Funding 1 in respect of each BBB loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes):
  - (i) to pay amounts due and payable (in respect of principal) on such interest payment date to the relevant issuer swap providers in respect of the related series and class of class C notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on such interest payment date on the related series and class of class C notes;
- the class D notes: from principal amounts received by the issuer from Funding 1 in respect of each BB loan tranche (and in respect of (ii) below, the principal amounts received (if any)

from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes):

- (i) to pay amounts due and payable (in respect of principal) on such interest payment date to the relevant issuer swap providers in respect of the related series and class of class D notes in accordance with the terms of the relevant issuer swap agreements; and
- (ii) to pay amounts due and payable in respect of principal (if any) on such interest payment date on the related series and class of class D notes; and
- the class Z notes: from principal amounts received by the issuer from Funding 1 in respect of each NR loan tranche, to pay amounts due and payable in respect of principal (if any) on such interest payment date on the related series (if applicable) and class of class Z notes.

The amounts standing to the credit of any sub-ledger of the issuer principal ledger (in respect of a series and class of notes) may only be applied by the issuer cash manager to pay the principal amounts due (if any) in respect of such series and class of notes under the issuer pre-acceleration principal priority of payments.

### **Distribution of issuer principal receipts after note acceleration but before intercompany loan acceleration**

The issuer deed of charge sets out the priority of distribution of issuer principal receipts received by the issuer cash manager on an interest payment date following the service of a note acceleration notice on the issuer or, as the case may be, received or recovered by the issuer security trustee (or a receiver appointed on its behalf) following the enforcement of the issuer security on an interest payment date or any other day but (in each case) prior to the service of an intercompany loan acceleration notice on Funding 1. In these circumstances, the issuer cash manager or the issuer security trustee (as the case may be) will apply issuer principal receipts on each interest payment date or such other day to repay the notes in the following order of priority (the **issuer post-acceleration principal priority of payments**):

- the class A notes: from principal amounts received by the issuer or the issuer security trustee (as the case may be) from Funding 1 in respect of each AAA loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes) or otherwise recovered:
  - (i) to pay amounts due and payable (in respect of principal) to the relevant issuer swap providers in respect of the related series and class of class A notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on the related series and class of class A notes;
- the class B notes: from principal amounts received by the issuer or the issuer security trustee (as the case may be) from Funding 1 in respect of each AA loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes) or otherwise recovered:
  - (i) to pay amounts due and payable (in respect of principal) to the relevant issuer swap providers in respect of the related series and class of class B notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on the related series and class of class B notes;
- the class M notes: from principal amounts received by the issuer or the issuer security trustee (as the case may be) from Funding 1 in respect of each A loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes) or otherwise recovered:

- (i) to pay amounts due and payable (in respect of principal) to the relevant issuer swap providers in respect of the related series and class of class M notes in accordance with the terms of the relevant issuer swap agreements; and
- (ii) to pay amounts due and payable in respect of principal (if any) on the related series and class of class M notes;
- the class C notes: from principal amounts received by the issuer or the issuer security trustee (as the case may be) from Funding 1 in respect of each BBB loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes) or otherwise recovered:
  - (i) to pay amounts due and payable (in respect of principal) to the relevant issuer swap providers in respect of the related series and class of class C notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on the related series and class of class C notes;
- the class D notes: from principal amounts received by the issuer or the issuer security trustee (as the case may be) from Funding 1 in respect of each BB loan tranche (and in respect of (ii) below, the principal amounts received (if any) from the issuer swap providers under the relevant issuer swap agreements in respect of the related series and class of notes) or otherwise recovered:
  - (i) to pay amounts due and payable (in respect of principal) to the relevant issuer swap providers in respect of the related series and class of class D notes in accordance with the terms of the relevant issuer swap agreements; and
  - (ii) to pay amounts due and payable in respect of principal (if any) on the related series and class of class D notes; and
- the class Z notes: from principal amounts received by the issuer or the issuer security trustee (as the case may be) from Funding 1 in respect of each NR loan tranche or otherwise recovered, to pay amounts due and payable in respect of principal (if any) on the related series (if applicable) and class of class Z notes.

The amounts standing to the credit of any sub-ledger of the issuer principal ledger (in respect of a series and class of notes) may only be applied by the issuer cash manager or the issuer security trustee (as applicable) to pay the principal amounts due (if any) in respect of such series and class of notes under the issuer post-acceleration principal priority of payments.

#### **Distribution of issuer principal receipts and issuer revenue receipts following intercompany loan acceleration**

If an intercompany loan acceleration notice is served on Funding 1 under the Funding 1 deed of charge, then the issuer security will become enforceable. The issuer deed of charge sets out the priority of payments following the service on Funding 1 of an intercompany loan acceleration notice, (known as the **issuer post-enforcement priority of payments following an intercompany loan acceleration**) of amounts received by the issuer cash manager or, following the enforcement of the issuer security, of amounts received or recovered by the issuer security trustee (or a receiver appointed on its behalf).

On each date following the service on Funding 1 of an intercompany loan acceleration notice that amounts are received by the issuer cash manager or, following the enforcement of the issuer security, amounts are received or recovered by the issuer security trustee (or a receiver appointed on its behalf), the issuer cash manager or the issuer security trustee, as the case may be, will apply such amounts (other than amounts representing (i) any excess swap collateral which shall be returned directly to the relevant issuer swap provider and (ii) in respect of each issuer swap provider, prior to the designation of an early termination date under the relevant issuer swap agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than excess swap collateral) provided by such issuer swap provider to the issuer pursuant to the relevant issuer swap agreement (and any interest or distributions in respect thereof)) received or recovered following acceleration of the intercompany loan and/or enforcement of the issuer security as follows (in each case, only to the extent that payments of a higher order of priority have been paid in full):

- (a) without priority among them but in proportion to the respective amounts due, to pay amounts due to:
- (A) the issuer security trustee and any receiver appointed by the issuer security trustee together with interest and any amount in respect of VAT thereon as provided therein and any amounts then due or to become due to the issuer security trustee and the receiver under the provisions of the issuer deed of charge;
  - (B) the note trustee together with interest and any amount in respect of VAT thereon as provided therein and any amounts then due or to become due and payable to the note trustee under the provisions of the note trust deed; and
  - (C) the agent bank, the paying agents, the registrar, the exchange rate agent (if applicable) and the transfer agent together with interest and any amount in respect of VAT thereon as provided therein and any costs, charges, liabilities and expenses then due or to become due and payable to them under the provisions of the paying agent and agent bank agreement;
- (b) without priority among them but in proportion to the respective amounts due, towards payment of amounts due and payable, together with any amount in respect of VAT thereon as provided therein to the issuer cash manager under the issuer cash management agreement, to the issuer corporate services provider under the issuer corporate services agreement and to the issuer account bank under the issuer bank account agreement;
- (c) subject to item (d) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class A notes (excluding any termination payment);
- (d) without priority among them but in proportion to the respective amounts due, to pay interest due or overdue on, and to repay principal of, the applicable series of class A notes and to pay any swap termination payment due to the issuer swap provider for each series of class A notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (d) (on the assumption that no amounts are due and payable under item (c) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (d), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class A notes under item (c) above will be reduced by the amount of the shortfall applicable to that series of class A notes;
- (e) subject to item (f) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class B notes (excluding any termination payment);
- (f) without priority among them but in proportion to the respective amounts due, to pay interest due or overdue on, and to repay principal of, the applicable series of class B notes and to pay any swap termination payment due to the issuer swap provider for each series of class B notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (f) (on the assumption that no amounts are due and payable under item (e) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (f), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class B notes under item (e) above will be reduced by the amount of the shortfall applicable to that series of class B notes;
- (g) subject to item (h) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class M notes (excluding any termination payment);
- (h) without priority among them but in proportion to the respective amounts due, to pay interest due or overdue on, and to repay principal of, the applicable series of class M notes and to pay any swap termination payment due to the issuer swap provider for each series of class M notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (h) (on the assumption that no amounts are

due and payable under item (g) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (h), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class M notes under item (g) above will be reduced by the amount of the shortfall applicable to that series of class M notes;

- (i) subject to item (j) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class C notes (excluding any termination payment);
- (j) without priority among them but in proportion to the respective amounts due, to pay interest due or overdue on, and to repay principal of, the applicable series of class C notes and to pay any swap termination payment due to the issuer swap provider for each series of class C notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (j) (on the assumption that no amounts are due and payable under item (i) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (j), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class C notes under item (i) above will be reduced by the amount of the shortfall applicable to that series of class C notes;
- (k) subject to item (l) below, without priority among them but in proportion to the respective amounts due, to pay amounts due to the issuer swap providers for each series of class D notes (excluding any termination payment);
- (l) without priority among them but in proportion to the respective amounts due, to pay interest due or overdue on, and to repay principal of, the applicable series of class D notes and to pay any swap termination payment due to the issuer swap provider for each series of class D notes (but excluding any issuer swap excluded termination amount) provided that if the amounts available for distribution under this item (l) (on the assumption that no amounts are due and payable under item (k) and no amounts are received from any issuer swap provider) would be insufficient to pay the sterling equivalent of the amounts due and payable under this item (l), the shortfall will be divided amongst all such amounts on a *pro rata* basis and the amount payable by the issuer to the issuer swap provider in respect of any series of class D notes under item (k) above will be reduced by the amount of the shortfall applicable to that series of class D notes;
- (m) to pay interest due or overdue on, and to repay principal of, the applicable series of class Z notes;
- (n) without priority among them but in proportion to the respective amounts due, to pay any issuer swap excluded termination amount to the issuer swap providers; and
- (o) the balance to the issuer.

Notwithstanding the above, amounts standing to the credit of any sub-ledger to the issuer revenue ledger and/or the issuer principal ledger (in respect of a series and class of notes) may only be applied by the issuer cash manager and/or the issuer security trustee (as applicable) to pay the interest, principal and other amounts due in respect of such series and class of notes or any shortfall in the amounts available to pay items (a) to (b) under the issuer post-enforcement priority of payments following an intercompany loan acceleration and may not be applied in payment of interest, principal and other amounts due in respect of any other series and class of notes.

#### **Disclosure of modifications to the priorities of payments**

Any change in the priorities of payments which will materially adversely affect the repayment of the loan tranche or the notes shall be disclosed without undue delay to the extent required under Article 21(9) of the Securitisation Regulation.

## CREDIT STRUCTURE

The notes will be obligations of the issuer only and will not be 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 to noteholders, as follows:

- Funding 1 available revenue receipts are expected to exceed interest and fees payable by Funding 1 to the issuer under the intercompany loan;
- a shortfall in Funding 1 available revenue receipts may be met from Funding 1's principal receipts;
- a general reserve fund has been established to help meet shortfalls in principal due on the original bullet term loan tranches and original scheduled amortisation loan tranches (other than with respect to any NR loan tranches) in the circumstances described below;
- the general reserve fund may also be used to help meet any deficit in Funding 1 available revenue receipts available for payment of interest and fees due under the intercompany loan (other than with respect to any NR loan tranches) and to help meet any deficit on the principal deficiency ledger (other than with respect to any deficiency on the NR principal deficiency sub-ledger);
- payments on the class Z notes will be subordinated to payments on the class A notes, the class B notes, the class M notes, the class C notes and the class D notes;
- payments on the class D notes will be subordinated to payments on the class A notes, the class B notes, the class M notes and the class C notes;
- payments on the class C notes will be subordinated to payments on the class A notes, the class B notes and the class M notes;
- payments on the class M notes will be subordinated to payments on the class A notes and the class B notes;
- payments on the class B notes will be subordinated to payments on the class A notes;
- the mortgages trustee GIC account and the Funding 1 GIC account each earn interest at a specified rate; and
- Funding 1 start-up loans will be provided to Funding 1 from time to time to credit the general reserve fund, to meet the costs in connection with the issuance of notes and for the purposes of making the payments due under the relevant Funding 1 swap agreement on the applicable closing date of the issuance in respect of which the Funding 1 start-up loan was made.

Each of these factors is considered more fully in the remainder of this section.

### **Credit support for the notes provided by Funding 1 available revenue receipts**

It is anticipated that, during the life of the notes issued under the programme, the Funding 1 share of the interest received from borrowers on the loans will, assuming that all of the loans are fully performing, be greater than the aggregate amount of interest which the issuer and any new issuer have to pay on all of the notes and any new notes the proceeds of which are advanced to Funding 1 and all other fees, costs and expenses under the programme. In other words, the Funding 1 available revenue receipts will be sufficient to pay the amounts payable under items (a) to (e) inclusive, (g), (j), (l) and (n) of the Funding 1 pre-acceleration revenue priority of payments, assuming all loans are fully performing.

The actual amount of any excess will vary during the life of the notes. Two of the key factors determining the variation are as follows:

- the interest rate on the loans in the portfolio; and
- the level of arrears experienced.

On any Funding 1 interest payment date, any excess will be available to make a deferred contribution.

### Level of arrears experienced

If the level of arrears of interest payments made by the borrowers results in Funding 1 experiencing an income deficit, Funding 1 will be able to use the following amounts to cure that income deficit:

- *first*, amounts standing to the credit of the general reserve fund, as described in “**General reserve fund**” below; and
- *second*, principal receipts, if any, as described in “**Use of Funding 1 principal receipts to pay Funding 1 income deficiency**” below.

Any excess of Funding 1 revenue receipts will be applied on each Funding 1 interest payment date to the extent described in the Funding 1 pre-acceleration revenue priority of payments, including to extinguish amounts standing to the debit of any principal deficiency ledger and to replenish the funds.

### Use of Funding 1 principal receipts to pay Funding 1 income deficiency

Four business days prior to each Funding 1 interest payment date, the cash manager will calculate whether there will be an excess or a deficit of Funding 1 available revenue receipts to pay items (a) to (e) inclusive, (g), (j), (l) and (n) of the Funding 1 pre-acceleration revenue priority of payments.

If there is a deficit, then Funding 1 shall pay or provide for that deficit by the application of Funding 1 principal receipts (plus any part of the balance of the cash accumulation ledger which is not comprised in Funding 1 available principal receipts), if any, and the cash manager shall make a corresponding entry in the relevant principal deficiency sub-ledger, as described in “**Principal deficiency ledger**” below as well as making a debit in the Funding 1 principal ledger. Any such entry and debit shall be made and taken into account (including as to which priority of payments shall apply) prior to the application of Funding 1 available principal receipts on the relevant Funding 1 interest payment date.

Funding 1 principal receipts may not be used to pay interest on any loan tranche if and to the extent that such application (and, for the avoidance of doubt, the recording of losses) would result in a debit balance being recorded, or an existing debit balance being increased, on a principal deficiency sub-ledger relating to a loan tranche with a higher rating designation.

### General reserve fund

A general reserve fund has been established:

- to help meet any deficit in Funding 1 available revenue receipts available for payment of interest and fees due under the intercompany loan agreement (other than with respect to the NR loan tranches) and to help meet any deficit recorded on the principal deficiency ledger (other than with respect to the NR principal deficiency sub-ledger); and
- to help meet any deficit in Funding 1 available principal receipts available for:
  - (a) prior to the occurrence of a trigger event:
    - (i) repayments of principal which are then due and payable in respect of the original bullet loan tranches (other than with respect to the NR loan tranches); and
    - (ii) repayments of principal in respect of original scheduled amortisation loan tranches (other than with respect to the NR loan tranches) on their respective final maturity dates only; and
  - (b) on or after the occurrence of a trigger event, repayments of principal in respect of original bullet loan tranches and original scheduled amortisation loan tranches (in both cases, other than with respect to the NR loan tranches) on their respective final maturity dates only,

(each a reserve principal payment)

in each case prior to the service of an intercompany loan acceleration notice on Funding 1.

The general reserve fund will be funded and replenished from:

- Funding 1 available revenue receipts in accordance with item (q) of the Funding 1 pre-acceleration revenue priority of payments up to an amount equal to the general reserve required amount (see “**Cashflows – Distribution of Funding 1 available revenue receipts before intercompany loan acceleration**” above);
- Funding 1 available principal receipts to the extent applied in making reserve principal payments;
- following the occurrence of an arrears or step-up trigger event (as defined below), any Funding 1 available revenue receipts to be paid in accordance with item (q) of the Funding 1 pre-acceleration revenue priority of payments up to (and including) an amount equal to the sum of the general reserve required amount and:
  - (a) if an arrears or step-up trigger event has occurred under item (i) only of that definition, the amount specified in the most recent final terms;
  - (b) if an arrears or step-up trigger event has occurred under item (ii) only of that definition, the amount specified in relation to such event in the most recent final terms;
  - (c) if an arrears or step-up trigger event has occurred under both items (i) and (ii) of that definition, the amount specified in relation to such event in the most recent final terms.

If an arrears or step-up trigger event has occurred under item (i), item (ii) or items (i) and (ii) of that definition and such event(s) have been cured, the general reserve required amount will be reduced by the amounts specified in paragraphs (a), (b) and (c) respectively and the amount of such reduction will constitute Funding 1 available revenue receipts.

An **arrears or step-up trigger event** occurs (i) when the outstanding principal balance of the loans in arrears for more than 3 times the monthly payment then due divided by the outstanding principal balance of all of the loans in the mortgages trust (expressed as a percentage) exceeds 2 per cent. or (ii) if the issuer fails to exercise its option to redeem any of its notes on the relevant step-up date as specified in the relevant final terms.

Funding 1 may adjust the general reserve required amount and/or the additional amounts described in paragraphs (a), (b) and (c) above at any time, without the consent of the noteholders, provided that Funding 1 obtains confirmation from the rating agencies that such adjustments will not result in the reduction, qualification or withdrawal of its then current rating of any notes then outstanding (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time);

- Funding 1 start-up loans provided to Funding 1 from time to time to fund the general reserve fund pursuant to the terms of a Funding 1 start-up loan agreement.

The **general reserve required amount** as at any date and subject to amendment as described below will be the amount specified as such in the most recent final terms.

Funding 1 may adjust, at any time, the general reserve required amount without the consent of noteholders so long as Funding 1 obtains confirmation from the rating agencies that such adjustments will not cause a reduction, qualification or withdrawal of the then current ratings of any outstanding rated notes (it being acknowledged that none of the rating agencies has any obligation to provide such confirmation at any time).

A general reserve ledger is maintained by the cash manager to record the balance from time to time of the general reserve fund.

### Liquidity reserve fund

Funding 1 will be required to establish a liquidity reserve fund to the extent of the liquidity reserve fund required amount if, and for as long as, the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the seller cease to be rated at least A3 by Moody's or A- by Fitch (unless Moody's or Fitch, as applicable, confirms that the then current ratings of the notes (and any new notes, where applicable) will not be adversely affected by the ratings downgrade), and there are class A notes and/or class B notes then outstanding. For such purposes, Fitch has indicated that, as at the date hereof, it no

longer employs a liquidity reserve in its ratings methodology such that it would not regard any downgrade of the seller as warranting the establishment of a liquidity reserve. If following a subsequent increase in the seller's rating or redemption in full of all class A notes and class B notes, Funding 1 would no longer be required to maintain the liquidity reserve fund, then Funding 1 at its option may terminate the liquidity reserve fund, and all amounts standing to the credit of the liquidity reserve ledger will then be treated as Funding 1 available revenue receipts for the next Funding 1 interest payment date. In addition, following a reduction in the liquidity reserve fund required amount, amounts standing to the credit of the liquidity reserve ledger in excess of the liquidity reserve fund required amount will then be treated as Funding 1 available revenue receipts for the next Funding 1 interest payment date.

Prior to enforcement of the Funding 1 security, the liquidity reserve fund may be used:

- to help meet any deficit in Funding 1 available revenue receipts available for payment of interest and fees due under the intercompany loan agreement, but only to the extent that such amounts are necessary to fund the payment by Funding 1 of interest and fees due on a Funding 1 interest payment date in respect of AAA loan tranches and AA loan tranches and to help meet any deficit recorded on the principal deficiency ledger in respect of the AAA loan tranches;
- (provided that there are no AAA loan tranches and AA loan tranches outstanding) to help meet any deficit in Funding 1 available revenue receipts which are allocated to pay interest and fees due on a Funding 1 interest payment date under the intercompany loan agreement;
- to help meet any deficit in Funding 1 principal receipts available for:
  - (a) prior to the occurrence of a trigger event, repayments of principal which are then due and payable in respect of the original bullet loan tranches (which are AAA loan tranches); and
  - (b) on or after the occurrence of a trigger event, repayments of principal due and payable in respect of original bullet loan tranches (which are AAA loan tranches) on their respective final maturity dates only,

(each a liquidity reserve principal payment)

in each case prior to the service of an intercompany loan acceleration notice on Funding 1.

The liquidity reserve fund, if required to be funded, will be funded initially from Funding 1 available principal receipts in accordance with the Funding 1 pre-acceleration principal priority of payments. The liquidity reserve fund will be deposited in Funding 1's name in the Funding 1 GIC account into which the general reserve fund is also deposited. All interest or income accrued on the amount of the liquidity reserve fund while on deposit in the Funding 1 GIC account will belong to Funding 1. The cash manager will maintain a separate liquidity reserve ledger to record the balance from time to time of the liquidity reserve fund.

The liquidity reserve fund is replenished up to and including an amount equal to the liquidity reserve fund required amount on Funding 1 interest payment dates from Funding 1 available revenue receipts at item (h) of the Funding 1 pre-acceleration revenue priority of payments and from Funding 1 available principal receipts at item (c) of the relevant Funding 1 pre-acceleration principal priority of payments, as applicable.

**liquidity reserve fund required amount** is an amount as of any interest payment date equal to the excess (if any) of 3 per cent. of the aggregate outstanding balance of the notes on that interest payment date over the aggregate of amounts standing to the credit of the general reserve fund on that Funding 1 interest payment date.

Following enforcement of the Funding 1 security, amounts standing to the credit of the liquidity reserve ledger may be applied in making payments of principal due under the loan tranches.

### Principal deficiency ledger

A principal deficiency ledger has been established to record:

- on each trust calculation date, any principal losses on the loans allocated to Funding 1; and/or

- on each Funding 1 interest payment date, any application of Funding 1 principal receipts to meet any deficiency in Funding 1 available revenue receipts (as described in “ **Use of Funding 1 principal receipts to pay Funding 1 income deficiency**” above); and/or
- (in the case of the NR principal deficiency sub-ledger only) on each trust calculation date immediately preceding a Funding 1 interest payment date, any increase in the mortgages trust available principal receipts to be allocated and paid to Funding 1 on the immediately following distribution date in an amount equal to the Funding 1 revenue deficit cure amount; and/or
- the application of Funding 1 available principal receipts which are allocated to fund the liquidity reserve fund up to the liquidity reserve fund required amount.

The principal deficiency ledger is split into seven sub-ledgers which will correspond to each of the AAA loan tranches, the AA loan tranches, the A loan tranches, the BBB loan tranches, the BB loan tranches, the NR loan tranches and the Funding 1 loan, respectively.

Losses on the loans and/or the application of Funding 1 available principal receipts to fund the liquidity reserve fund or to pay interest on the loan tranches will be recorded as follows:

- *first, pro rata and pari passu* (i) on the NR principal deficiency sub-ledger until the balance of the NR principal deficiency sub-ledger is equal to the aggregate principal amount outstanding of all NR loan tranches, and (ii) on the Funding 1 loan principal deficiency sub-ledger until the balance of the Funding 1 loan principal deficiency sub-ledger is equal to the aggregate principal amount outstanding of the Funding 1 loan;
- *second*, on the BB principal deficiency sub-ledger until the balance of the BB principal deficiency sub-ledger is equal to the aggregate principal amount outstanding of all BB loan tranches;
- *third*, on the BBB principal deficiency sub-ledger until the balance of the BBB principal deficiency sub-ledger is equal to the aggregate principal amount outstanding of all BBB loan tranches;
- *fourth*, on the A principal deficiency sub-ledger until the balance of the A principal deficiency sub-ledger is equal to the aggregate principal amount outstanding of all A loan tranches;
- *fifth*, on the AA principal deficiency sub-ledger until the balance of the AA principal deficiency sub-ledger is equal to the aggregate principal amount outstanding of all AA loan tranches; and
- *sixth*, on the AAA principal deficiency sub-ledger, at which point there will be an asset trigger event (unless such losses are recorded when (a) the aggregate principal amount outstanding of all NR loan tranches, BB loan tranches, BBB loan tranches, A loan tranches and AA loan tranches is equal to zero and (b) the sum of (i) the amount standing to the credit of the general reserve ledger and (ii) the amount standing to the credit of the Funding 1 revenue ledger, together with amounts determined and due to be credited to the Funding 1 revenue ledger prior to the immediately following Funding 1 interest payment date after such debit is made, is greater than the amount necessary to pay the items (a) to (f) in the Funding 1 pre-acceleration revenue priority of payments on the immediately following Funding 1 interest payment date after such debit is made).

Losses on the loans and/or the application of Funding 1 available principal receipts to fund the liquidity reserve fund or to pay interest on the loan tranches will not be recorded on the principal deficiency ledger on any day to the extent that the Funding 1 share of the trust property together with amounts standing to the credit of the Funding 1 cash accumulation ledger and the Funding 1 principal ledger in aggregate is greater than or equal to the aggregate outstanding principal balance of the loan tranches on that day, after taking account of such losses or the relevant application of principal receipts.

Prior to the service of an intercompany loan acceleration notice on Funding 1, Funding 1 available revenue receipts will be applied on each Funding 1 interest payment date in the manner and to the extent described in the Funding 1 pre-acceleration revenue priority of payments as follows:

- *first*, provided that interest due on the AAA loan tranches has been paid, in an amount necessary to reduce to zero the balance on the AAA principal deficiency sub-ledger;

- *second*, provided that interest due on the AA loan tranches has been paid, in an amount necessary to reduce to zero the balance on the AA principal deficiency sub-ledger;
- *third*, provided that interest due on the A loan tranches has been paid, in an amount necessary to reduce to zero the balance on the A principal deficiency sub-ledger;
- *fourth*, provided that interest due on the BBB loan tranches has been paid, in an amount necessary to reduce to zero the balance on the BBB principal deficiency sub-ledger;
- *fifth*, provided that interest due on the BB loan tranches has been paid, in an amount necessary to reduce to zero the balance on the BB principal deficiency sub-ledger; and
- *sixth, pro rata and pari passu* (i) in an amount necessary to reduce to zero the balance on the NR principal deficiency sub-ledger and (ii) in an amount necessary to reduce to zero the balance on the Funding 1 loan principal deficiency sub-ledger.

See also “ **Use of Funding 1 principal receipts to pay Funding 1 income deficiency**” above.

### **Issuer available funds**

On each Funding 1 interest payment date in respect of the intercompany loan, the issuer will receive from Funding 1 an amount equal to or less than the amount which it needs to pay out on the next interest payment date in respect of the notes in accordance with the issuer pre-acceleration principal priority of payments and the issuer pre-acceleration revenue priority of payments. It is not intended that any surplus cash will be accumulated in the issuer.

Please see also the description of the issuer swaps under “**Description of the transaction documents – Swap agreements**” above.

### **Priority of payments among the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes**

Payments of interest on the notes will be prioritised so that interest payments due on the class Z notes on any interest payment date will be subordinated to interest payments on the class D notes, the class C notes, the class M notes, the class B notes and the class A notes due on the same interest payment date, interest payments due on the class D notes on any interest payment date will be subordinated to interest payments on the class C notes, the class M notes, the class B notes and the class A notes due on the same interest payment date, interest payments due on the class C notes on any interest payment date will be subordinated to interest payments on the class M notes, the class B notes and the class A notes due on the same interest payment date, interest payments due on the class M notes on any interest payment date will be subordinated to interest payments on the class B notes and the class A notes due on the same interest payment date and interest payments due on the class B notes on any interest payment date will be subordinated to interest payments on the class A notes on the same interest payment date, in each case in accordance with the issuer priority of payments.

Any shortfall in payments of interest due on any series of class Z notes and/or class D notes and/or class C notes and/or class M notes and/or class B notes on any interest payment date in respect of such notes will be deferred until the next interest payment date in respect of such notes and interest will accrue on such deferred interest. On that next interest payment date, the amount of interest due on the relevant class of notes will be increased to take account of any deferred interest. If on that interest payment date there is still a shortfall, that shortfall will be deferred again. This deferral process will continue until the final maturity date of such series of class Z notes and/or class D notes and/or class C notes and/or class M notes and/or class B notes, at which point all amounts of deferred interest will become due and payable. However, if there is insufficient money available to the issuer to pay interest on the class Z notes and/or class D notes and/or the class C notes and/or the class M notes and/or the class B notes, then you may not receive all interest amounts payable on those classes of notes.

The issuer is not able to defer payments of interest due on any interest payment date in respect of the most senior class of notes then outstanding. The failure to pay interest on such notes will be a note event of default.

The class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes will be constituted by the note trust deed and will share the same security. However, upon enforcement of the issuer security or the occurrence of a trigger event: the class A notes of each series will rank in priority to each series of class B notes, each series of class M notes, each series of class C notes,

each series of class D notes and each series of class Z notes; the class B notes of each series will rank in priority to each series of class M notes, each series of class C notes, each series of class D notes and each series of class Z notes; the class M notes of each series will rank in priority to each series of class C notes, each series of class D notes and each series of class Z notes; the class C notes of each series will rank in priority to each series of class D notes and each series of class Z notes; and the class D notes of each series will rank in priority to each series of class Z notes.

### **Mortgages trustee GIC account/Funding 1 GIC account**

All amounts held by the mortgages trustee will be deposited in the mortgages trustee GIC account with the mortgages trustee account bank. The mortgages trustee account bank has agreed to pay a variable rate of interest on funds in the mortgages trustee GIC account of 0.10 per cent. per annum below the Bank of England Base Rate.

Amounts held in the collection accounts will not have the benefit of such an interest rate but following receipt will be transferred into the mortgages trustee GIC account on a regular basis and in any event in the case of direct debits no later than the next business day after they are deposited in the collection accounts.

All amounts distributed to Funding 1 will be deposited in the Funding 1 transaction account in the first instance and then, at the instruction of the cash manager, account bank A shall either (i) deposit all or part of such amounts with an eligible bank (in accordance with the panel bank guidelines) (see “**Description of the transaction documents – Cash management agreement – Deposits with eligible banks in accordance with panel bank guidelines**” for further details of the panel bank guidelines), or (ii) credit the Funding 1 GIC account with all or part of such amounts. The Funding 1 GIC account is subject to a guaranteed investment contract such that account bank B agrees to pay a variable rate of interest on funds in the Funding 1 GIC account of 0.10 per cent. per annum below LIBOR for three-month sterling deposits.

Account bank B and the mortgages trustee account bank are required to satisfy certain criteria (including certain criteria and/or permissions set or required by the FSMA from time to time) in order to continue to receive deposits in the Funding 1 GIC account and the mortgages trustee GIC account, respectively. See “**Triggers tables – Rating Triggers Table – Account Bank B**” and “**– Mortgages trustee account bank**”, respectively, for the ratings criteria applicable to account bank B and the mortgages trustee account bank.

If any of the mortgages trustee account bank or account bank B or the issuer account bank ceases to satisfy these criteria, then the relevant account may be transferred to another entity which does satisfy these criteria.

### **Funding 1 start-up loans**

The Funding 1 start-up loan provider will enter into Funding 1 start-up loan agreements with Funding 1 on the initial closing date and subsequent closing dates in order to: (i) make a credit to the general reserve fund on the applicable closing date by an amount specified in the applicable final terms; (ii) meet the fees, costs and expenses incurred by Funding 1 in connection with increasing the Funding 1 share of the trust property and in respect of amounts payable by Funding 1 under the intercompany loan agreement in relation to the costs of the issue of notes as specified in the applicable final terms; and (iii) making the payments due under the relevant Funding 1 swap agreement on the applicable closing date payable to the Funding 1 start-up loan provider in its capacity as the Funding 1 swap provider. For further information on the Funding 1 start-up loans, see “**Description of the transaction documents – Funding 1 start-up loan agreements**” above.

### **Funding 1 liquidity facility**

Funding 1 may, at any time after the initial closing date and with the prior written consent of the Funding 1 security trustee, establish the Funding 1 liquidity facility, which may be available to make interest and/or principal payments on certain loan tranches and/or other senior expenses of Funding 1 (the payment of which ranks in priority to interest due on the loan tranches).

The consent of noteholders will not be obtained in relation to the establishment of the Funding 1 liquidity facility.

The terms of the Funding 1 liquidity facility will be agreed with the Funding 1 liquidity facility provider at the time Funding 1 enters into the Funding 1 liquidity facility agreement. It is expected that the terms of the Funding 1 liquidity facility agreement would require the Funding 1 liquidity facility provider to make available

to Funding 1, on the satisfaction of certain conditions, but subject to certain restrictions and limitations, a facility to be utilised towards the making of payments of interest and repayments of principal in respect of certain loan tranches.

The obligation to pay interest or fees under the Funding 1 liquidity facility (if established) will be senior to the obligation to pay amounts due to the Funding 1 swap provider under the Funding 1 pre-acceleration revenue priority of payments and under the Funding 1 post-acceleration priority of payments.

Repayment of amounts drawn down under the Funding 1 liquidity facility (if established) will be made by Funding 1 prior to making payments of interest and/or principal on the loan tranches.

Any Funding 1 liquidity facility provider will be a secured creditor of Funding 1 pursuant to the Funding 1 deed of charge. All amounts owing to the Funding 1 liquidity facility provider will, on the service of an intercompany loan enforcement notice on Funding 1, rank in priority to all amounts of interest and principal then outstanding from Funding 1 under the intercompany loan agreement.

**USE OF PROCEEDS**

The use of proceeds from an issuance of notes will be specified in the accompanying final terms.

## SANTANDER UK PLC AND THE SANTANDER UK GROUP

### Background

Santander UK plc (**Santander UK**) is a public limited liability company that was incorporated in England and Wales on 12 September 1988 (then called Abbey National plc) under the Companies Act 1985 with registered number 2294747 and is the successor company to which Abbey National Building Society transferred its business in July 1989.

The principal executive office and registered office of Santander UK is at 2 Triton Square, Regent's Place, London NW1 3AN. The telephone number of Santander UK's registered office is +44 (0) 870 607 6000.

Santander UK is a wholly-owned subsidiary of Santander UK Group Holdings plc. Banco Santander, S.A. (**Banco Santander**) and its subsidiary Santusa Holding, S.L., together, hold the entire issued share capital of Santander UK Group Holdings plc. Santander UK Group Holdings plc and its subsidiaries (together, the **Santander UK Group**) operate primarily in the UK, under UK law and regulation, and are part of the Banco Santander group.

In addition to being the sponsor of the residential mortgage-backed note issuance programme in connection with which the notes are issued, Santander UK is also the seller, the originator, the servicer, the cash manager, the issuer cash manager, account bank B, the Funding 1 swap provider and an issuer swap provider.

### Corporate purpose

Santander UK's purpose is to help people and businesses prosper. It aims to build the best open financial services platform in the UK – a bank that is Simple, Personal and Fair.

### Business and support divisions

Santander UK, headed by Nathan Bostock, Chief Executive Officer, operates four business divisions as follows:

#### *Retail Banking*

Retail Banking offers a wide range of products and financial services to individuals and small businesses through a network of branches and ATMs, as well as through telephony, digital and intermediary channels. Retail Banking includes business banking customers, small businesses with an annual turnover of up to £6.5million, and Santander Consumer Finance, predominantly a vehicle finance business.

#### *Corporate & Commercial Banking*

Corporate & Commercial Banking (formerly known as Commercial Banking) covers businesses with an annual turnover of £6.5m to £50m. Corporate & Commercial Banking offers a wide range of products and financial services provided by relationship teams that are based in a network of regional Corporate Business Centres and through telephony and digital channels. The management of Santander UK's customers is organised across two relationship teams – the Regional Corporate Bank that covers non-property backed trading businesses that are UK domiciled with annual turnover above £6.5million and Special Sector Groups that cover real estate, social housing, education, healthcare, and hotels.

#### *Corporate & Investment Banking*

Corporate & Investment Banking (formerly known as Global Corporate Banking) services corporate clients with an annual turnover of £500m and above. Corporate & Investment Banking clients require specially tailored solutions and value-added services due to their size, complexity and sophistication, Corporate & Investment Banking provides these clients with products to manage currency fluctuations, protect against interest rate risk, and arrange capital markets finance and specialist trade finance solutions, as well as providing support to the rest of Santander UK's business segments.

#### *Corporate Centre*

Corporate Centre mainly includes the treasury, non-core corporate and legacy portfolios, including Crown Dependencies. Corporate Centre is also responsible for managing capital and funding, balance sheet composition, structure, pension and strategic liquidity risk. To enable a more targeted and strategically

aligned apportionment of capital and other resources, revenue and costs incurred in Corporate Centre are allocated to the three business segments above. The non-core corporate and legacy portfolios are being run-down and/or managed for value.

#### *Mortgage business*

Santander UK has been engaged in the origination and servicing of residential mortgage loans since 1989, when, as the successor company to the Abbey National Building Society, it took a transfer of the latter's business, the core of which had always been the origination and servicing of residential mortgage loans. The Santander UK Group remains one of the largest lenders in the UK mortgage market with gross mortgage lending in 2018 amounting to £28.8 billion.

Santander UK (including as successor to the Abbey National Building Society) has significantly more than five years of experience in the origination, underwriting and servicing of mortgage loans similar to those included in the portfolio.

#### *Securitisation*

In general, Santander UK is responsible for the selection of the pool of loans to be securitised in Santander UK's mortgage loan securitisation programmes and for on-going servicing, reporting and cash management in accordance with the applicable documentation. Santander UK also acts as sponsor of these securitisations and is responsible for structuring of the transaction, cash flow modelling, arranging distribution and marketing of the securities and arranging currency, interest rate and other hedge providers. Santander UK is responsible for liaising with rating agencies, engaging various third party service providers and advisors as well as overall transaction management.

## THE ISSUER

Fosse Master Issuer plc, referred to in this base prospectus as the issuer, was incorporated in England and Wales on 5 September 2006 and is a public limited company (registered number 5925693) under the Companies Act 1985. The registered office of the issuer is at 35 Great St. Helen's, London EC3A 6AP (telephone number +44 (0)20 7398 6300).

The authorised share capital of the issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the issuer comprises 50,000 ordinary shares of £1 each, 49,999 of which are one quarter paid up and one of which is fully paid up and all of which are beneficially owned by Holdings (see "**Holdings**"). Under the Funding 1 corporate services agreement, Holdings has agreed to comply with all requests of the Funding 1 security trustee in relation to the appointment and/or removal by Holdings of any of the directors of the issuer.

The issuer was established as a special purpose company for the purpose of issuing asset backed securities and making the advances to the Funding companies. The issuer has no subsidiaries. The seller does not own directly or indirectly any of the share capital of Holdings or the issuer.

The activities of the issuer are limited to passively owning or holding the loan tranches, issuing the notes supported by the intercompany loan agreement and other activities reasonably incidental thereto. The principal objects of the issuer are set out in its memorandum of association and include:

- lending money and giving credit, with or without security;
- borrowing or raising money and obtaining credit or finance;
- securing payment or repayment of money, credit or finance by any security over the issuer's property; and
- acquiring or entering into financial instruments, including swaps and options.

Under the Companies Act 2006, the issuer's governing documents, including the principal objects of the issuer, may be altered by a special resolution of the shareholders.

The activities of the issuer will be further restricted by the terms and conditions of the notes and will be limited to the issue of the notes, the making of the loan tranches under the intercompany loan agreement to Funding 1, the exercise of related rights and powers and other activities referred to in this base prospectus or incidental to those activities.

Since its incorporation, the issuer has not engaged in any material activities other than those incidental or ancillary to its incorporation as a public limited company under the Companies Act 2006, to the issue of the notes and to the authorisation of and entry into the other transaction documents referred to in this base prospectus to which it is a party.

There is no intention to accumulate surplus cash in the issuer (other than amounts retained by the issuer as profit).

The accounting reference date (i.e. the last day of the fiscal year) of the issuer is 31 December. The first financial period of the issuer ended on 31 December 2007. As at the date hereof, statutory accounts for up to and including the year ended 31 December 2018 have been prepared and delivered to the Registrar of Companies on behalf of the issuer.

The financial statements of the issuer for the year ended 31 December 2017 and for the year ended 31 December 2018, together with the audit reports therein, are incorporated by reference into this base prospectus (see "**Documents Incorporated By Reference**" above). Copies of the financial statements of the issuer for the years ended 31 December 2017 and 31 December 2018 are available at the issuer's registered office and may be viewed online at <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>.

**Directors and secretary**

The following table sets out the directors of the issuer and their respective business addresses and occupations. Each director has served in office since the incorporation of the issuer.

<b>Name</b>	<b>Business address</b>	<b>Principal activities/business occupation</b>
Intertrust Directors 1 Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Intertrust Directors 2 Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Tom Ranger	2 Triton Square Regent's Place London NW1 3AN	Head of Mortgage Backed Funding

The directors of Intertrust Directors 1 Limited and Intertrust Directors 2 Limited and their respective business addresses and principal activities or business occupations are:

<b>Name</b>	<b>Business address</b>	<b>Principal activities/business occupation</b>
Helena Whitaker	35 Great St. Helen's London EC3A 6AP	Company Secretary, Director
Susan Abrahams	35 Great St. Helen's London EC3A 6AP	Director
Michelle O'Flaherty	35 Great St. Helen's London EC3A 6AP	Director
Clive Short	35 Great St. Helen's London EC3A 6AP	Director
Andrea Williams	35 Great St. Helen's London EC3A 6AP	Director

The company secretary of the issuer is:

<b>Name</b>	<b>Business address</b>
Santander Secretariat Services Limited	2 Triton Square Regent's Place London NW1 3AN

The directors of Santander Secretariat Services Limited and their respective business addresses and principal activities or business occupations are:

<b>Name</b>	<b>Business address</b>	<b>Principal activities/business occupation</b>
Andrew Honey	2 Triton Square Regent's Place London NW1 3AN	Director of Governance and Regulatory Affairs
Rachel Morrison	Carlton Park Narborough Leicester LE19 0AL	Chartered Accountant

In accordance with the issuer corporate services agreement, the issuer corporate services provider will provide the issuer with directors and a registered office, arrange meetings of directors and shareholders and procure book-keeping services and the preparation of accounts by Santander UK. No other remuneration is paid by the issuer to or in respect of any director or officer of the issuer for acting as such.

**Capitalisation statement**

The following table shows the capitalisation of the issuer as at the date of this base prospectus:

	£
<b>Authorised share capital</b>	
Ordinary shares of £1 each	<u>50,000.00</u>
<b>Issued share capital</b>	
49,999 ordinary shares of £1 each one quarter paid and 1 ordinary share of £1 fully paid	<u>12,500.75</u>
	<u><u>12,500.75</u></u>

## FUNDING 1

Funding 1 was incorporated in England and Wales on 5 September 2006 as a private limited company (registered number 5925696) under the Companies Act 1985. The authorised share capital of Funding 1 comprises 100 ordinary shares of £1 each. The issued share capital of Funding 1 comprises one ordinary share of £1, which is owned by Holdings (see "Holdings").

Funding 1 has no subsidiaries. The seller does not own directly or indirectly any of the share capital of Holdings or Funding 1.

The principal objects of Funding 1 are set out in its memorandum of association and are, among other things, to:

- carry on business as a general commercial company;
- borrow or raise money by any method and to obtain any form of credit or finance; and
- secure the payment of any monies, the discharge of any liabilities and the observance or performance of any kind of obligations by any charge over the whole or any part of its undertaking or assets.

Since its incorporation, Funding 1 has not engaged in any material activities, other than those incidental to the authorisation of and entry into the transaction documents referred to in this base prospectus to which it is or will be a party, and other matters which are incidental to those activities. Funding 1 has no employees.

There is no intention to accumulate surplus cash in Funding 1 (other than any amounts standing to the credit of the general reserve fund and the liquidity reserve fund and amounts retained by Funding 1 as profit).

The accounting reference date of Funding 1 is 31 December. The first financial period of Funding 1 ended on 31 December 2007. As of the date hereof, statutory accounts for up to and including the year ended 31 December 2018 have been prepared and delivered to the Registrar of Companies on behalf of Funding 1.

The financial statements for Funding 1 for the year ended 31 December 2017 and for the year ended 31 December 2018, together with the audit reports thereon, are incorporated by reference into this base prospectus (see "**Documents Incorporated By Reference**" above). Copies of the financial statements of Funding 1 for the years ended 31 December 2017 and 31 December 2018 are available at Funding 1's registered office.

The registered office of Funding 1 is 35 Great St. Helen's, London EC3A 6AP. The telephone number of Funding 1's registered office is +44 (0) 20 7398 6300.

### Directors and secretary

The following table sets out the directors of Funding 1 and their respective business addresses and occupations.

<b>Name</b>	<b>Business address</b>	<b>Principal activities/business occupation</b>
Intertrust Directors 1 Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Intertrust Directors 2 Limited	35 Great St. Helen's London EC3A 6AP	Director of special purpose companies
Tom Ranger	2 Triton Square Regent's Place London NW1 3AN	Head of Mortgage Backed Funding

The company secretary of Funding 1 is:

<b>Name</b>	<b>Business address</b>
Santander Secretariat Services Limited	2 Triton Square Regent's Place London NW1 3AN

The directors of Intertrust Directors 1 Limited, Intertrust Directors 2 Limited and Santander Secretariat Services Limited and their respective business addresses and principal activities or business occupations are set out under "**The Issuer**".

The directors and secretary of Funding 1 have no potential conflicts of interest between their duties to Funding 1 and their private interests and/or other duties.

In accordance with the corporate services agreement, the corporate services provider will provide Funding 1 with directors and a registered office, arrange meetings of directors and shareholders and procure book-keeping services and preparation of accounts by Santander UK. No other remuneration is paid by Funding 1 to or in respect of any director or officer of Funding 1 for acting as such.

## THE MORTGAGES TRUSTEE

The mortgages trustee was incorporated in England and Wales on 31 March 2010 as a private limited company (registered number 07210492) under the Companies Act 2006. The authorised share capital of the mortgages trustee comprises 2 ordinary shares of £1 each. The issued share capital of the mortgages trustee comprises two ordinary shares of £1 each, which are owned by Holdings. The registered office of the mortgages trustee is at 2 Triton Square, Regent's Place, London NW1 3AN.

Prior to 29 April 2016, Fosse Trustee Limited, a private limited company incorporated under the laws of Jersey, Channel Islands with registered number 94410, was the mortgages trustee. Fosse Trustee Limited appointed Fosse Trustee (UK) Limited as its replacement and retired as mortgages trustee pursuant to a supplemental mortgages trust deed dated 29 April 2016.

The mortgages trustee was established as a special purpose company to hold the loans and related mortgages security constituting the trust property as bare trustee for the seller, Funding 1 and any further Funding companies pursuant to the terms of the mortgages trust deed. The mortgages trustee has no subsidiaries. The seller does not own directly or indirectly any of the share capital of the mortgages trustee.

The principal activities of the mortgages trustee are, among other things, to:

- invest and deal in mortgage loans secured on residential or other properties within England, Wales and Scotland;
- invest in, buy, sell and otherwise acquire and dispose of mortgage loans, advances, other similar investments and all forms of security;
- carry on business as a moneylender, financier and investor;
- undertake and carry on all kinds of loan, financial and other operations; and
- act as trustee in respect of carrying on any of these activities.

The mortgages trustee has not engaged, since its incorporation, in any material activities other than those incidental to its incorporation, the settlement of the trust property on the mortgages trustee, acting as trustee of the mortgages trust since its assumption of the role on 29 April 2016, the authorisation of and entry into the transaction documents referred to in this base prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The mortgages trustee has no employees.

The accounting reference date of the mortgages trustee is 31 December. The first financial period of the mortgages trustee ended on 31 December 2010.

In accordance with the mortgages trustee corporate services agreement, the mortgages trustee corporate services provider will provide to the mortgages trustee directors and a registered and administrative office and the service of a company secretary, arrange meetings of directors and shareholders and procure book-keeping services and the preparation of accounts by Santander UK. No other remuneration is paid by the mortgages trustee to or in respect of any director or officer of the mortgages trustee for acting as such.

The mortgages trustee may, at some point in the future, be replaced as trustee of the mortgages trust by another special purpose company. For the mortgages trustee to be replaced as trustee of the mortgages trust, certain amendments to the transaction documents would need to be made and your consent to those amendments might not be required (see "**Risk Factors – The Funding 1 security trustee, the issuer security trustee and/or the note trustee may agree to modifications to the transaction documents without your prior written consent, which may adversely affect your interests**").

## HOLDINGS

Holdings was incorporated in England and Wales on 5 September 2006 as a private limited company (registered number 5925689) under the Companies Act 1985. The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP.

Holdings has an authorised share capital of £100 divided into 100 ordinary shares of £1 each, of which one share has been issued and fully paid and is owned by Intertrust Corporate Services Limited on a discretionary trust for charitable purposes.

Holdings is organised as a special purpose company. The seller does not own directly or indirectly any of the share capital of Holdings. Holdings currently has no subsidiaries other than the issuer, Funding 1 and the mortgages trustee.

The principal objects of Holdings are set out in its memorandum of association and are, among other things, to carry on business as a general commercial company, including to (i) acquire and hold, by way of investments or otherwise and/or (ii) 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 any company (including the issuer, any new issuers, the mortgages trustee, Funding 1 and any further Funding companies).

Holdings holds the entire beneficial interest in the issued share capital of the issuer and Funding 1 and has not engaged in any other activities since its incorporation other than those incidental to the authorising of and entry into the transaction documents and other matters which are incidental or ancillary to the foregoing. Holdings has no employees.

The accounting reference date of Holdings is 31 December. The first financial period of Holdings ended on 31 December 2007.

## **THE NOTE TRUSTEE, ISSUER SECURITY TRUSTEE AND FUNDING 1 SECURITY TRUSTEE**

The note trustee, the Funding 1 security trustee and the issuer security trustee, The Bank of New York Mellon, acting through its London branch, is a banking institution incorporated under the laws of the State of New York registered with the Registrar of Companies for England and Wales under Company Number FC005522 and Branch Number BR000818, acting through its offices located at One Canada Square, London, E14 5AL.

The Bank of New York Mellon, acting through its London branch, has served and is currently serving as trustee for numerous securitisation transactions and programmes involving pools of mortgage loans.

Pursuant to the trust deed, the note trustee is required to take certain actions as described under "**Terms and conditions of the notes**". Pursuant to the Funding 1 deed of charge, the Funding 1 security trustee is required to take certain actions as described under "**Description of the transaction documents—Funding 1 Deed of Charge**". Pursuant to the trust deed and the issuer deed of charge, the issuer security trustee is required to take certain actions as described under "**Terms and conditions of the notes**" and "**Description of the transaction documents—Issuer deed of charge**".

The limitations on liability of and indemnifications available to the note trustee and the issuer security trustee are described under "**Terms and conditions of the notes**" and "**Description of the transaction documents— Issuer deed of charge—Appointment, powers, responsibilities and liabilities of the Issuer security trustee**" respectively. The limitations on liability of the Funding 1 security trustee are described under "**Description of the transaction documents—Funding 1 deed of charge—Appointment, powers, responsibilities and liabilities of the Funding 1 security trustee**".

Provisions for the removal of the issuer security trustee are described under "**Description of the transaction documents—Issuer deed of charge—Retirement and removal**". Provisions for the removal of the Funding 1 security trustee are described under "**Description of the transaction documents—Funding 1 deed of charge—Retirement and removal**".

## **THE SWAP COUNTERPARTY**

Information in respect of the issuer swaps and the Funding 1 swaps is provided in this base prospectus under the heading “**The swap agreements**”.

The issuer swap provider in respect of issuer swap agreements entered into prior to the date of this base prospectus is Santander UK plc. The Funding 1 swap provider for the programme is Santander UK plc. A description of Santander UK plc is included in this base prospectus under the heading “Santander UK plc and the Santander UK Group.”

An alternative issuer swap provider may be specified in an applicable drawdown prospectus supplemental prospectus or final terms.

## THE LOANS

### The portfolio

Each final terms issued in connection with the issuance of a series and class of notes will contain tables summarising information in relation to the relevant expected portfolio. The tables will contain information in relation to various criteria as at the applicable cut-off date. Tables will indicate, amongst other things, composition by type of property, seasoning, geographical distribution, LTV ratios, outstanding balance and repayment terms, as well as other information that may be described from time to time. The expected portfolio as at the cut-off date, for which statistics are presented in the relevant final terms, and the expected portfolio as at the relevant closing date may differ due to, among other things, amortisation of loans in the expected portfolio.

Each final terms relating to the issuance of a series and class of notes also will contain tables summarising certain characteristics of the United Kingdom mortgage market. Tables will provide historical information on, amongst other things, repossession rates, house price to earnings ratios, as well as other information that may be described from time to time. These tables should be read in conjunction with the additional historical information on certain aspects of the United Kingdom residential mortgage market appearing in “**Characteristics of the United Kingdom residential mortgage market**” in the accompanying final terms.

### Introduction

The following is a description of some of the characteristics of the loans previously offered by the seller since 1995 including details of loan types, the underwriting process, lending criteria and selected statistical information. The issuer believes the loans in the portfolio at any time will have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the notes.

The portfolio of loans currently making up the trust property, together with their related security, accrued interest and other amounts derived from the loans as they make up the trust property on the date of this base prospectus, are called the current portfolio. These items as they make up the trust property at other times are referred to simply as the portfolio. The loans forming part of the portfolio were originated in the ordinary course of business of the seller.

Each loan in the current portfolio may incorporate one or more of the features referred to in this section but each loan will have only one method of repayment. Each borrower may have more than one loan incorporating different features (including different repayment methods), but all loans secured on the same property will be incorporated in a single account with the seller which is called the mortgage account. A mortgage account may therefore be part interest only and part repayment if it consists of two or more loans with different methods of repayment. Each loan is secured by a first legal charge over a residential property in England or Wales or a first-ranking standard security over a residential property in Scotland. Some flexible loans are secured by both a first and a second legal charge or standard security in favour of the seller.

Unless otherwise indicated, the description that follows relates to types of loans that have been or could be assigned to the mortgages trustee, either as part of the current portfolio or as a new loan assigned to the mortgages trustee at a later date.

The seller may assign new loans and their related security to the mortgages trustee from time to time. The seller reserves the right to amend its lending criteria and to assign to the mortgages trustee new loans which are based upon mortgage terms (as defined in the glossary) different from those upon which loans forming the portfolio as at any date are based. Those new loans may include loans which are currently being offered to borrowers which may or may not have some of the characteristics described here, but may also include loans with other characteristics that are not currently being offered to borrowers or that have not yet been developed. All new loans will be required to comply with the representations and warranties set out in the mortgage sale agreement from time to time. All the material representations and warranties in the mortgage sale agreement as at the date of this base prospectus are described in this base prospectus. See “**Description of the transaction documents – The mortgage sale agreement – Representations and warranties**”.

### Characteristics of the loans

The following is a description of some of the characteristics of the loans currently or previously originated by the seller, including details of loan types, the underwriting process, lending criteria and selected

statistical information. The issuer believes the loans in the portfolio at any time will have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the notes.

#### *Repayment terms*

Loans are typically repayable on one of the following bases:

- **"repayment"**: the borrower makes monthly payments of both interest and principal so that, when the loan matures, the full amount of the principal of the loan will have been repaid; and
- **"interest-only"**: the borrower makes monthly payments of interest but not of principal; when the loan matures, the entire principal amount of the loan is still outstanding and is payable in one lump sum.

In the case of either repayment loans or interest-only loans, the required monthly payment may alter from month to month for various reasons, including changes in interest rates.

For interest-only loans, because the principal is repaid in a lump sum at the maturity of the loan, the seller requires but has not always verified that the borrower has some form of repayment mechanism (such as an investment plan) in place to help ensure that funds will be available to repay the principal at the end of the term. However, the seller does not take security over these repayment mechanisms.

Principal prepayments may be made in whole or in part at any time during the term of a loan. A prepayment of the entire outstanding balance of all loans under a mortgage account discharges the mortgage. Any prepayment in full must be made together with all accrued interest, arrears of interest, any unpaid expenses and any early repayment fee(s).

Each of the English loans is governed by English law and each of the Scottish loans is governed by Scots law.

#### *Payment methods*

Various methods are available to borrowers for making payments on the loans, including:

- internal transfer from a Santander UK current account or other account the borrower may have with Santander UK;
- direct debit instruction from another bank or building society account;
- external standing order from another bank or building society account;
- internal standing order from an account at Santander UK; and
- payments made at a Santander UK branch.

The standard requirement is that all payments are made by direct debit.

#### *Early repayment fees*

Borrowers who have received the benefit of some of the interest rates and/or features referred to in this section may in certain circumstances be required to pay an early repayment fee if they repay all or part of their loans, or if they make a product switch, before a date specified in the offer conditions. The right to receive such early repayment fees is retained by the seller. The seller also retains discretion to waive or enforce early repayment fees in accordance with the seller's policy from time to time (unless it is necessary to waive such fees in order to effect a change in the interest rate and the seller has not complied with its obligations to buy back the affected loan, in which case the mortgages trustee is authorised to waive early repayment fees on behalf of the seller). The seller permits borrowers to repay without being subject to any early repayment fees in circumstances where the amount of the principal repayment in any calendar year (other than scheduled repayments of principal on a repayment loan) is less than ten per cent. of the sum of the principal balance of the loan at the beginning of that calendar year and the principal balance on any further advance completed during that year. The mortgages trustee has not agreed to purchase any early repayment fees from the seller and so any sums received will be for the seller's account and not for the account of the mortgages trustee.

## Cashbacks

Certain loans offered by the seller include a cashback feature under which a borrower is offered a sum of money that is paid (i) on completion of the loan, known as a "**completion cashback**", or (ii) after the loan has been advanced for a specific period, called a "**delayed cashback**", or (iii) at periodic intervals whilst the loan is outstanding, known as a "**reward cashback**". Where any loan is subject to a completion cashback or a delayed cashback, if there is an unscheduled principal repayment or a product switch (as described in "**—Product switches**"), in either case before a date specified in the offer conditions, then all or some of the cashback must be repaid to the seller. This repayment request may, however, be waived at the discretion of the seller.

For relevant loans originated before the regulation effective date, the seller offered a reward cashback, equal to one per cent. of the then outstanding principal balance of the relevant loan, paid for every two completed years of its life, and which is not subject to the repayment requirement described above. For loans originated on and after the regulation effective date, the seller has not offered any reward cashback. For any future new reward cashback mortgage product, the amount and payment frequency of any reward cashback, and whether it is subject to any repayment requirement, may differ from the reward cashback for relevant loans originated before the regulation effective date.

Borrowers may request that a reward cashback is paid in cash and/or is applied by the seller in partial repayment of the related reward loan, in each case after deduction of any amounts that are overdue on their mortgage account.

The obligation to pay any delayed cashback or reward cashback remains an obligation of the seller and will not pass to the mortgages trustee. See "**Risk factors—Set-off risks in relation to flexible loans may adversely delayed cashbacks and reward cashbacks affect the funds available to the issuer to repay your notes**".

## *Interest payments and interest rate setting*

Interest on each loan is payable monthly in arrear. Interest on loans is computed daily on balances which are recalculated on a daily, monthly or annual basis.

The basic rate of interest set by the seller for loans beneficially owned by the seller outside the mortgages trust is either a variable rate, the seller variable rate, or a tracking rate or a rate directly linked to a rate set from time to time by the Bank of England. The 2002 mortgage conditions, the 2004 mortgage conditions and the 2006 mortgage conditions provided for a cap on the variable rate, which was initially set at 2.5 per cent. above the Bank of England's base rate. The cap was then increased in 2008 (for loans originated under those editions of the mortgage conditions) to a margin of 3.75 per cent. above the Bank of England's base rate. This cap was removed from editions of the mortgage conditions from the 2007 edition onwards. The seller variable rate is also subject to the variances as set forth below.

Loans may combine one or more of the features listed in this section. In respect of the interest rates which last for a period of time specified in the offer conditions, after the expiration of that period a loan associated with that interest rate may (a) move to some other interest rate type or (b) become a tracker loan (as described in the following bulleted list) with a rate of interest linked to a rate set from time to time by the Bank of England or (c) revert to, or remain at, the variable rate. The features that apply to a particular loan are specified in the offer conditions (as varied from time to time). The features are as follows:

- "**large loan discounts**" allows some borrowers to pay interest at a discretionary discount to the variable rate, based on the aggregate size of the loans under the mortgage account (i) at origination or (ii) when a further advance is made;
- "**discounted variable rate loans**" allow the borrower to pay interest at a specified discount to the variable rate;
- "**capped rate loans**" are subject to a maximum rate of interest and charge interest at the lesser of the variable rate (or, as the case may be, the tracker rate) or the specified capped rate;

- "**tracker loans**" are subject to a variable rate of interest that is linked to an interest rate other than the variable rate – for example the rate may be set at a fixed or variable margin above or below rates set from time to time by the Bank of England;
- "**minimum rate loans**" are subject to an interest rate that is the greater of the SVR (or, as the case may be, the tracker rate) or a specified minimum rate;
- "**higher variable rate loans**" are subject to an interest rate that is set at a margin above the SVR; and
- "**fixed rate loans**" are subject to a fixed rate of interest.

Except in limited circumstances as set out in "**Description of the transaction documents—The servicing agreement—Undertakings by the servicer**", the servicer is responsible for setting the mortgages trustee variable rate on the loans in the current portfolio as well as on any new loans that are assigned to the mortgages trustee.

The 1995 mortgage conditions applicable to variable rate loans provide that the SVR may only be varied for certain reasons, which are specified in those mortgage conditions. These reasons include:

- to maintain the competitiveness of the seller's business as a whole, taking into account actual or expected changes in market conditions;
- to reflect actual or expected changes in the cost of funds used by the seller in its mortgage lending business;
- to ensure that the seller's business is run prudently;
- to reflect a change in the general practice of mortgage lenders;
- to reflect any regulatory requirements or guidance or any change in the law or decision or recommendation by a court or an ombudsman; or
- to reflect a change which the seller reasonably believes has occurred or is likely to occur in the risk it runs in connection with its security or the recovery of the sums due from the borrower.

The term "**seller**" in these six bullet points means Santander UK and its successors and assigns.

In respect of the loans with these 1995 mortgage conditions, the seller may also change the SVR for any other reason which is valid.

The 2002 mortgage conditions, the 2004 mortgage conditions, and the 2006 mortgage conditions applicable to variable rate loans provide that the variable may be varied for one or more of the following reasons, which are specified in those mortgage conditions:

- to maintain the competitiveness of the seller's personal banking business, taking account of actual or anticipated changes in the interest rates which other financial institutions charge to personal mortgage borrowers;
- to reflect actual or expected changes in the cost of funds used by the seller in making loans to its personal mortgage borrowers;
- to ensure that the seller's business is run in a way which complies with the requirements of its regulator or of any central bank or other monetary authority; or
- to enable the seller to ensure that the variable rate does not exceed the cap.

The term "**seller**" in these four bullet points means Santander UK and its successors and assigns.

In respect of the loans with the 2002 mortgage conditions, the 2004 mortgage conditions or the 2006 mortgage conditions, the servicer may also:

- change the mortgages trustee variable rate for any reason which is valid; or
- increase or reduce the margin creating the cap on the variable rate,

provided that in each case not less than 30 days' notice of an increase is given and not less than seven days' notice of a reduction is given. If, in the case of loans under the 2002 mortgage conditions, the 2004 mortgage conditions or the 2006 mortgage conditions, the variable rate is increased for a valid reason or if the margin creating the cap on the variable rate is increased, then an affected borrower will be entitled to repay all the sums due from that borrower under the mortgage terms within three months from the date on which the increase takes effect without paying any early repayment fee that would otherwise apply.

The 2007 mortgage conditions applicable to variable rate loans provide that the variable rate may be varied for one or more of the following reasons, which are specified in those mortgage conditions:

- to maintain the competitiveness of the seller's personal banking business, taking account of actual or anticipated changes in the interest rates which other financial institutions charge to personal mortgage borrowers;
- to reflect actual or expected changes in the cost of funds used by the seller in making loans to its personal mortgage borrowers; and
- to ensure that the seller's business is run in a way which complies with the requirements of its regulator or of any central bank or other monetary authority.

The term "**seller**" in these three bullet points means Santander UK and its successors and assigns.

In respect of the loans with the 2007 mortgage conditions, the seller may also change the variable rate for any reason which is valid, provided that in each case not less than 30 days' notice of an increase is given and not less than seven days' notice of a reduction is given. If, in the case of the 2007 mortgage conditions, the variable rate is increased for a valid reason, then an affected borrower will be entitled to repay all the sums due from that borrower under the mortgage terms within three months from the date on which the increase takes effect without paying any early repayment fee that would otherwise apply.

Under the 2010 mortgage conditions, the 2012 mortgage conditions, the 2014 mortgage conditions, the 2015 mortgage conditions and the 2017 mortgage conditions applicable to variable rate loans, the variable rate may be varied for one or more of the following reasons:

- to maintain the competitiveness of the seller's personal banking business, taking account of actual or anticipated changes in the interest rates which other financial institutions charge to personal mortgage borrowers;
- to reflect actual or expected changes in the cost of funds used by the seller in making loans to its personal mortgage borrowers;
- to ensure that Santander UK's business is run in a way which complies with the requirements of its regulator or of any central bank or other monetary authority; and
- for any other reason which is valid, provided that in such case not less than 30 days' notice of an increase is given and not less than seven days' notice of a reduction is given.

The term "**seller**" in these four bullet points means Santander UK and its successors and assigns.

Under the 2018 mortgage conditions applicable to variable rate loans, the variable rate may be varied for one or more of the following reasons:

- to maintain the competitiveness of the seller's personal banking business, by responding in a proportionate manner to changes in the interest rates which other financial institutions charge to personal mortgage borrowers;
- to reflect changes in the cost of the funds the seller uses in making loans to its personal mortgage borrowers;

- to ensure that Santander UK's business is run in a way which complies with the requirements of its regulator or of any central bank or other monetary authority; and
- for any other reason which is valid, provided that in such case not less than 30 days' notice of an increase is given and not less than seven days' notice of a reduction is given.

The term "**seller**" in these four bullet points means Santander UK and its successors and assigns.

Under the 2019 mortgage conditions applicable to variable rate loans, the variable rate may be varied for one or more of the following reasons:

- to reflect changes in the cost of funds the seller uses in providing loans at a variable rate to its personal mortgage customers;
- to ensure that Santander UK's business is run in a way which complies with the requirements of its regulator or of any central bank or other monetary authority; or
- for any other reason which is valid, provided that in such case not less than 30 days' notice of an increase is given and not less than seven days' notice of a reduction is given.

The term "**seller**" in these three bullet points means Santander UK and its successors and assigns.

Under the 2010 mortgage conditions, the 2012 mortgage conditions, the 2014 mortgage conditions, the 2015 mortgage conditions, the 2017 mortgage conditions, the 2018 mortgage conditions and the 2019 mortgage conditions, if the variable rate is increased for any "other valid reason" (other than an increase in the Bank of England's base rate), then an affected borrower will be entitled to repay all the sums due from that borrower or the part to which the increase applies under the mortgage terms within three months from the date on which the increase takes effect without paying any early repayment fee that would otherwise apply.

The need to change the seller variable rate is considered at least monthly by the pricing committee of Santander UK, which includes a number of senior Santander UK executives, and is additionally considered immediately in the light of all changes to Bank of England rates. In maintaining, determining or setting the mortgages trustee variable rate, the servicer will apply the factors set out here and, except in limited circumstances as set out in "**Description of the transaction documents—The servicing agreement—Undertakings by the servicer**", has undertaken to maintain, determine or set the mortgages trustee variable rate at a rate which is not higher than the seller variable rate from time to time.

The servicer is also responsible for setting any variable margins in respect of tracker loans in the current portfolio as well as on any new tracker loans that are assigned to the mortgages trustee. However, in maintaining, determining or setting these variable margins, except in the limited circumstances as set out in "**Description of the transaction documents—The servicing agreement—Undertakings by the servicer**", the servicer has undertaken to maintain, determine or set the variable margins at a level which is not higher than the variable margins set in accordance with the seller's policy from time to time.

#### *Further advances*

If a borrower wishes to take out a further loan secured by the same mortgage (but excluding a drawdown under a flexible loan as described under "**Flexible loans**"), the borrower will need to make a further application and the seller will use the lending criteria applicable to further advances at that time in determining whether to approve the application. All further advances will be funded solely by the seller. The seller will also reassess the value of the property using a valuer approved by the seller or, where appropriate, according to a methodology which would meet the standards of a reasonable, prudent mortgage lender (as referred to under "**Description of the transaction documents—The servicing agreement—Undertakings by the servicer**") and which has been approved by the Director of Group Property and Survey of the seller. A new loan-to-value ratio will be calculated by dividing the aggregate of the outstanding amount and the further advance by the reassessed valuation. The aggregate of the outstanding amount of the loan and the further advance may be greater than the original amount of the loan. However, no loans will be assigned to the mortgages trust where the LTV ratio at the time of origination or further advance is in excess of 95 per cent.

Unless otherwise specified in the relevant final terms, none of the loans in an expected portfolio obliges the seller to make further advances (other than drawdowns under flexible loans as described under "**Flexible loans**"). However, some loans in an expected portfolio at that time may have had further advances made on them prior to their assignment to the mortgages trustee, and new loans added to the portfolio in the future, may have had further advances made on them in the past. If a loan becomes subject to a further advance after that loan has been assigned to the mortgages trustee, then the seller will be required to repurchase the loan or loans under the relevant mortgage account and their related security from the mortgages trustee. See "**Loans subject to product switches and further advances may be repurchased by the seller from the mortgages trustee, which will affect the prepayment rate of the loans, and this may affect the yield to maturity of the notes**" and "**Description of the transaction documents—The mortgage sale agreement—Product switches and further advances**".

### *Portability*

Certain Santander UK mortgage products (including variable rate loans) incorporate a portability facility, which allows the borrower to transfer a loan balance to a new property in respect of which the borrower then completes a mortgage with Santander UK. This is subject to the conditions that (i) the amount to be lent to the borrower under the new mortgage does not exceed certain LTV thresholds which were relevant for the existing loan at origination, (ii) the borrower gives Santander UK not less than seven days' notice in writing and (iii) where new borrowing additional to the original loan amount is required, the borrower selects a mortgage product for the new mortgage from the range of mortgages available for loans within the relevant LTV category. If funding in excess of the relevant LTV threshold is required, this additional funding will only be available at Santander UK's discretion on the terms and conditions being offered by Santander UK at the time.

In respect of the mortgage products subject to the 2012 mortgage conditions and the 2014 mortgage conditions, the portability facility described above has been restricted so that (i) the borrower may only transfer a loan balance to a new property which that borrower is purchasing, (ii) the application to transfer the loan balance to the new property must satisfy the lending criteria applied by Santander UK at the time and (iii) the 2012 mortgage conditions do not allow for a transfer of a loan balance where such transfer would result in the relevant LTV threshold set out in the 2012 mortgage conditions being exceeded.

In respect of the mortgage products subject to the 2015 mortgage conditions, the 2017 mortgage conditions, the 2018 mortgage conditions and the 2019 mortgage conditions, the portability facility described above has been restricted so that (i) the borrower may only transfer a loan balance to a new property which that borrower is purchasing, (ii) the amount Santander UK are prepared to lend under the new mortgage (including the transfer balance) does not result in a loan to value ratio which exceeds 95%, (iii) the borrower gives Santander UK not less than seven days' notice in writing and (iv) the borrower selects a mortgage product for any top-up balance from the range of mortgage products which Santander UK makes available in cases where the loan to value ratio does not exceed 95%.

The 2014 mortgage conditions, the 2015 mortgage conditions, the 2017 mortgage conditions, the 2018 mortgage conditions and the 2019 mortgage conditions additionally provide that the application to transfer the loan balance to a new property will not be accepted if: (i) in all the circumstances (including the borrower's financial circumstances), the risk of the borrower being unable to meet its commitments under the new mortgage would be significantly greater than the risk of it failing to meet its commitments under the existing mortgage; (ii) the borrower could not afford to repay the loan balance being transferred by the end of the repayment period which would apply under the new mortgage; or (iii) the risk that Santander UK would suffer a loss if it realised its security would be significantly greater under the new mortgage. In addition, under the 2014 mortgage conditions, the 2015 mortgage conditions, the 2017 mortgage conditions, the 2018 mortgage conditions and the 2019 mortgage conditions, the loan balance can only be transferred to a new mortgage over one property.

## **Flexible loans**

### **General**

A flexible loan typically incorporates features that give the borrower options to make further drawings on the loan account and/or to overpay or to underpay principal and interest in a given month. The seller

offers flexible loans to its borrowers, and it has the right to assign to the mortgages trustee new loans that may be flexible loans. In addition to the flexible loans offered to date, the seller may offer flexible loans in the future (that may be assigned to the mortgages trustee) that have different features from those described here. See "**The mortgages trust—Additions to and reductions in the trust property**". The seller has also offered loans to its borrowers which may, after the expiry of a period of time specified in the offer conditions, acquire features of flexible loans other than the ability to make further drawings.

For flexible loans originated before March 2009, the total amount outstanding at any time on a flexible loan as described below (and, if an available funds facility exists, at any time a loan is drawn under such facility) cannot exceed an LTV ratio of 95 per cent. based on an original valuation at the time of the origination of the loan. Where a LTV ratio exceeds 90 per cent. of an indexed valuation, and an available funds facility exists, the seller writes to the customer requesting a reduction of the limit although the customer is free to query the valuation so the reduction of the limit does not always occur. For loans originated since March 2009 the relevant threshold has been reduced to an LTV ratio of 75 per cent. The loan and, where applicable, the available funds facility are secured by a first legal charge over a property in England and Wales or a first-ranking standard security over a property in Scotland. Some of the flexible loans are secured by both a first and second charge or standard security in favour of the seller.

### ***Flexible loans – offer dated on or before 2 July 2002***

In respect of flexible loans where the seller's offer to lend is dated on or before 2 July 2002, there are three basic elements: the initial loan, the available funds facility and the overpaid funds account. The amount of the initial loan is agreed at origination. Borrowers may, during the life of these flexible loans, draw additional amounts from the available funds facility on request to the seller, up to the amount available and subject to the mortgage conditions.

The agreement for the available funds facility is regulated under the CCA, which prescribes the form and procedure and (insofar as will be applicable) pre-contract disclosure for making an agreement regulated under the CCA.

Subject to the provisions for underpayments and payment holidays, borrowers are required to make a monthly payment on the initial loan and (if a drawdown has been made) on the available funds facility. A borrower may make an overpayment at any time. If a borrower makes an overpayment, it is used for the following purposes and in the following order:

- to reduce any part of the initial loan which is then overdue;
- to reduce any part of the drawdown debt in the available funds facility which is then overdue;
- to reduce the remainder of the drawdown debt in the available funds facility, if specifically requested by the borrower, or if the overpaid funds account has been closed; and
- to create or to increase a credit balance in the overpaid funds account.

The credit balance in the overpaid funds account can be used by the borrower to fund an underpayment or a payment holiday or it can be used to reduce the balance owing on the initial loan. If the overpaid funds account has been closed, which will occur when the initial loan is repaid, the balance of any overpayment which would otherwise have been credited to the overpaid funds account will be repaid to the borrower.

Borrowers may make an underpayment or miss a monthly payment entirely if there is a credit balance on the overpaid funds account that is equal to or greater than the amount to be underpaid or the missed monthly payment. Alternatively, a borrower may make an underpayment or miss a monthly payment if there is an amount available for drawdown in the available funds facility that is at least as much as the amount to be underpaid or the missed monthly payment.

The "**repayment**" basis (as set out in "**—Repayment terms**") applies to the whole of the drawdown debt under the available funds facility.

The seller may increase or reduce the credit limit for the available funds facility for one of the reasons specified in the credit agreement for the available funds facility.

**Flexible loans – offer dated on or after 3 July 2002**

In respect of flexible loans where the seller's offer to lend is dated on or after 3 July 2002, there is a flexible loan facility with a credit limit. The amount of the credit limit and the "**amount available**" (that is, the credit limit less the monies owing to the seller) are agreed at origination. Borrowers may, during the life of these flexible loans, draw additional amounts from the flexible loan facility on request to the seller, up to the amount available and subject to the mortgage conditions.

The agreement for the flexible loan facility has been designed by the seller with the intention that it is not regulated under the consumer credit regime. Loans included in the portfolio and originated since 31 October 2004 have been regulated under the regulated mortgage contracts regime under the FSMA.

Subject to the provisions for underpayments and payment holidays, borrowers are required to make monthly payments on the flexible loan facility. A borrower may make an overpayment at any time. Any such overpayment will immediately reduce the balance on which interest is payable on the flexible loan facility.

The "**amount available**" can be used by the borrower to fund an underpayment or a payment holiday or a further drawdown, subject to the mortgage conditions.

In respect of further drawdowns, unless the borrower gives the seller instructions to the contrary (as set out below):

- if the offer conditions specify that the "repayment" basis (as set out in "**—Repayment terms**") applies to the whole of the first drawdown, then the "repayment" basis will also apply to the whole of each further drawdown made under that flexible loan facility;
- if the offer conditions specify that the "interest-only" basis (as set out in "**—Repayment terms**") applies to the whole of the first drawdown, then the "interest-only" basis will also apply to the whole of each further drawdown made under that flexible loan facility; and
- if the offer conditions specify that the "repayment" basis (as set out in "**—Repayment terms**") applies to part only of the first drawdown, then the "repayment" basis will apply to the equivalent part of each further drawdown made under that flexible loan facility.

A borrower's request to the seller for a further drawdown may include instructions to the seller that, as from the date when the borrower makes the further drawdown:

- the "repayment" basis is to apply to the whole or a specified part of the balance owing in place of the "interest-only" basis; or
- the "interest-only" basis is to apply to the whole or a specified part of the balance owing in place of the "repayment" basis.

The seller may increase the credit limit if:

- the borrower writes to the seller asking the seller to exercise its power to increase the credit limit;
- the borrower pays any credit limit review charge; and
- if requested to do so, the borrower pays for a new valuation report on the property and provides the seller with further information in relation to the borrower's financial position.

The seller may reduce the credit limit:

- to ensure that the monies owing to the seller under the flexible loan facility and the amount available do not together exceed 90 per cent. of the current market value of the property;
- to ensure that the amount available at any time does not exceed the amount available as at the date of completion of the flexible loan facility;
- if the borrower is in breach of the mortgage terms;

- if the seller is reasonably of the opinion that, because of a change in the borrower's financial position, the borrower could not afford to repay present or future drawdowns up to the existing credit limit; or
- to ensure that the seller's business is run in a way that complies with the requirements of the seller's regulator or of any central bank or other monetary authority.

### **Flexible loans – flexible plus loans**

Flexible loans include flexible plus loans, which are documented under the flexible plus mortgage conditions 2003, the flexible plus mortgage conditions 2006, the flexible plus mortgage conditions 2007 and the flexible offset mortgage conditions 2010, the flexible offset mortgage conditions 2012, the flexible offset mortgage conditions 2014, the flexible offset mortgage conditions 2015, the flexible offset mortgage conditions 2017 and the flexible offset mortgage conditions 2018. These conditions mirror those for other flexible loans [where the seller's offer to lend is dated on or after 3 July 2002], save for the following material differences in relation to the borrower's savings account, overpayments, payment holidays and underpayments, the interest rate tracking differential and further drawdowns:

- Flexible plus loans contain a savings account element. No interest is paid by the seller on the savings. Instead, interest is charged each day on the amount which, at the end of the day, represents the capital owing on the mortgage account, less any savings in the savings account. As a result, when the borrower has savings in the savings account, the amount of interest charged on the mortgage account will be reduced.
- Any savings held in the savings account do not affect the amount of the borrower's monthly payment. As a result, when there are savings, the monthly payment the borrower makes will exceed the amount actually charged to the mortgage account and the seller will treat this excess as an overpayment.
- The seller will use these overpayments to reduce or pay off any part of the mortgage balance which is overdue at that date. The remainder will be credited to the savings account. The borrower may also opt to make a series of regular overpayments with the borrower's monthly payment, and these overpayments will be used by the seller in the same way.
- The borrower may also make one-off overpayments in the form of a deposit. The seller will, on instructions from the borrower, credit this deposit to the mortgage account in order to reduce the mortgage balance. In the absence of such instructions, the deposit will be used to reduce or pay off any part of the mortgage balance which is overdue at that date and the remainder will be credited to the savings account.
- The borrower may withdraw money from the savings account or instruct the seller to use some or all of the money in the savings account to reduce the mortgage balance. The borrower may also instruct the seller to use the savings to fund a payment holiday or make up a shortfall on an underpayment.
- The savings in the savings account must not exceed the mortgage balance.
- The borrower must not overdraw on the savings account. If the savings account becomes overdrawn, the seller will add the amount overdrawn to the mortgage balance.
- The seller may use the savings at any time to pay off any of the following items which the borrower has failed to pay when they have become due: a monthly payment, an administration charge, a credit limit review charge, other items of costs and the mortgage balance if it becomes immediately payable.
- The borrower may continue to make drawdowns until the end of the mortgage repayment period, even if the mortgage balance has been repaid. The mortgage will remain in force during the repayment period as security for money which may become owing under the borrower's facility to make drawdowns up to the credit limit.

- Under the 2014 flexible offset mortgage conditions, the flexible offset mortgage conditions 2015, the flexible offset mortgage conditions 2017, the flexible offset mortgage conditions 2018 and the flexible offset mortgage conditions 2019, there is an additional condition to the ability of the borrower to make a drawdown that the seller reasonably thinks that the drawdown is affordable by the borrower and that the borrower will be able to repay it with interest by the end of the repayment period.
- Under the 2014 flexible offset mortgage conditions, the flexible offset mortgage conditions 2015, the flexible offset mortgage conditions 2017, the flexible offset mortgage conditions 2018 and the flexible offset mortgage conditions 2019, in respect of further drawdowns, the "repayment" basis (as set out in "**—Repayment terms**") will apply unless in any particular case the borrower's drawdown notice contains a request that the "interest-only" basis (as set out in "**—Repayment terms**") should apply to the drawdown, and the seller agrees to the request because it reasonably thinks that the borrower will be able to repay the drawdown in full at the end of the repayment period and to pay interest in the meantime.
- Under the 2014 flexible offset mortgage conditions, the flexible offset mortgage conditions 2015, the flexible offset mortgage conditions 2017, the flexible offset mortgage conditions 2018 and the flexible offset mortgage conditions 2019, the seller may reduce the credit limit to ensure that the monies owing to the seller under the flexible loan facility and the amount available do not together exceed 75 per cent. (rather than 90 per cent.) of the current market value of the property, and may additionally reduce the credit limit if the borrower has not made a drawdown within the past five years.

### **Product switches**

From time to time, borrowers may request or the seller may offer, and the borrowers may accept, a variation in the financial terms and conditions applicable to the borrower's loan. If a loan is subject to a product switch, then the seller may be required to repurchase the loan or loans under the relevant mortgage account and their related security from the mortgages trustee. See "**Risk factors—Loans subject to product switches and further advances may be repurchased by the seller from the mortgages trustee, which will affect the prepayment rate of the loans, and this may affect the yield to maturity of the notes**" and "**Description of the transaction documents—The mortgage sale agreement**".

### **Origination of the loans**

The seller currently derives its mortgage-lending business from the following sources: through a branch network throughout the UK, through intermediaries incorporating electronic commerce channels, through its internet website and from telephone sales. The relevant final terms will specify the percentage of loans in the expected portfolio as at the relevant date originated through direct channels, through intermediaries and through other channels.

The seller is subject to the Ombudsman and follows the Code of Banking Practice and followed the Council of Mortgage Lenders' Mortgage Code, which was in force until the regulation effective date.

### **Underwriting**

The decision to offer a loan to a potential borrower is made either pursuant to an automated process or by underwriters located in branches, head office sites, telephone operations centres or business development units, who liaise with the intermediaries.

Each underwriter must pass a formal training programme conducted by the seller to gain the authority to approve loans. The seller has established various levels of authority for its underwriters who approve loan applications. The levels are differentiated by, among other things, degree of risk, maximum loan amount and the ratio of the loan amount to the value of the property in the relevant application. An underwriter wishing to move to the next level of authority must first take and pass a further training course. The seller also monitors the quality of underwriting decisions on a regular basis.

The seller introduced the automated process in May 2005. The automated process reduces the manual assessment of loans by underwriters in relation to those segments of the seller's mortgages business that have historically performed well and that meet the relevant lending criteria. The introduction of the automated process has not affected the substance of the decision process.

The seller is continually reviewing the way in which it conducts its mortgage origination business, in order to ensure that it remains up-to-date and cost effective in a competitive market.

Furthermore, notwithstanding any of the changes described in this section, the seller will continue to retain exclusive control over the underwriting policies and lending criteria to be applied to the origination of each loan.

### **Lending criteria**

Each loan in the current portfolio was originated according to the seller's lending criteria applicable at the time the loan was offered, which included some or all of the criteria set out in this section. New loans may only be included in the portfolio if they are originated in accordance with the lending criteria applicable at the time the loan is offered and if the conditions contained in "**Description of the transaction documents—The mortgage sale agreement— Sale of loans and their related security**" have been satisfied. However, the seller retains the right to revise its lending criteria from time to time and so the criteria applicable to new loans may not be the same as those currently used. Some of the factors currently used in making a lending decision are as follows:

(a) *The property*

Mortgaged properties may be freehold or leasehold in England and Wales or heritable or long lease in Scotland.

The mortgaged property must be used for residential purposes, however, a mortgaged property may be considered, in limited circumstances, if used partially for business purposes, and is not / will not be subject to planning permission provided that no items are held for storage in connection with the business usage, no structural alterations have been made or will be made to accommodate the business which requires either conversion back to enable marketing as a fully residential dwelling and/or a planning application for change of use. Any business use other than clerical is unlikely to be considered acceptable. A mortgaged property must be marketable, habitable and insurable.

A mortgaged property must be owner-occupied or may, subject to certain conditions (for example, that the applicant must live in the UK), be occupied by the borrower's spouse, civil partner, unmarried partner (same-sex or otherwise) where the relationship has the characteristics of husband and wife, parent(s), grandparent(s), sibling(s), children or grandchildren. Although the seller does lend on buy-to-let properties, no such buy-to-let loans will be comprised in the portfolio on the closing date. Mortgaged properties must be situated in England, Wales or Scotland.

(b) *Term of the loan*

There is a minimum mortgage term of 5 years for all mortgages, other than for existing borrowers moving home borrowing the same or less in which case the minimum term is 1 year. The maximum term is 40 years (or 25 years for interest-only, where sale of the property is the repayment vehicle).

(c) *Age of applicant*

All applicants must be aged 18 or over. The current maximum age limit when the application is decided is 75 at the maturity of the loan (or 70 for loans with an interest-only element).

(d) *Loan to Value (LTV)*

The maximum loan available (excluding any higher lending charge) is based on the lower of the current value or purchase price of the mortgaged property (except where the transaction is at an undervalue, for instance because it was between family members, the LTV must be based on the purchase price of the property, subject to additional considerations). The maximum LTV may be limited by common features such as loan size, product type, property type restrictions, the purpose of lending, repayment types (such as interest-only and part principal and part interest), additional lending and underwriter requirements.

(e) *Interest-only repayment vehicle*

Only the following repayment vehicles are acceptable for new interest-only mortgages:

- Sale of the mortgaged property – subject to minimum equity of £150,000 at maturity and completion of a sale of property declaration form.
- Investment vehicles established for at least 12 months e.g. endowment; stocks & shares ISA.

Where an interest-only repayment vehicle does not conform, for existing borrowers moving home borrowing the same or less can use their existing repayment vehicle for the interest-only loan part of a new mortgage under transitional arrangements subject to, inter alia, a check of the repayment vehicle, remedial action for any shortfall identified, and no increase in their overall lending or existing interest-only loan amounts or other material risk.

(f) *Debt consolidation*

Debt consolidation through direct channels is unacceptable other than for repayment of an informal friend or family loan with no regular payment schedule. For intermediaries, monthly payment commitments for debts to be consolidated are not excluded from the affordability calculation (except where an offer is issued direct to a conveyancer for repayment of shared equity loans on the security property).

(g) *Help to Buy applications*

Each application relating to a Help to Buy loan (insofar as applicable) must meet the generic criteria for Help to Buy loans published by the Homes and Communities Agency (or, in relation to Scottish loans, the Scottish Government) in addition to the seller's lending criteria.

***Income verifications***

The seller requires appropriate income evidence for every application at the time of the risk decision and each income type is categorised as primary, secondary or unacceptable before possible inclusion in an affordability calculation. Evidence of income is either obtained from the customer through the seller's various sales channels or automatically verified using automated income verification (AIV) as part of the seller's application process.

***Credit history***

Applications where an adverse credit history exists (i.e. bankruptcy, county court judgment (or the Scottish equivalent) or outstanding defaults registered with a credit reference agency) are subject to an analysis whereby highest risk cases are declined with only lowest risk situations accepted subject to further underwriting review or where the value and age of the adverse credit is deemed by the seller to be low risk.

***Credit scorecard***

(a) The seller credit scores all lending applications as part of the application process. The credit score is based on the customer's application details and credit bureau information and represents the probability of a customer defaulting. A higher score means a lower chance of default. The seller's automated decisioning includes cut-off scores so that applications scoring below the appropriate cut-off will be declined.

(b) *Eligibility*

**UK residents** – UK nationals normally resident in the UK are eligible to apply for all Loan products. Citizens of the European Economic Area (the **EEA**) and Switzerland are currently treated the same as UK nationals.

**Non-EEA/non-Swiss** – Applications from non-EEA/non-Swiss citizens (if they do not have diplomatic immunity and where the property is for their own use and for immediate occupation) are eligible to apply subject to additional policy considerations, including for example where the Seller is relying on a non-EEA/non-Swiss citizen's income to support affordability, the non-EEA/non-Swiss citizen must have been resident and eligible to work in the UK for a minimum of 12 months.

**Company directors** – Applicants who are directors of a limited liability company (or persons connected to a director of a limited liability company) who are purchasing property from that limited liability company are unacceptable.

(c) *Employment*

**Employed applicants** – Applicants must be in stable employment, with no anticipated adverse change that suggests affordability cannot be maintained. Applications where all applicants are unemployed will be declined.

**Self-employed applicants** – Similar to employed applicants, self-employed applicants have to demonstrate that their sustainable income meets their contractual repayments in an affordable manner. Proof of this is achieved by obtaining between 2-3 years (dependant on the risk of the loan) of historic income statements from company accounts.

The assessment of a borrower's creditworthiness is conducted in accordance with the lending criteria and, where appropriate, aims to meet the requirements set out in Article 8 of the Consumer Credit Directive or paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of the Mortgage Credit Directive or, where applicable, equivalent requirements in third countries.

The FCA implemented the conduct rules comprised in the Mortgage Credit Directive on 21 March 2016, however, at the time of implementation, the FCA's existing rules on responsible lending (comprised in MCOB 11.6) already gave effect to paragraphs 1 to 3, point (a) of paragraph 5 of the Mortgage Credit Directive and paragraph 6 of Article 18 of the Mortgage Credit Directive. Paragraph 4 of Article 18 of the Mortgage Credit Directive was implemented via the new MCOB 11A.2 following the mortgage market review.

Therefore, prior to the implementation of the Mortgage Credit Directive, the seller, through compliance with the MCOB rules on responsible lending (following the introduction of MCOB in respect of regulated mortgages in 2003), sought to implement affordability assessments in a manner that materially reflects the requirements now set out in paragraphs 1 to 4, point (a) of paragraph 5, and paragraph 6 of Article 18 of the Mortgage Credit Directive.

Prior to the introduction of MCOB, the seller conducted its lending activities in accordance with the principles set out in the CML mortgage code (a voluntary system of regulation overseen by the independent mortgage code compliance board) where affordability assessments were conducted in a manner consistent with that of a reasonable prudent mortgage lender.

The seller has always used an approach for loan assessment that takes into account an applicant's perceived creditworthiness utilising appropriate information, statistical measures and documentary evidence.

As noted above, such assessments have always been made in line with the applicable regulation at the time and generally involve consideration of the following items:

- paper evidence of income (such as payslips, P60s, contracts and bank statements);
- customer credit commitments and household expenditure (initially using paper budget planners but from 2007 using systematic expenditure data derived from the ONS);
- credit bureau data, initially by standalone searches but from 2007 via automated decision systems;
- behavioural score as a statistical means to measure a customer's past performance and to predict future performance for secured loans;
- where actual paper evidence was not obtained there was a reliance on statistical measurements such as home location, age, credit score, employment type and a reasonableness of income; and
- income multiples (supplemented by stressed affordability from 2006) and loan to value assessments.

## **Changes to the underwriting policies and the lending criteria**

The seller's underwriting policies and lending criteria are subject to change within the seller's sole discretion. New loans and further advances that are originated under lending criteria that are different from the criteria set out here may be assigned to the mortgages trustee. The score is used in conjunction with a number of policy rules to determine the lending decision.

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

Neither the issuer nor the seller will revalue (a) any of the mortgaged properties in the portfolio or (b) any new loans and their related security which are to be sold to the mortgages trustee from time to time for the purposes of any issue.

## **Insurance policies**

### *Insurance on the property*

A borrower is required to provide for insurance on the mortgaged property for an amount equal to the estimated rebuilding cost of the property. The borrower may either purchase the insurance through the seller or the borrower, or the landlord (in respect of a leasehold property) may arrange for the insurance independently.

### *Santander UK policies*

If a borrower asks the seller to arrange insurance on their behalf, a policy will be issued by an insurance underwriter in favour of that borrower. The policy will provide the borrower with rebuilding insurance up to an amount equal to the actual rebuilding cost subject to the valuation. Standard policy conditions apply, which are renegotiated periodically by the seller with the insurance underwriter(s) selected from time to time by the seller to provide the insurance. Amounts paid under the insurance policy are generally utilised to fund the reinstatement of the property.

### *Seller-introduced insurance*

Santander UK has an introducer only arrangement in place with insurance brokers who can assist in providing cover for non-standard or declined risks direct to customers. The customer is responsible for contacting the relevant broker and Santander UK has no involvement in the arrangement of cover other than providing the customer with a contact number for the broker concerned.

### *Borrower or landlord-arranged insurance*

A borrower is required to arrange for the mortgaged property to be insured by a third party. The mortgaged property must be insured under a comprehensive policy and for an amount not less than the full cost of rebuilding the mortgaged property, including all professional fees, debris removal and the cost of meeting planning and local authority requirements.

### *MIG policies*

A MIG policy is an agreement between a lender and an insurance company to underwrite the amount of each relevant mortgage account which exceeds a certain LTV ratio. As at the date of this base prospectus, none of the mortgage loans in the available portfolio is covered by a MIG policy. The seller may choose at some point in the future to reintroduce MIG cover (underwritten by Carfax or otherwise) for some or all of its mortgage loans but has no obligation to do so. If MIG cover were reintroduced, the seller would retain the right to cancel the MIG policies at any time. If the seller exercised its right to cancel any such reintroduced MIG policies, the trust property would not then have the benefit of such MIG policies.

### *Scottish loans*

A proportion of the loans in the current portfolio is secured over properties in Scotland. Under Scots law, the only means of creating a fixed charge or security over heritable or long leasehold property is the statutorily prescribed standard security. In relation to Scottish loans, references in this base prospectus to a

**mortgage** are to be read as references to such a standard security and references to a **mortgagee** are to be read as references to the security holder (termed in Scots law the **heritable creditor**).

In practice, the seller has advanced and intends to advance loans on a similar basis both in England and Wales and in Scotland. While there are certain differences in law and procedure in connection with the enforcement and realisation of Scottish mortgages the seller does not consider that these differences make Scottish mortgages significantly different or less effective than those secured over properties in England and Wales. For more information on the Scottish loans, see "**Material legal aspects of the loans and their related security—Scottish loans**".

### **Other characteristics**

The loans in the trust property are homogeneous for the purposes of Article 20(8) of the Securitisation Regulation, on the basis that all loans in the trust property: (i) have been underwritten by Santander UK (or other entities taken over by Santander UK) 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 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 the loans; and (iv) form one asset category, namely residential loans secured with one or several mortgages on residential immovable property in England, Wales or Scotland.

The loans in the trust property, as at the relevant cut-off date, do not include: (i) any transferable securities for purposes of Article 20(8) of the Securitisation Regulation; (ii) any securitisation positions for purposes of Articles 8(1) and 20(9) of the Securitisation Regulation; or (iii) any derivatives for purposes of Article 21(2) of the Securitisation Regulation, in each case on the basis that the loans in the trust property have been entered into substantially on the terms of similar standard documentation for residential mortgages loans.

The loans in the trust property do not include: (A) at the time of origination, any loans that were marketed and underwritten on the premise that the loan applicant or, where applicable, intermediaries, were made aware that the information provided by the loan applicant might not be verified by the seller for purposes of Articles 9(2) and 20(10) of the Securitisation Regulation; or (B) at the time of selection for inclusion in the portfolio, any exposures in default within the meaning of Article 178(1) of Regulation (EU) No 575/2013 for purposes of Article 20(11) of the Securitisation Regulation. The loans in the trust property have been transferred into the trust after selection for inclusion in the portfolio without undue delay for purposes of Article 20(11) of the Securitisation Regulation.

## FORM OF THE NOTES

### Global notes

The notes of each class offered and sold outside the United States to non-U.S. persons in reliance on Reg S (except for any non-LSE listed notes as otherwise specified in the accompanying issue terms) 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 **Reg S global note**) which will be deposited with, and registered in the name of, a common depository for Euroclear and Clearstream, Luxembourg or, in the case of Reg S global note to be held under the NSS, will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of Euroclear or Clearstream, Luxembourg. Beneficial interests in a Reg S global note may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See “**Book-entry clearance procedures**” below.

The notes of each class offered and sold in the United States to QIBs in reliance on Rule 144A (except for any non-LSE listed notes as otherwise specified in the accompanying issue terms) 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 **Rule 144A global note**), which will be deposited with Citibank, N.A., London Branch as custodian for, and registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) as nominee of, DTC. Beneficial interests in a Rule 144A global note may only be held through DTC or its participants at any time (see “**Book-entry clearance procedures**” below). Beneficial interests in a Rule 144A global note may only be held by persons who are QIBs holding their interests for their own account or for the account of another QIB. By acquisition of a beneficial interest in a Rule 144A global note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A global note (see “**Transfer Restrictions and Investor Representations**” below).

The Reg S global notes and the Rule 144A global notes are referred to herein as **global notes**. Beneficial interests in global notes will be subject to certain restrictions on transfer set out therein and in the note trust deed, and such global notes will bear the applicable legends regarding the restrictions set out under “**Transfer Restrictions and Investor Representations**” below.

Where the global notes are held under the NSS, Euroclear and Clearstream, Luxembourg will be notified whether or not such global notes are intended to be held in a manner that would allow Eurosystem eligibility. Depositing the global notes with the common safekeeper does not necessarily mean that the relevant notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any other time during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

### Definitive notes

Owners of beneficial interests in global notes will not be entitled to receive physical delivery of individual certificated notes except in the following limited circumstances (each, an **exchange event**):

- as a result of a change in UK law, the issuer or any paying agent is or will be required to make any deduction or withholding for or on account of tax from any payment on the notes that would not be required if the notes were in definitive form;
- in the case of the Rule 144A global notes, DTC notifies the issuer that it is unwilling or unable to hold the Rule 144A global notes or is unwilling or unable to continue as, or has ceased to be, a clearing agency under the Exchange Act and, in each case, the issuer cannot appoint a successor within 90 days; or
- in the case of the Reg S global notes, Clearstream, Luxembourg and Euroclear are closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announce an intention to cease business permanently or do in fact do so and no alternative clearing system satisfactory to the note trustee is available.

In no event will definitive notes in bearer form be issued. Any definitive notes will be issued in registered form in minimum denominations as specified in the related final terms. Any definitive notes will be registered in that name or those names as the registrar shall be instructed by DTC, Clearstream, Luxembourg, Euroclear and any alternative clearing system agreed by the issuer, as applicable. It is expected that these instructions will be based upon directions received by DTC, Clearstream, Luxembourg,

Euroclear and any alternative clearing system agreed by the issuer, from their participants reflecting the ownership of book-entry interests. To the extent permitted by law, the issuer, the note trustee and any paying agent shall be entitled to treat the person in whose name any definitive notes are registered as the absolute owner thereof. The paying agent and agent bank agreement (which applies except in relation to non-LSE listed notes if so specified in the accompanying issue terms) contains provisions relating to the maintenance by a registrar of a register reflecting ownership of the notes and other provisions customary for a registered debt security.

Any person receiving definitive notes will not be obligated to pay or otherwise bear the cost of any tax or governmental charge or any cost or expense relating to insurance, postage, transportation or any similar charge, which will be solely the responsibility of the issuer. No service charge will be made for any registration of transfer or exchange of any definitive notes.

### **Transfer of interests**

A beneficial interest in a Rule 144A global note of one class may be transferred to a person that takes delivery in the form of a beneficial interest in a Reg S global note of the same class, whether before or after the expiration of the distribution compliance period applicable to the notes of such class, only upon receipt by the issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or 904 of Reg S. Prior to the expiration of the applicable distribution compliance period, a beneficial interest in a Reg S global note of one class may be transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A global note of the same class only upon receipt by the issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor or any person acting on its behalf reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a QIB, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any beneficial interest in a Reg S global note of one class that is transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A global note of the same class will, upon transfer, cease to be represented by a beneficial interest in such Reg S global note and will become represented by a beneficial interest in such Rule 144A global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A global note for as long as it remains such a beneficial interest. Any beneficial interest in a Rule 144A global note of one class that is transferred to a person who takes delivery in the form of a beneficial interest in the Reg S global note of the same class will, upon transfer, cease to be represented by a beneficial interest in such Rule 144A global note and will become represented by a beneficial interest in such Reg S global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Reg S global note as long as it remains such a beneficial interest.

**Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of beneficial interests in a global note among participants of DTC and participants of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the issuer, the note trustee, the issuer security trustee or any of their respective agents will have any responsibility or liability for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations.**

### **Non-LSE listed notes**

Non-LSE listed notes (including foreign law notes) may be issued in such other form as specified in the applicable issue terms.

## BOOK-ENTRY CLEARANCE PROCEDURES

The information set out below has been obtained from the clearing systems (as defined herein) and the issuer *believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The issuer accepts responsibility for the accurate reproduction of such information from publicly available information. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream, Luxembourg or DTC (together, the **clearing systems**) currently in effect and investors wishing to use the facilities of any of the clearing systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. None of the managers, the dealers, the sponsor, the seller, the servicer, Funding 1, the mortgages trustee, the issuer security trustee, the Funding 1 security trustee, the note trustee, any paying agent, the agent bank, the issuer swap providers or any issuer account bank (or any affiliate of any of the above, as defined in the Securities Act) will have any responsibility for the performance by the clearing systems or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.*

*The information set out below applies to the notes cleared through Euroclear, Clearstream, Luxembourg or DTC. Non-LSE listed notes (including foreign law notes) may be cleared in such other form or such other manner as specified in the applicable issue terms.*

### **Euroclear, Clearstream, Luxembourg and DTC**

Custodial and depository links have been established between the clearing systems to facilitate the initial issue of the notes and cross-market transfers of the notes associated with secondary market trading see “**Settlement and transfer of notes**” below.

### ***Euroclear and Clearstream, Luxembourg***

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such global notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders (**direct participants**) or indirectly (**indirect participants** and, together with direct participants, **participants**) through organisations which are accountholders therein.

### ***DTC***

DTC has advised the issuer as follows: “DTC, the world's largest depository, is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act.” DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Investors may hold their interests in a global note directly through DTC, if they are participants (**direct participants**) in the DTC system, or indirectly through organisations which are participants in such system (**indirect participants**, and together with direct participants, **participants**).

DTC has advised the issuer that it will take any action permitted to be taken by a holder of notes only at the direction of one or more participants in whose accounts with DTC interests in global notes are credited

and only in respect of such portion of the aggregate principal amount of the relevant global notes as to which such participant or participants has or have given such direction.

## **Book-entry ownership**

### ***Euroclear and Clearstream, Luxembourg***

Each Reg S global note will have an ISIN and a Common Code and, save for Reg S global notes to be held under the NSS, will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Reg S global notes to be held under the NSS will be deposited with the common safekeeper for and registered in the name of a nominee of Euroclear and Clearstream, Luxembourg. Rule 144A global notes may be held under the NSS and will be deposited with the common safekeeper for, and registered in the name of, a nominee of Euroclear and Clearstream, Luxembourg.

### ***DTC***

Each Rule 144A global note will have an ISIN, a Common Code and a CUSIP number and, save for Rule 114A global notes to be held under the NSS, as described in "**Book-entry ownership – Euroclear and Clearstream, Luxembourg**" above, will be deposited with Citibank, N.A., London Branch as custodian (the **custodian**) for, and registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) as nominee of DTC. The custodian and DTC will electronically record the principal amount of the notes held within the DTC system.

## **Payments and relationship of participants with clearing systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a note represented by a global note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the issuer to the holder of such global note (save in the case of payments other than U.S. dollars outside DTC, as referred to below) and in relation to all other rights arising under the global note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The issuer expects that, upon receipt of any payment in respect of notes represented by a global note, the common depository by whom such note is held or nominee in whose name it is registered or, in the case of Reg S global notes to be held under NSS, the common safekeeper by whom such note is held or nominee in whose name it is registered, will (save as provided below in respect of Rule 144A global notes) immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant global note as shown on the records of the relevant clearing system or its nominee. The issuer also expects that payments by direct participants in any clearing system to owners of beneficial interests in any global note held through such direct participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the issuer in respect of payments due on the notes for so long as the notes are represented by such global note and the obligations of the issuer will be discharged by payment to the registered holder, as the case may be, of such global note in respect of each amount so paid. None of the managers, the sponsor, the seller, the servicer, Funding 1, the mortgages trustee, the issuer security trustee, the Funding 1 security trustee, the note trustee, any paying agent, the agent bank, the issuer swap providers or any issuer account bank will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, ownership interests in any global note or for maintaining, supervising or reviewing any records relating to such ownership interests.

DTC will only process payments of principal and interest in U.S. dollars. Payments in U.S. dollars of principal and interest in respect of a Rule 144A global note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such note. In the case of any payment in a currency other than U.S. dollars in respect of a Rule 144A global note accepted by DTC, payment will be made by the exchange rate agent and the exchange rate agent will (in accordance with express written instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the global note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable participants' accounts.

## **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 direct participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note

(the **beneficial owner**) will in turn be recorded on the participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of participants acting on behalf of beneficial owners. **Beneficial owners will not receive individual certificates representing their ownership interests in such notes.**

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. The 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.

The laws of some states in the United States may require that certain persons take physical delivery in definitive form of securities. Consequently, it may not be possible to transfer interests in a global note to such persons. Because DTC can only act on behalf of direct participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a global note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

***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, sterling denominated bonds and U.S. dollar denominated bonds.

***Trading between DTC participants***

Secondary market sales of book-entry interests in the dollar notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's same-day funds settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

***Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser***

When book-entry interests in the notes are to be transferred from the account of a DTC participant holding a beneficial interest in a global note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in that global note (subject to the certification procedures provided in the note trust deed), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the global note will instruct the registrar to:

- (i) decrease the amount of notes registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC), evidenced by the relevant global note; and
- (ii) increase the amount of notes registered in the name of the nominee of the common depositary or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg evidenced by the relevant global note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

### **Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser**

When book-entry interests in the notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a global note (subject to the certification procedures provided in the note trust deed), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository or common service provider, as the case may be, for Euroclear and Clearstream, Luxembourg and the registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository or common service provider, as the case may be, for Euroclear and Clearstream, Luxembourg will:

- (a) transmit appropriate instructions to the custodian of the global note who will in turn deliver evidence of such book-entry interests in the notes free of payment to the relevant account of the DTC participant; and
- (b) instruct the registrar to:
  - (i) decrease the amount of notes registered in the name of the nominee of the common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and evidenced by the relevant global note; and
  - (ii) increase the amount of notes registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) and evidenced by the relevant global note.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in global notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, 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 managers, the servicer, the seller, the sponsor, Funding 1, the mortgages trustee, the issuer security trustee, the Funding 1 security trustee, the note trustee, any paying agent, the registrar, the transfer agent, the exchange rate agent (if applicable), the agent bank, any remarketing agent (if applicable), any conditional purchaser (if applicable), the issuer swap providers or any issuer account bank will have any responsibility for the performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Pre-issue trades settlement**

It is expected that delivery of notes will be made against payment therefor on the closing date, which could be more than three business days following the date of pricing. Under Rule 15c6---1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes in the United States on the date of pricing or the next succeeding business days until three days prior to the closing date will be required, by virtue of the fact the notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of notes may be affected by such local settlement practices and purchasers of notes who wish to trade notes between the date of pricing and the closing date should consult their own adviser.

## FORM OF FINAL TERMS

## Final Terms dated [●]

(relating to the base prospectus dated [●] 2019 [as supplemented on [●]])

Legal entity identifier (LEI): QJPKR9G6NB84N1WHW372

## FOSSE MASTER ISSUER PLC

*(incorporated with limited liability in England and Wales with registered number 5925693)*

## Residential Mortgage Backed Note Programme

## Issue of [●]-[●] Notes

Series	Class	Interest rate	Initial principal amount	Issue price	Scheduled or bullet redemption dates (if applicable)	Step-up date (if applicable)	Final maturity date
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]
[●]	[●]	[●]	[●]	[●]%	[●]	[●]	[●]

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the base prospectus dated [●] 2019 [as supplemented on [●]], which constitutes a base prospectus (the **base prospectus**) for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**). [This document constitutes the final terms (the **final terms**) of the notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the base prospectus in order to obtain all the relevant information.]. The base prospectus and these final terms are available for viewing at 35 Great St. Helen's, London EC3A 6AP and physical copies may be obtained from the registered office of the issuer at 35 Great St. Helen's, London EC3A 6AP. A copy may also be obtained from the website of the London Stock Exchange at <http://www.londonstockexchange.com>.]

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the **Conditions**) set forth in the base prospectus dated [original date] which are incorporated by reference in the base prospectus dated [current date]. [This document constitutes the final terms (the **final terms**) of the notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the base prospectus dated [current date] which constitutes a base prospectus for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**) in order to obtain all the relevant information.]. The base prospectus and these final terms are available for viewing at 35 Great St. Helen's, London EC3A 6AP and copies may be obtained from the registered office of the issuer at 35 Great St. Helen's, London EC3A 6AP. A copy may also be obtained from the website of the London Stock Exchange at <http://www.londonstockexchange.com>.]

**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the issue 20[●]-[●] notes has led to the conclusion that: (i) the target market for the issue 20[●]-[●] 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 issue 20[●]-[●] notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the issue 20[●]-[●] notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the issue 20[●]-[●] notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

**Prohibition of sales to EEA retail investors** – The issue 20[●]-[●] notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIPs Regulation**) for offering or selling the issue 20[●]-[●] notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the issue 20[●]-[●] notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

[The issue 20[●]-[●] notes 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 or other jurisdiction of the United States and the issue 20[●]-[●] notes 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 to persons that are QIBs within the meaning of Rule 144A, or in transactions that occur outside the United States to persons other than U.S. persons in accordance with Regulation S or in other transactions exempt from registration under the Securities Act and, in each case, in compliance with applicable securities laws.]

**ARRANGER FOR THE ISSUE**

[●]

**DEALERS AND MANAGERS**

[●]

[●]

[●]

**dated [●]**

**[A column to be added for each further class of notes of the applicable series on the right hand side of the page]**

Class:	[•]	[•]
[Class Z Variable Funding Note:]	[Applicable/Not Applicable]	[Applicable/Not Applicable]
2. Series Number:	[•]	[•]
3. Issuer:	Fosse Master Issuer plc	Fosse Master Issuer plc
4. Specified Currency or Currencies:	[•]	[•]
5. Initial Principal Amount:	[•]	[•]
6. (a) Issue Price:	[•]% of the Initial Principal Amount [plus accrued interest from [•]]	[•]% of the Initial Principal Amount [plus accrued interest from [•]]
(b) Net proceeds:	[•]	[•]
7. Required Subordinated Percentage:	[•]%	[•]%
8. (a) General Reserve Required Amount:	[•]	[•]
(b) Arrears or Step-up Trigger Event:		
• item (i) of General Reserve Fund increased amount:	£[•]	£[•]
• item (ii) of General Reserve Fund increased amount:	£[•]	£[•]
• items (i) and (ii) of General Reserve Fund increased amount:	£[•]	£[•]
9. Interest-only mortgage level test:	“C” for these purposes is [•]	“C” for these purposes is [•]
10. Ratings ([Fitch/Moody's/Standard & Poor's, as applicable]):	[[•]/[•]/[•]] [Fitch Ratings Ltd. ( <b>Fitch</b> ) is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).] [Moody's Investors Service Limited ( <b>Moody's</b> ) is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).] [Standard & Poor's Credit Market Services Europe Limited ( <b>S&amp;P</b> ) is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). Standard & Poor's Credit Market Services Europe Limited operates under its trading name Standard & Poor's Rating	[[•]/[•]/[•]] [Fitch Ratings Ltd. ( <b>Fitch</b> ) is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).] [Moody's Investors Service Limited ( <b>Moody's</b> ) is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).] [Standard & Poor's Credit Market Services Europe Limited ( <b>S&amp;P</b> ) is established in the European Union and is registered under

Services.]  
 [Not Applicable]

Regulation (EC) No. 1060/2009 (as amended). Standard & Poor's Credit Market Services Europe Limited operates under its trading name Standard & Poor's Rating Services.]  
 [Not Applicable]

- |                                  |   |  |
|----------------------------------|---|--|
| 11. Specified Denominations:     | [•]   | [•]  |
| 12. (a) Closing Date/Issue Date: | [•]   | [•]  |
| (b) Interest Commencement Date:  | [•]   | [•]  |
| 13. Final Maturity Date:         | [•] [Floating rate – Interest Payment Date falling in or nearest to [•]]  | [•] [Floating rate – Interest Payment Date falling in or nearest to [•]]   |
| 14. Interest Basis:              | [[•]% Fixed Rate]<br><br>[[SONIA/ [•] LIBOR/[•] EURIBOR/ [•] USD-LIBOR/SOFR/ [•] JPY LIBOR/ [•] CDOR]] +/- [•]% Floating Rate]/[Zero Coupon] [until the earlier of] [the Step-Up Date] [and/or] [a Trigger Event] [and/or] [the enforcement of the security] [and/or] [enforcement of the Funding 1 security], and thereafter as set out under “Provisions Relating To Interest (If Any) Payable” below]]   | [[•]% Fixed Rate]<br><br>[[SONIA/ [•] LIBOR/[•] EURIBOR/ [•] USD-LIBOR/SOFR / [•] JPY LIBOR/ [•] CDOR]] +/- [•]% Floating Rate]/[Zero Coupon] [until the earlier of] [the Step-Up Date] [and/or] [a Trigger Event] [and/or] [the enforcement of the security] [and/or] [enforcement of the Funding 1 security], and thereafter as set out under “Provisions Relating To Interest (If Any) Payable” below]] |
| 15. Benchmark Administrator      | [Name of benchmark administrator][N/A]<br><br>[As at the Issue Date, [name of benchmark administrator] [appears]/[does not appear] on the register of administrators and benchmark established and maintained by the European Securities and Markets Authority ( <b>ESMA</b> ) pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011 (the <b>Benchmarks Regulation</b> )).<br><br>[As far as the Issuer is aware, [[insert benchmark] does not fall within the scope of the Benchmarks Regulation by | [Name of benchmark administrator][N/A]<br><br>[As at the Issue Date, [name of benchmark administrator] [appears]/[does not appear] on the register of administrators and benchmark established and maintained by the European Securities and Markets Authority ( <b>ESMA</b> ) pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011 (the <b>Benchmarks Regulation</b> )).        |

virtue of Article 2 of that regulation] OR [the transitional provisions in Article 51 of the Benchmarks Regulation apply], such that [name of administrator] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]\* ]

[As far as the Issuer is aware, [[insert benchmark] does not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation] OR [the transitional provisions in Article 51 of the Benchmarks Regulation apply], such that [name of administrator] is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).]\* ]

*\*To be inserted if prior statement is negative*

*\*To be inserted if prior statement is negative*

16. Redemption/Payment Basis:

[Bullet Redemption]  
[Scheduled Redemption]  
[Pass-Through]

[Bullet Redemption]  
[Scheduled Redemption] [Pass-Through]

17. Change of Interest Basis or Redemption/Payment Basis:

[Not Applicable] [Applicable – See “Interest Basis” above] / [Following [the earlier of] [the Step-Up Date] [and/or] [a Trigger Event] [and/or] [the enforcement of the security] [and/or] [enforcement of the Funding 1 security], [SONIA/ [●] LIBOR/ [●] EURIBOR/ [●] USD LIBOR/ SOFR/ [●] JPY LIBOR/ [●] CDOR]] +/- [●]% Floating Rate]  
[Redeemable in full on [each interest payment date] [●]]

[Not Applicable] [Applicable – See “Interest Basis” above] / [Following [the earlier of] [the Step-Up Date] [and/or] [a Trigger Event] [and/or] [the enforcement of the security] [and/or] [enforcement of the Funding 1 security], [SONIA/ [●] LIBOR/ [●] EURIBOR/ [●] USD LIBOR/ SOFR/ [●] JPY LIBOR/ [●] CDOR]] +/- [●]% Floating Rate]  
[Redeemable in full on [each interest payment date] [●]]

18. (a) Listing:

London Stock Exchange’s Regulated Market

London Stock Exchange’s Regulated Market

(b) Estimate of total expenses related to admission to trading:

[For all notes][●]

[For all notes][●]

19. Method of distribution:

[Syndicated/Non-syndicated/Retained]

[Syndicated/Non-syndicated/Retained]

20. Placement disclosure for PCS purposes only:

[Not Applicable/Applicable: [Private/Public/Retained]]

[Not Applicable/Applicable: [Private/Public/Retained]]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

21. Fixed Rate Note Provisions:	[Applicable] [Not Applicable] [Applicable until [the earlier to occur of] [the Step-up Date] [and/or] [a Pass-Through Trigger Event]]	[Applicable] [Not Applicable] [Applicable until [the earlier to occur of] [the Step-up Date] [and/or] [a Pass-Through Trigger Event]]
(a) Rate(s) of Interest:	[●]% per annum [payable [annually/semi annually/quarterly/monthly] in arrear]	[●]% per annum [payable [annually/semi annually/quarterly/monthly] in arrear]
(b) Interest Payment Date(s):	[The [18th] of [each calendar month/[●]] in each year [or, following the occurrence of [the Step-up Date] [and/or] [a Pass-Through Trigger Event] the [18th] of [each calendar month/[●]] in each year]] up to and including the Final Maturity Date commencing on [●]/[●]]	[The [18th] of [each calendar month/[●]] in each year [or, following the occurrence of [the Step-up Date] [and/or] [a Pass-Through Trigger Event] the [18th] of [each calendar month/[●]] in each year]] up to and including the Final Maturity Date commencing on [●]/[●]]
(c) Initial Interest Payment Date:	[●]	[●]
(d) Fixed Coupon Amount(s):	[[●] per [●] in nominal amount]  [[Prior to the occurrence of the [Step-Up Date] [and/or] [a Pass-Through Trigger Event]] [and] [except in respect of the first Note Payment Date (when the amount payable shall be the Broken Amount specified in 21(e) below),] the Fixed Coupon Amount shall be [●] per [●] in nominal amounts] [and, for the avoidance of doubt, the Fixed Coupon Amount in respect of the final Fixed Interest Period shall be payable on the Interest Payment Date following the Change of Interest Basis or Redemption/Payment Basis in 17 above.]	[[●] per [●] in nominal amount]  [[Prior to the occurrence of the [Step-Up Date] [and/or] [a Pass-Through Trigger Event]] [and] [except in respect of the first Note Payment Date (when the amount payable shall be the Broken Amount specified in 21(e) below),] the Fixed Coupon Amount shall be [●] per [●] in nominal amounts] [and, for the avoidance of doubt, the Fixed Coupon Amount in respect of the final Fixed Interest Period shall be payable on the Interest Payment Date following the Change of Interest Basis or Redemption/Payment Basis in 17 above.]
(e) Broken Amount(s):	[[●]/[Not Applicable]]	[[●]/[Not Applicable]]
(f) Day Count Fraction:	[Actual/Actual (ICMA) 30/360]	[Actual/Actual (ICMA) 30/360]
(g) Determination Date(s):	[[●] in each year/[Not Applicable]]	[[●] in each year/[Not Applicable]]

22. Floating Rate Note Provisions:	[Applicable] [Not Applicable] [Applicable following [the earlier to occur of] [the Step-up Date] [and/or] [a Pass-Through Trigger Event]]	[Applicable] [Not Applicable] [Applicable following [the earlier to occur of] [the Step-up Date] [and/or] [a Pass-Through Trigger Event]]
(a) Specified Period(s)/Specified Interest Payment Dates:	[The [18th] of [each calendar month/[•]] in each year [or, following the occurrence of [the Step-Up Date] [and/or] [a Pass-Through Trigger Event], the [18th] of [each calendar month/[•]] in each year] up to and including the Final Maturity Date commencing on [•]/[•]	[The [18th] of [each calendar month/[•]] in each year [or, following the occurrence of [the Step-Up Date] [and/or] [a Pass-Through Trigger Event], the [18th] of [each calendar month/[•]] in each year] up to and including the Final Maturity Date commencing on [•]/[•]
(b) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(c) Additional Business Centre(s):	[[•]/None – [London], [New York], [Sydney], [Tokyo], [Toronto] and TARGET]	[[•]/None – [London], [New York], [Sydney], [Tokyo], [Toronto] and TARGET]
(d) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination]	[Screen Rate Determination/ISDA Determination]
(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent Bank):	[•]	[•]
(f) Screen Rate Determination	[Applicable/Not Applicable]	[Applicable/Not Applicable]
• Reference Rate:	[[•] month/ [•] LIBOR/ [•] EURIBOR/ [•] USD-LIBOR/ SONIA/ Compounded Daily SOFR/ Weighted Average SOFR/ [•] JPY LIBOR/ [•] CDOR] [or, in respect of the first interest period, [the linear interpretation of [•] month and [•] month], [•] LIBOR/ [•] EURIBOR/ [•] USD-LIBOR/ JPY LIBOR/ [•] CDOR]] [or, following [the Step-Up Date] [and/or] [a Trigger Event] [and/or] [the enforcement of the security] [and/or] [enforcement of the Funding 1 security] [•] LIBOR/ [•] EURIBOR/ [•] USD-LIBOR/ [•] JPY LIBOR/ [•] CDOR]]	[[•] month/ [•] LIBOR/ [•] EURIBOR/ [•] USD-LIBOR/ SONIA/ Compounded Daily SOFR/ Weighted Average SOFR/ [•] JPY LIBOR/ [•] CDOR] [or, in respect of the first interest period, [the linear interpretation of [•] month and [•] month], [•] LIBOR/ [•] EURIBOR/ [•] USD-LIBOR/ [•] JPY LIBOR/ [•] CDOR]] [or, following [the Step-Up Date] [and/or] [a Trigger Event] [and/or] [the enforcement of the security] [and/or] [enforcement of the Funding 1 security] [•]

Form of final terms

LIBOR/ [●] EURIBOR/  
[●] USD-LIBOR/ [●]  
JPY LIBOR/ [●]  
CDOR]]

	•	Observation Method:	[Not applicable/Lag/Lock-out]	[Not applicable/Lag/Lock-out]
	•	Observation Period <i>p</i> : Look-back	[[●]/Not Applicable] [unless otherwise agreed with the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), (being no less than 5 [London Banking Days] / [ U.S. Government Securities Business Days]]]	[[●]/Not Applicable] [unless otherwise agreed with the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), (being no less than 5 [London Banking Days] / [ U.S. Government Securities Business Days]]]
	•	Interest Date(s): Determination	[[The first day of each interest period]/[Two London Business Days prior to the start of each interest period]/ [The day that is the [fourth] U.S. Government Securities Business Day prior to the Interest Payment Date in respect of the relevant Interest Period]/[●]]	[[The first day of each interest period]/[Two London Business Days prior to the start of each interest period]/ [The day that is the [fourth] U.S. Government Securities Business Day prior to the Interest Payment Date in respect of the relevant Interest Period]/[●]]
	•	Relevant Screen Page:	[●]	[●]
(g)		ISDA Determination:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	•	Floating Rate Option:	[●]	[●]
	•	Designated Maturity:	[●]	[●]
	•	Reset Date:	[●]	[●]
(h)		Margin(s):	[+/-] [●]% per annum [or, following a Pass-Through Trigger Event, [+/-] [●]% per annum]	[+/-] [●]% per annum [or, following a Pass-Through Trigger Event, [+/-] [●]% per annum]
(i)		Minimum Rate of Interest:	[Not Applicable/[●]% per annum]	[Not Applicable/[●]% per annum]
(j)		Maximum Rate of Interest:	[Not Applicable/[●]% per annum]	[Not Applicable/[●]% per annum]
(k)		Step-Up Date	[Not Applicable/The Interest Payment Date occurring in [●] on which date [each of the Margin, the Minimum Rate of Interest and the Maximum Rate of Interest shall be replaced with the Step-Up Margin, the Step-Up Minimum Rate of Interest and the Step-Up Maximum Rate	[Not Applicable/The Interest Payment Date occurring in [●] on which date [each of the Margin, the Minimum Rate of Interest and the Maximum Rate of Interest shall be replaced with the Step-Up Margin, the Step-Up

		of Interest, respectively] [the Fixed Rate of Interest shall be replaced with [SONIA/ [●] LIBOR/ [●] EURIBOR/ [●] USD-LIBOR/ SOFR/ [●] JPY LIBOR/ [●] CDOR] plus the Step-Up Margin]]	Minimum Rate of Interest and the Step-Up Maximum Rate of Interest, respectively] [the Fixed Rate of Interest shall be replaced with [SONIA/ [●] LIBOR/ [●] EURIBOR/ [●] USD-LIBOR/ SOFR/ [●] JPY LIBOR/ [●] CDOR] plus the Step-Up Margin]]
	• Step-Up Margin(s):	[+/-] [●]% per annum	[+/-] [●]% per annum
	• Step-Up Minimum Rate of Interest:	[●]% per annum	[●]% per annum
	• Step-Up Maximum Rate of Interest:	[●]% per annum]	[●]% per annum]
(l)	Day Count Fraction:	[Actual/Actual (ICMA) Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 30E/360]	[Actual/Actual (ICMA) Actual/365 Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 360/360 30E/360]
23.	Zero Coupon Note Provisions	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	(a) Accrual Yield:	[●]% per annum	[●]% per annum
	(b) Reference Price:	[●]	[●]
	(c) Day Count Fraction in relation to Early Redemption Amounts and late payment:	[Condition 5.7 Redemption Amounts applies/[●]]	[Condition 5.7 Redemption Amounts applies/[●]]
<b>PROVISIONS RELATING TO REDEMPTION</b>			
24.	Details relating to Bullet Redemption Notes:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	(a) Redemption Amount:	[●]	[●]
	(b) Bullet Redemption Date:	Interest Payment Date falling in [●]	Interest Payment Date falling in [●]
	(c) Cash Accumulation Period:	[●] months	[●] months
25.	Details relating to Scheduled Redemption Notes:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	(a) Scheduled Redemption Dates:	Interest Payment Dates occurring in [●]	Interest Payment Dates occurring in [●]
	(b) Scheduled Amortisation Instalments:	[●]	[●]
26.	Details relating to Pass-Through Notes:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	(a) Pass-through repayment dates:	To be redeemed in full or in part on each Interest Payment Date falling on or after the Interest Payment Date [in [●]/on which all the [●] Series [●] Class [●] Notes [and the [●] Series [●] Class [●] Notes] have been redeemed in full]	To be redeemed in full or in part on each Interest Payment Date falling on or after the Interest Payment Date [in [●]/on which all the [●] Series [●] Class [●] Notes [and the [●] Series [●] Class [●] Notes]

			Notes] have been redeemed in full]
26(a).	Redemption Amount:	[Condition 5.7 (Redemption Amounts) applicable/[●]]	[Condition 5.7 (Redemption Amounts) applicable/[●]]
26(b).	Optional Redemption:	[Condition 5.4(c) applicable/[●]]	[Condition 5.4(c) applicable/[●]]
26(c).	Optional Redemption Date:	[Not Applicable/[●]]	[Not Applicable/[●]]
26(d).	Optional Partial Redemption Date(s) and Instalment Amount(s):	[Not Applicable/[●]]	[Not Applicable/[●]]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

27.	(a) New Safekeeping Structure:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	(b) Form of Notes:	[Rule 144A Global Note registered in the name of a nominee for the Depository Trust Company/Reg S Global Note registered in the name of a nominee for a [common depository/common safekeeper] for Euroclear and Clearstream, Luxembourg]	[Rule 144A Global Note registered in the name of a nominee for the Depository Trust Company/Reg S Global Note registered in the name of a nominee for a [common depository/common safekeeper] for Euroclear and Clearstream, Luxembourg]
28.	Issuer Swap Providers:	Santander UK plc/Not Applicable	Santander UK plc/Not Applicable
29.	2a-7 Swap Provider Arrangements:		
	Do the Notes have the benefit of 2a-7 swap provider arrangements:	[Yes/No]	[Yes/No]
	Name of 2a-7 swap provider:	[[●]/Not Applicable]	[[●]/Not Applicable]
30.	Specified currency exchange rate:	[Not Applicable £1.00/US\$[●] €1.00/£[●] ¥1.00/£[●] CAD\$1.00/£[●] [●]]	[Not Applicable £1.00/US\$[●] €1.00/£[●] ¥1.00/£[●] CAD\$1.00/£[●] [●]]
31.	Redenomination applicable:	Redenomination [not applicable]	Redenomination [not applicable]
32.	ERISA eligibility:	[No]/[Yes, subject to the considerations in “ERISA considerations” in the base prospectus.]	[No]/[Yes, subject to the considerations in “ERISA considerations” in the base prospectus.]
33.	U.S. Taxation:	[Debt for United States federal income tax purposes, subject to the considerations contained in “United States federal income taxation” in the base prospectus]/[Not Applicable]	[Debt for United States federal income tax purposes, subject to the considerations contained in “United States federal income taxation” in the base prospectus]/[Not Applicable]

34.	U.S. Credit Risk Retention:	[Not Applicable]/[The seller expects the seller share on the closing date to be equal to \$[●], representing approximately [●]% of the aggregate unpaid principal balance of all outstanding notes as of [ <i>date no more than [60] days prior to closing date</i> ], measured in accordance with the provisions of the U.S. Credit Risk Retention Requirements]	[Not Applicable]/[The seller expects the seller share on the closing date to be equal to \$[●], representing approximately [●]% of the aggregate unpaid principal balance of all outstanding notes as of [ <i>date no more than [60] days prior to closing date</i> ], measured in accordance with the provisions of the U.S. Credit Risk Retention Requirements]
35.	Money Market Notes (2a-7):	[Yes/No]	[Yes/No]
36.	Do the Notes have the benefit of remarketing arrangements:  If yes:	[Yes/No]	[Yes/No]
	(a) Name of remarketing agent:	[●]	[●]
	(b) Name of money market note purchaser/conditional purchaser:	[●]	[●]
	(c) Name of the tender agent:	[●]	[●]
	(d) Mandatory transfer date:	[●]	[●]
	(e) Maximum reset margin:	[●]	[●]

**OPERATIONAL INFORMATION**

37.	Any clearing system(s) other than DTC, Euroclear, or Clearstream, Luxembourg and the relevant identification numbers:	[Not Applicable/PORTAL/[●]]	[Not Applicable/PORTAL/[●]]
38.	Delivery:	Delivery [against/free of payment]	Delivery [against/free of payment]
39.	Names and addresses of additional Paying Agent(s) (if any):	[●]	[●]
40.	ISIN Code:	[Rule 144A: [●]/Reg S: [●]]	[Rule 144A: [●]/Reg S: [●]]
41.	Common Code:	[Rule 144A: [●]/Reg S: [●]]	[Rule 144A: [●]/Reg S: [●]]
42.	CFI Code	[●]	[●]
43.	FISN:	[●]	[●]
44.	CUSIP:	[Not Applicable/[●]]	[Not Applicable/[●]]
45.	Intended to be held in a manner which would allow Eurosystem eligibility:	[No][Yes. Note that the designation "yes" means that the Global Notes are intended upon issue to be deposited with one of the international central securities depositaries as common safekeeper, and registered in the name of a nominee of one of the international central securities depositaries acting as common	[Not Applicable/[●]] [No][Yes. Note that the designation "yes" means that the Global Notes are intended upon issue to be deposited with one of the international central securities depositaries as common safekeeper, and

safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

registered in the name of a nominee of one of the international central securities depositories acting as common safekeeper, and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]

**LOAN TRANCHE INFORMATION**

46.	Borrower:	Fosse Funding (No.1) Limited	Fosse Funding (No.1) Limited
47.	Lender:	Fosse Master Issuer plc	Fosse Master Issuer plc
48.	Tier of Loan Tranche:	[AAA Loan Tranche/AA Loan Tranche/A Loan Tranche/BBB Loan Tranche/BB Loan Tranche/NR [VFN] Loan Tranche]	[AAA Loan Tranche/AA Loan Tranche/BBB Loan Tranche/BB Loan Tranche/NR [VFN] Loan Tranche]
49.	Series Number:	Series [●]	Series [●]
50.	Designation of Loan Tranche:	[Bullet Loan Tranche/Scheduled Amortisation Loan Tranche/Pass-Through Loan Tranche]	[Bullet Loan Tranche/Scheduled Amortisation Loan Tranche/Pass-Through Loan Tranche]
51.	Change of Redemption/Payment Basis:	[Not Applicable/[●]]	[Not Applicable/[●]]
52.	Initial Principal Amount:	£[●]	£[●]
	(a) Closing Date:	[●]	[●]
	(b) Loan Tranche Interest Commencement Date:	[●]	[●]
	(c) Loan Tranche Interest Reset Dates:	The Funding 1 Interest Payment Date occurring [quarterly/monthly] commencing with the Funding 1 Interest Payment Date occurring in [●] provided no Pass-Through Trigger Event has occurred and thereafter each Funding 1 Interest Payment Date	The Funding 1 Interest Payment Date occurring [quarterly/monthly] commencing with the Funding 1 Interest Payment Date occurring in [●] provided no Pass-Through Trigger Event has occurred and thereafter each Funding 1 Interest Payment Date
53.	Funding 1 Interest Payment Dates:	The [18th] of [each calendar	The [18th] of [each

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	month/[list applicable months for quarterly pay/[•]] in each year (or, if such day is not a Business Day, the next succeeding Business Day) [or, following the occurrence of [the Step-up Date] [and/or] [a Pass-Through Trigger Event], the [18th] of [each month/[•]] in each year] up to and including the Final Maturity Date commencing on [•]/[•]	calendar month/[list applicable months for quarterly pay/[•]] in each year (or, if such day is not a Business Day, the next succeeding Business Day) [or, following the occurrence of [the Step-up Date] [and/or] [a Pass-Through Trigger Event], the [18th] of [each month/[•]] in each year] up to and including the Final Maturity Date commencing on [•]/[•]	
54.	Initial Loan Tranche Margin per annum:	[•] [+/-] [•]%	[•] [+/-] [•]%
55.	Step-Up Date (if any):	[The Funding 1 Interest Payment Date occurring in [•]/Not Applicable] on which date the initial interest rate per annum shall be replaced with the stepped-up interest rate per annum	[The Funding 1 Interest Payment Date occurring in [•]/Not Applicable] on which date the initial interest rate per annum shall be replaced with the stepped-up interest rate per annum
56.	Stepped-up interest rate per annum:	[[•]/Not Applicable]	[[•]/Not Applicable]
57.	Details relating to Bullet Loan Tranches:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	(a) Bullet Repayment Date:	[•]	[•]
	(b) Repayment Amount:	[•]	[•]
	(c) Relevant Accumulation Amount:	[•]	[•]
58.	Details relating to Scheduled Amortisation Loan Tranches:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
	(a) Scheduled Repayment Dates:	[•]	[•]
	(b) Repayment Amounts:	[•]	[•]
	(c) Relevant Accumulation Amounts:	[•]	[•]
59.	Details relating to Pass-Through Loan Tranches:	[Applicable/Not Applicable]	[Applicable/Not Applicable]
60.	Final Repayment Date:	The Funding 1 Interest Payment Date falling in [•]	The Funding 1 Interest Payment Date falling in [•]
61.	Loan tranche payment dates:	[Each Funding 1 Interest Payment Date/[•]]	[Each Funding 1 Interest Payment Date/[•]]

**[PROVISIONS RELATING TO NON-LSE LISTED NOTES (INCLUDING FOREIGN LAW NOTES) ONLY**

Governing law:	[•]	[•]
Form of notes:	[•]	[•]
Clearing of notes:	[•]	[•]
[Paying agent]:	[•]	[•]
[Other terms and conditions]:	[•]	[•]

### **Other series issued**

As of the closing date of the issue [●]-[●] notes (the **closing date**), the aggregate principal amount outstanding of notes issued by the issuer (converted, where applicable, into sterling at the applicable specified currency exchange rate), including the issue [●]-[●] notes described herein, will be as set out in "**Notes**" below.

### **Other loan tranches**

As of the closing date, the aggregate outstanding principal balance of loan tranches advanced by the issuer to Funding 1 under the master intercompany loan agreement, including the loan tranches described herein, will be as set out in "**Notes**" below.

### **Mortgages trust and the portfolio**

As at the closing date the minimum seller share will be approximately £[●].

### **[U.S. taxation**

U.S. tax counsel is of the opinion that, although there is no authority on the treatment of instruments substantially similar to the issue [●]-[●] notes, such notes [will/should] be treated as debt for U.S. federal income tax purposes. For further information, see "**United States federal income taxation – Rule 144A notes as debt of Funding 1**" in the base prospectus.

For the purposes of paragraph (d) of the definition of **non-asset trigger event**, the aggregate outstanding balance of loans comprising the trust property must be at least £[●]. See "**The mortgages trust – Cash management of trust property – principal receipts**" in the base prospectus.]

### **Mortgage sale agreement**

The **Fitch conditions** for the purposes of the mortgage sale agreement are:

- original weighted average LTV margin: [●].
- current weighted average LTV margin: [●].
- current weighted average income multiple threshold: [●].
- original LTV margin: [●].

The **minimum yield** for the purposes of the mortgage sale agreement is: [●].

The definition of 'Y' within the definition of **rating agency excess spread** is: Compounded Daily SONIA (calculated in accordance with clause 7.2(e) of the Master Intercompany Loan Agreement) plus [●] per cent.

## Funding 1 swaps

### Total Interim exchange amounts

The **total interim exchange amount** payable in respect of (all of) the Funding 1 swaps on the closing date is £[●]. Funding 1 shall pay the total interim exchange amount to the Funding 1 swap provider on the closing date (such payment funded via the 20[●]-[●] start-up loan), and the Funding 1 swap provider shall pay an amount equal to such total interim exchange amount back to Funding 1 on the immediately following Funding 1 swap interest payment date.

[The interim exchange amount applicable to each Funding 1 swap shall be the proportion of the total interim exchange amount applicable to that Funding 1 swap, as calculated in accordance with the relevant Funding 1 swap agreement.]

The purpose of these arrangements is to fund the mismatch in days between the closing date and the first Funding 1 swap interest payment date on the one hand and the closing date and the first distribution date on the other hand.

### Spread (receive-leg) under the Funding 1 swaps

The terms of the Funding 1 swaps allow Funding 1 and the Funding 1 swap provider(s) to adjust from time to time the spread over LIBOR which the relevant Funding 1 swap provider pays to Funding 1 in order to reflect movements in market interest rates and interest rates being charged on the loans subject to the relevant Funding 1 swaps. The relevant spreads under the Funding 1 swaps as at the closing date are:

LIBOR Funding 1 swap (SVR) 1.....	[●]%
LIBOR Funding 1 swap (SVR) 2.....	[●]%
LIBOR Funding 1 swap (SVR) 3.....	[●]%
LIBOR Funding 1 swap (SVR) 4.....	[●]%
LIBOR Funding 1 swap (SVR) 5.....	[●]%
LIBOR Funding 1 swap (BBR) 1.....	[●]%
LIBOR Funding 1 swap (BBR) 2.....	[●]%
LIBOR Funding 1 swap (BBR) 3.....	[●]%
LIBOR Funding 1 swap (BBR) 4.....	[●]%
LIBOR Funding 1 swap (BBR) 5.....	[●]%
LIBOR Funding 1 swap (Fixed) 1 .....	[●]%
LIBOR Funding 1 swap (Fixed) 2 .....	[●]%
LIBOR Funding 1 swap (Fixed) 3 .....	[●]%
LIBOR Funding 1 swap (Fixed) 4 .....	[●]%
LIBOR Funding 1 swap (Fixed) 5 .....	[●]%
SONIA Funding 1 swap (SVR) 1 .....	[●]%
SONIA Funding 1 swap (BBR) 1 .....	[●]%
SONIA Funding 1 swap (Fixed) 1 .....	[●]%
SONIA Funding 1 swap (Fixed) 2 .....	[●]%
SONIA Funding 1 swap (Fixed) 3 .....	[●]%
SONIA Funding 1 swap (Fixed) 4 .....	[●]%
SONIA Funding 1 swap (Fixed) 5 .....	[●]%
SONIA Funding 1 swap (Fixed) 6 .....	[●]%

### Post-perfection SVR-LIBOR margin

The **post-perfection SVR-LIBOR margin** for the purposes of the servicing agreement is: [●]%

### Use of proceeds

The gross proceeds from the issue of the series [●] notes equal approximately £[●] (after exchanging, where applicable, the proceeds of the notes for sterling, calculated by reference to the applicable specified currency exchange rate) and will be used by the issuer to make available loan tranches to Funding 1 pursuant to the terms of the intercompany loan agreement. Funding 1 will use the gross proceeds of each loan tranche to [make available an initial contribution to the mortgages trustee] [make a further contribution to the mortgages trustee] [fund or replenish the general reserve fund] [refinance the existing debt of Funding 1].

### Maturity and prepayment considerations

The average lives of any class of the series [●] 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 each class of the series [●] notes can be made based on certain assumptions. The assumptions used to calculate the possible average lives of each class of the issue [●]-[●] notes in the following table include the following:

- (1) neither the issuer security nor the Funding 1 security has been enforced;
- (2) each class of series [●] notes is repaid in full by its final maturity date;
- (3) the seller is not in breach of the terms of the mortgage sale agreement;
- (4) the seller does not sell any loans to the mortgages trustee after the closing date (except to the extent set out in assumption (5) below) and the loans are assumed to amortise in accordance with the assumed principal prepayment rate as indicated in the table below;
- (5) the seller assigns to the mortgages trustee sufficient new loans and their related security, such that the aggregate principal amount outstanding of the loans in the portfolio will not fall below an amount equal to [●] times the Funding 1 share, or such higher amount as may be required to be maintained as a result of the issuer advancing loan tranches to Funding 1 and/or any new issuer advancing new loan tranches to Funding 1 or any further Funding company (as the case may be) which Funding 1 and/or any further Funding company (as the case may be) uses as consideration for an increase in its share of the trust property or for the sale of new loans to the mortgages trustee;
- (6) new loans sold to the mortgages trustee will have the same scheduled principal repayment profile as the portfolio of [●];
- (7) neither an asset trigger event nor a non-asset trigger event occurs;
- (8) no event occurs that would cause payments on any class of series [●] notes to be deferred;
- (9) the principal prepayment rate as at the cut-off date for the [provisional] portfolio is the same as the various assumed rates in the table below;
- (10) the issuer exercises its option to redeem each series of notes on the step-up date relating to such notes;
- (11) the closing date is [●];
- (12) the mortgage loans are not subject to any defaults or losses, and no mortgage loan falls into arrears;
- (13) no interest or fees are paid from principal receipts;
- (14) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of the seller continue to be rated at least “[●]” by Moody's and “[●]” by Standard & Poor's and the long-term “Issuer default rating” of the seller continues to be at least “[●]” by Fitch; and
- (15) the principal ledger balance at close is assumed to be the cash accumulated after the distribution date on [●], equal to £[●],

**Principal prepayment rate and possible average lives of each series and class (or sub-class) of issue [●]-[●] notes (in years)**

Based upon the foregoing assumptions, the approximate average life in years of each series and class (or sub-class) of issue [●]-[●] notes, at various assumed rates of repayment of the loans, would be as follows:

Estimated average lives of each class of series [●] notes (in years)

[(Without optional redemption on the interest payment date falling in [●])]

[(With optional redemption on the interest payment date falling in [●])]

Principal prepayment rate (per annum)	series[(1)] [●] class [●] notes	series[(2)] [●] class [●] notes	series[(3)] [●] class [●] notes	series[(4)] [●] class [●] notes	series[(5)] [●] class [●] notes	series[(6)] [●] class [●] notes	series[(7)] [●] class [●] notes	series[(8)] [●] class [●] notes
5 per cent.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
10 per cent.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
15 per cent.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
20 per cent.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
25 per cent.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
30 per cent.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
35 per cent.....	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]

[insert in the case of remarketable notes:

- (1) This represents the average lives to the first class [●] note mandatory transfer date in [●].
- (2) This represents the average lives of all class [●] note remarketed after the first class [●] note mandatory transfer date in [●].

Assumptions (1), (3), (4), (5), (6), (7), (11), (12), (13), (14) and (15) relate to circumstances which are not predictable. Assumptions (2), (8), (9) and (10) reflect the issuer's current expectations, although no assurance can be given that the issuer will be in a position to redeem the notes on the step-up date. If the issuer does not so exercise its option to redeem, then the average lives of the then outstanding notes would be extended.

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 these assumptions and estimates will prove in any way to be realistic and they must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of these estimated average lives, see **“Risk Factors – The yield to maturity of the notes may be adversely affected by prepayments or redemptions on the loans”** in the base prospectus above.

### Statistical information on the expected portfolio

The statistical and other information contained in these final terms has been compiled by reference to the loans expected to comprise the portfolio (the **expected portfolio**) as at [●] (the **cut-off date**). Columns stating percentage amounts may not add up to 100 per cent. owing to rounding.

[A loan will have been removed from any new portfolio (which comprises a portion of the expected portfolio as at the cut-off date) if, in the period up to (and including) the closing date relating to such new portfolio, the loan is repaid in full or if the loan does not comply with the terms of the mortgage sale agreement on or about the applicable closing date. Once such loans are removed, the seller will then randomly select from the loans remaining in the new portfolio those loans to be sold and assigned on the applicable closing date once the determination has been made as to the anticipated principal balances of the issue [●]-[●] notes to be issued and the corresponding size of the trust property that would be required ultimately to support payments on the notes of the issuer.

The loans that are selected for inclusion in the mortgages trust will have been originated on the basis of the seller's lending criteria. The material aspects of the seller's lending criteria are described under "**The Loans – Underwriting**" and "**The Loans – Lending criteria**" in the base prospectus. Standardised credit scoring is not used in the UK mortgage market. For an indication of the credit quality of borrowers in respect of the loans, investors may refer to such lending criteria and to the historical performance of the loans in the mortgages trust as set forth in these final terms. One significant indicator of obligor credit quality is arrears and losses. The information presented under "**Arrears experience**" in the base prospectus reflects the arrears and repossession experience for loans that were contained in the portfolio since the inception of the mortgages trust and loans transferred to the mortgages trust on the closing date. Santander UK services all the loans in the portfolio. It is not expected that the characteristics of the portfolio as at the closing date will differ materially from the characteristics of the expected portfolio as at the cut-off date. Except as otherwise indicated, these tables have been prepared using the current balance as at the cut-off date, which includes all principal and accrued interest for the loans in the expected portfolio.]

The expected portfolio as at the cut-off date consisted of [●] mortgage accounts, comprising mortgage loans originated by Santander UK and secured over properties located in England, Wales and Scotland, and having an aggregate outstanding principal balance of approximately £[●] as at that date. The loans in the expected portfolio as at the cut-off date were originated between [●] and [●].

Approximately [●] per cent. of the loans had an original loan-to-value ratio of at least [●] per cent. as at the cut-off date.

As at the closing date:

- Funding 1's share of the trust property will be approximately £[●] representing approximately [●] per cent. of the trust property; and
- the seller's share of the trust property will be approximately £[●] representing approximately [●] per cent. of the trust property.

The actual amounts of the Funding 1 share of the trust property and the seller share of the trust property as at the closing date will not be determined until the day before the closing date which will be after the date of these final terms.

### Outstanding balances as at the cut-off date

The following table shows the range of outstanding principal balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees) as at the cut-off date.

Range of outstanding principal balances (including capitalised high loan-to-value fees and/or booking fees and/or valuation fees) (£)	Current principal balance (£)	% of total balance	Number of mortgage accounts	% of total mortgage accounts
Less than 0 .....	[●]	[●]	[●]	[●]
0 to <=50,000.....	[●]	[●]	[●]	[●]
>50,000 to <=100,000 .....	[●]	[●]	[●]	[●]
>100,000 to <=150,000 .....	[●]	[●]	[●]	[●]

>150,000 to <=200,000 .....	[●]	[●]	[●]	[●]
>200,000 to <=250,000 .....	[●]	[●]	[●]	[●]
>250,000 to <=300,000 .....	[●]	[●]	[●]	[●]
>300,000 to <=350,000 .....	[●]	[●]	[●]	[●]
>350,000 to <=400,000 .....	[●]	[●]	[●]	[●]
>400,000 to <=450,000 .....	[●]	[●]	[●]	[●]
>450,000 to <=500,000 .....	[●]	[●]	[●]	[●]
>500,000 to <=550,000 .....	[●]	[●]	[●]	[●]
>550,000 to <=600,000 .....	[●]	[●]	[●]	[●]
>600,000 to <=650,000 .....	[●]	[●]	[●]	[●]
>650,000 to <=700,000 .....	[●]	[●]	[●]	[●]
>700,000 to <=750,000 .....	[●]	[●]	[●]	[●]
>750,000.....	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

The largest mortgage account has an outstanding principal balance of approximately £[●] and the smallest mortgage account has an outstanding principal balance of approximately [minus] £[●]. The average outstanding principal balance is approximately £[●].

[The account status is set to "redeemed" when the balance is zero and the overpaid amount has been refunded which normally happens within two to three days of that overpayment.] [Such overpayments account for a small number of negative balances in the table above.]

[The aggregate outstanding principal balance of all loans to a single borrower does not exceed 2.00% of the aggregate outstanding principal balance of all loans as of the cut-off date.]

#### Loan-to-value ratios at origination

The following table shows the range of loan-to-value, or LTV, ratios, which express the outstanding balance of a mortgage loan as at the date of the original mortgage loan origination divided by the value of the property securing that mortgage loan at the same date.

<b>Range of loan-to-value ratios at origination (excluding capitalised high loan-to-value fees and/or booking fees and/or valuation fees)</b>	<b>Current principal balance (£)</b>	<b>% of total balance</b>	<b>Number of mortgage accounts</b>	<b>% of total mortgage accounts</b>
0% – 25%	[●]	[●]	[●]	[●]
>25% – 50%	[●]	[●]	[●]	[●]
>50% – 75%	[●]	[●]	[●]	[●]
>75% – 80%	[●]	[●]	[●]	[●]
>80% – 85%	[●]	[●]	[●]	[●]
>85% – 90%	[●]	[●]	[●]	[●]
>90% – 95%	[●]	[●]	[●]	[●]
>95%	[●]	[●]	[●]	[●]
Unknown	[●]	[●]	[●]	[●]
<b>Total</b>	[●]	[●]	[●]	[●]

The weighted average loan-to-value ratio of the mortgage accounts at origination was approximately [●] per cent.

**Current LTV ratios indexed according to the Reference Index****Range of loan-to-value ratios at origination (excluding capitalised high loan-to-value fees and/or booking fees and/or valuation fees)**

	Current principal balance (£)	% of total balance	Number of mortgage accounts	% of total mortgage accounts
0% – 25% .....	[●]	[●]	[●]	[●]
>25% – 50% .....	[●]	[●]	[●]	[●]
>50% – 75% .....	[●]	[●]	[●]	[●]
>75% – 80% .....	[●]	[●]	[●]	[●]
>80% – 85% .....	[●]	[●]	[●]	[●]
>85% – 90% .....	[●]	[●]	[●]	[●]
>90% – 95% .....	[●]	[●]	[●]	[●]
>95%.....	[●]	[●]	[●]	[●]
Unknown	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

As at the cut-off date, the weighted average indexed LTV was [●] per cent.

For the purposes of the above table, Reference Index means [●].

**Current LTV [(using valuation at time of latest advance)]**

	Current principal balance (£)	% of total balance	Number of mortgage accounts	% of total mortgage accounts
<b>Range of current LTV ratios</b>				
0% – 25% .....	[●]	[●]	[●]	[●]
>25% – 50% .....	[●]	[●]	[●]	[●]
>50% – 75% .....	[●]	[●]	[●]	[●]
>75% – 80% .....	[●]	[●]	[●]	[●]
>80% – 85% .....	[●]	[●]	[●]	[●]
>85% – 90% .....	[●]	[●]	[●]	[●]
>90% – 95% .....	[●]	[●]	[●]	[●]
>95%.....	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

As at the cut-off date, the weighted average unindexed LTV was [●] per cent.

**Geographical distribution**

The following table shows the distribution of properties throughout England, Wales and Scotland. No such properties are situated outside England, Wales and Scotland. The geographical location of a property has no impact upon the seller's lending criteria and credit scoring tests.

Region	Current principal balance (£)	% of total balance	Number of mortgage accounts	% of total mortgage accounts
East Anglia.....	[●]	[●]	[●]	[●]
East Midlands .....	[●]	[●]	[●]	[●]
London.....	[●]	[●]	[●]	[●]
North .....	[●]	[●]	[●]	[●]
North West.....	[●]	[●]	[●]	[●]
Scotland.....	[●]	[●]	[●]	[●]
South East .....	[●]	[●]	[●]	[●]

South West .....	[●]	[●]	[●]	[●]
Wales .....	[●]	[●]	[●]	[●]
West Midlands .....	[●]	[●]	[●]	[●]
Yorkshire and Humberside .....	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

\* [Where the post code for the relevant property has not yet been allocated or is not shown in the seller's records.]

For a discussion of geographic concentration risks, see "Risk Factors – The portfolio may be subject to geographic concentration risks" in the base prospectus.

### Seasoning of loans

The following table shows the time elapsed since the date of origination of the loans. The ages (but not the balances) of the loans in this table have been forecast forward to the cut-off date for the purpose of calculating the seasoning.

Age of loans in months	Current principal balance (£)	% of total balance	Number of mortgage accounts	% of total mortgage accounts
0 – <6 .....	[●]	[●]	[●]	[●]
6 – <12 .....	[●]	[●]	[●]	[●]
12 – <18 .....	[●]	[●]	[●]	[●]
18 – <24 .....	[●]	[●]	[●]	[●]
24 – <30 .....	[●]	[●]	[●]	[●]
30 – <36 .....	[●]	[●]	[●]	[●]
36 – <42 .....	[●]	[●]	[●]	[●]
42 – <48 .....	[●]	[●]	[●]	[●]
48 – <54 .....	[●]	[●]	[●]	[●]
54 – <60 .....	[●]	[●]	[●]	[●]
60 – <66 .....	[●]	[●]	[●]	[●]
66 – <72 .....	[●]	[●]	[●]	[●]
72 – <78 .....	[●]	[●]	[●]	[●]
78 – <84 .....	[●]	[●]	[●]	[●]
84 – <90 .....	[●]	[●]	[●]	[●]
90 – <96 .....	[●]	[●]	[●]	[●]
96 – <102 .....	[●]	[●]	[●]	[●]
102 – <108 .....	[●]	[●]	[●]	[●]
108 – <114 .....	[●]	[●]	[●]	[●]
114 – <120 .....	[●]	[●]	[●]	[●]
120 – <126 .....	[●]	[●]	[●]	[●]
126 – <132 .....	[●]	[●]	[●]	[●]
132 – <138 .....	[●]	[●]	[●]	[●]
138 – <144 .....	[●]	[●]	[●]	[●]
144 – <150 .....	[●]	[●]	[●]	[●]
150 – <156 .....	[●]	[●]	[●]	[●]
156 – <162 .....	[●]	[●]	[●]	[●]
162 – <168 .....	[●]	[●]	[●]	[●]
168 – <174 .....	[●]	[●]	[●]	[●]
174 – <180 .....	[●]	[●]	[●]	[●]
>= 180 .....	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

As at the cut-off date, the weighted average seasoning of loans was approximately [●] months, the maximum seasoning of loans was [●] months and the minimum seasoning of loans was [●] months.

**Years to maturity of loans**

The following table shows the number of years of the mortgage term which remain unexpired.

<b>Years to maturity</b>	<b>Current principal balance (£)</b>	<b>% of total balance</b>	<b>Number of mortgage accounts</b>	<b>% of total mortgage accounts</b>
0 – <=5.....	[●]	[●]	[●]	[●]
>5 – <=10 .....	[●]	[●]	[●]	[●]
>10 – <=15 .....	[●]	[●]	[●]	[●]
>15 – <=20 .....	[●]	[●]	[●]	[●]
>20 – <=25 .....	[●]	[●]	[●]	[●]
>25 – <=30 .....	[●]	[●]	[●]	[●]
>30 – <=35 .....	[●]	[●]	[●]	[●]
>35 – <=40 .....	[●]	[●]	[●]	[●]
>40 – <=45 .....	[●]	[●]	[●]	[●]
>45.....	[●]	[●]	[●]	[●]
Unknown	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

As at the cut-off date, the weighted average remaining term of loans was approximately [●] years, the maximum remaining term was [●] years and the minimum remaining term was [●] years.

**Purpose of loan**

The following table shows the purpose of the loans on origination

<b>Use of proceeds</b>	<b>Current principal balance (£)</b>	<b>% of total balance</b>	<b>Number of mortgage accounts</b>	<b>% of total mortgage accounts</b>
Remortgage .....	[●]	[●]	[●]	[●]
House Purchase.....	[●]	[●]	[●]	[●]
Unknown .....	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

**Repayment terms**

The following table shows the repayment terms for the loans in the mortgage accounts as at the cut-off date. Where any loan in a mortgage account is interest-only, then that entire mortgage account is classified as interest-only.

<b>Repayment terms</b>	<b>Current principal balance (£)</b>	<b>% of total balance</b>	<b>Number of mortgage accounts</b>	<b>% of total mortgage accounts</b>
Part-part.....	[●]	[●]	[●]	[●]
Interest-only.....	[●]	[●]	[●]	[●]
Repayment .....	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]

**Product type**

The following table shows the distribution of product type as at the cut-off date.

Product type	Current principal balance (£)	% of total balance	Number of mortgage accounts	% of total mortgage accounts
Floating rate.....	[●]	[●]	[●]	[●]
Tracker.....	[●]	[●]	[●]	[●]
Discount.....	[●]	[●]	[●]	[●]
Fixed rate.....	[●]	[●]	[●]	[●]
Total.....	[●]	[●]	[●]	[●]

**Payment rate analysis**

The following table shows the annualised payment rate for the most recent 1-, 3- and 12-month period for the loans in the expected portfolio.

As of month-end	1-month annualised	3-month annualised	12-month annualised
[●]%	[●]%	[●]%	[●]%

[Source: Fosse investor report dated [●].]

In the table above, 12-month annualised CPR is calculated as the average of the 1-month annualised CPR for the most recent 12 months (calculated as  $1 - ((1 - R) ^ 12)$  where R is (i) total principal receipts received plus the principal balance of loans repurchased by the seller (primarily due to further advances) during the relevant period, divided by (ii) the aggregate outstanding principal balance of the loans in the expected portfolio as at the start of that period.

**Arrears**

Status	Aggregate outstanding balance as at the cut-off date (£)	% of arrears by balance	Total arrears balance (£)	Number of mortgage accounts	% of total mortgage accounts
<1 month.....	[●]	[●]	[●]	[●]	[●]
≥1 – <2 months.....	[●]	[●]	[●]	[●]	[●]
≥2 – <3 months.....	[●]	[●]	[●]	[●]	[●]
≥3 – <4 months.....	[●]	[●]	[●]	[●]	[●]
≥4 – <5 months.....	[●]	[●]	[●]	[●]	[●]
≥5 – <6 months.....	[●]	[●]	[●]	[●]	[●]
≥6 – <7 months.....	[●]	[●]	[●]	[●]	[●]
≥7 – <8 months.....	[●]	[●]	[●]	[●]	[●]
≥8 – <9 months.....	[●]	[●]	[●]	[●]	[●]
≥9 – <10 months.....	[●]	[●]	[●]	[●]	[●]
≥10 – <11 months.....	[●]	[●]	[●]	[●]	[●]
≥11 – <12 months.....	[●]	[●]	[●]	[●]	[●]
≥12 months.....	[●]	[●]	[●]	[●]	[●]
<b>Total</b> .....	[●]	[●]	[●]	[●]	[●]

As at the cut-off date, the total outstanding balance of loans in the expected portfolio that were greater than 30 days in arrears was £[●], representing [●] per cent. of the outstanding balance of loans in the expected portfolio as at such date.

## Notes

**Notes issued by the issuer and loan tranches advanced by the issuer to Funding 1 in connection therewith**

As at the closing date, the aggregate principal amount outstanding of notes (converted, where applicable, into sterling at the applicable specified currency exchange rate), including the issue [●]-[●] notes described herein, will be:

class [A] notes .....	£[●]
class [B] notes .....	£[●]
class [C] notes .....	£[●]
class [D] notes .....	£[●]
class [M] notes .....	£[●]
class [Z] notes (other than class Z variable funding notes) .....	£[●]
class [Z variable funding] notes .....	£[●]

As at the closing date, the aggregate outstanding principal balance of loan tranches advanced by the issuer to Funding 1 under the master intercompany loan agreement, including the loan tranches described herein, will be:

[AAA] Loan Tranches .....	£[●]
[AA] Loan Tranches .....	£[●]
[A] Loan Tranches .....	£[●]
[BBB] Loan Tranches .....	£[●]
[BB] Loan Tranches .....	£[●]
[NR] Loan Tranches (other than NR VFN Loan Tranche) .....	£[●]
[NR VFN] Loan Tranche .....	£[●]

**Funding 1 start-up loan**

The Funding 1 start-up loan to be made available to Funding 1 on the closing date in connection with series [●] will have the following terms:

<b>Funding 1 start-up loan provider:</b>	Santander UK
<b>Initial outstanding principal balance:</b>	£[●]
<b>Interest rate:</b>	[●] per annum

The Funding 1 start-up loans made available to Funding 1 on the previous closing dates had the following terms:

<b>Funding 1 start-up loan provider</b>	<b>Current outstanding principal balance</b>	<b>Interest Rate</b>
Santander UK (in respect of the issue 2016-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2015-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2014-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2012-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2011-2 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2011-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2010-4 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2010-3 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Santander UK (in respect of the issue 2010-2 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum

*Form of final terms*

Originally Alliance & Leicester (now Santander UK) (in respect of the issue 2010-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Originally Alliance & Leicester (now Santander UK) (in respect of the issue 2008-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Originally Alliance & Leicester (now Santander UK) (in respect of the issue 2007-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum
Originally Alliance & Leicester (now Santander UK) (in respect of the issue 2005-1 notes) .....	£[●]	Three-Month Sterling LIBOR + 0.90% per annum

## SECURITISATION REGULATION

### [STS requirements

The seller, as originator, [has]/[has not] procured an STS notification to be submitted to the European Securities and Markets Association (**ESMA**), in accordance with Article 27 of the Securitisation Regulation, and to the FCA, that the requirements of Articles 19 to 22 of the Securitisation Regulation (the **STS requirements**) have been satisfied with respect to the issue 20[●]-[●] notes. [It is expected that the STS notification will be available on the website of ESMA (<https://www.esma.europa.eu/policyactivities/securitisation/simple-transparent-and-standardised-stssecuritisation>). For the avoidance of doubt, this website and the contents thereof do not form part of this final terms.]]

[The seller [has not used the services of]/[has used the services of [●] as] an authorised verification agent authorised under Article 28 of the Securitisation Regulation in connection with the verification of the compliance of the issue 20[●]-[●] notes with the STS requirements.]

[The seller has obtained a legal opinion provided by qualified external legal counsel providing, among other things: (i) confirmation that the true sale, assignment or transfer segregate the loans and their related security from the seller, its creditors and its liquidators, including in the event of the seller's insolvency, with the same legal effect as that achieved by means of true sale; (ii) confirmation of the enforceability of the true sale, assignment or transfer with the same legal effect referred to in (i) against the seller or any other third party; and (iii) an assessment of clawback risks and re-characterisation risks, which legal opinion is accessible and made available to any relevant third party verifying STS compliance in accordance with Article 28 of the Securitisation Regulation and any relevant competent authority from among those referred to in Article 29 of the Securitisation Regulation.]

### [Mitigation of interest rate and currency risks

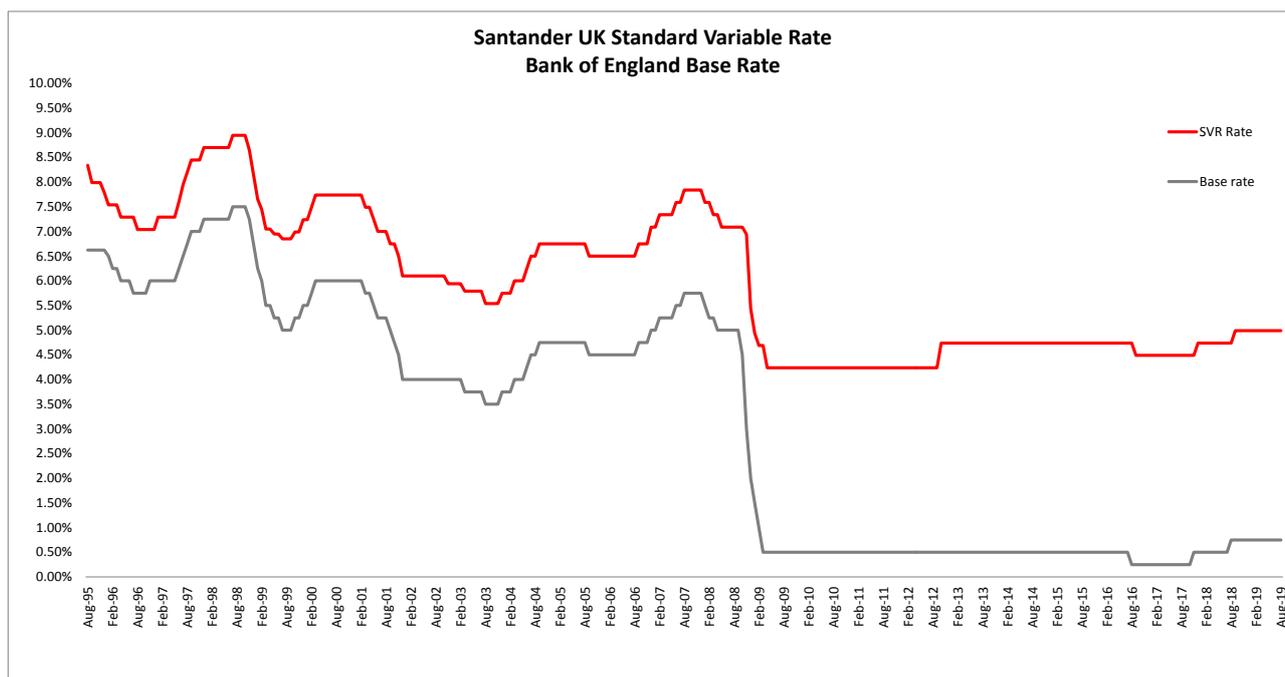
The loans and the notes are affected by interest rate and currency risks (see “**Changes or uncertainty in respect of LIBOR and/or EURIBOR and/or other interest rate benchmarks may affect the value or payment of interest under the notes**” in the Risk Factors section of the prospectus). Each of Funding 1 and the Issuer aim to hedge the relevant interest rate and currency rate exposures in respect of the loans and the notes, as applicable, by entering into certain swap agreements (see “**The swap agreements**” in the prospectus).

Interest rate risks are also managed through:

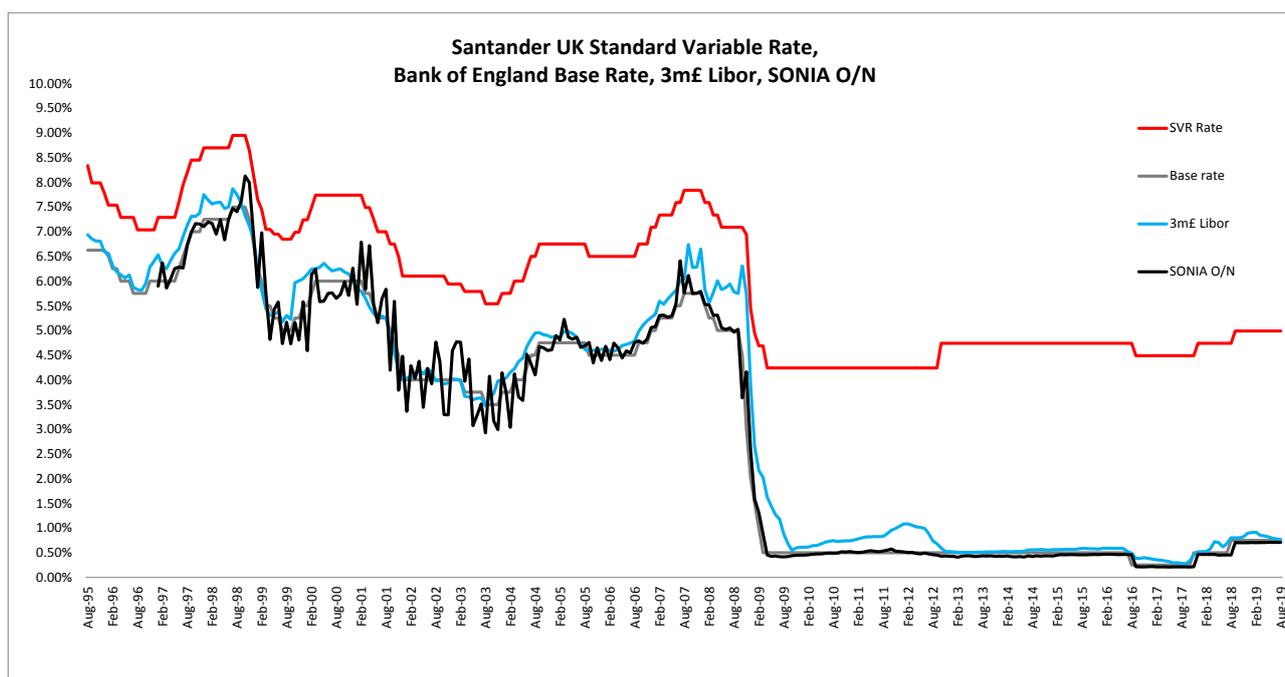
- [a requirement in the servicing agreement that any discretionary rates set by the servicer in respect of the loans are set at a minimum rate (subject to the terms of the mortgage loans and applicable law) (see “**Description of the transaction documents – Servicing agreement – Undertakings by the servicer**” in the prospectus), noting that such requirement is contingent upon the swap provider failing to perform under the relevant swap agreements, being in default or becoming insolvent;
- with respect to the issuer, it fully hedges its obligations as the issuer lends the proceeds of any offering of notes to Funding 1 pursuant to the intercompany loan agreement, where the proceeds of sterling denominated floating rate notes are lent on the same terms as the notes with respect to currency and interest rate; and after giving effect to the relevant swap agreements, the proceeds of sterling denominated fixed rate notes and/or non-sterling denominated notes are lent to Funding 1 pursuant to the intercompany loan agreement on the same terms as the notes with respect to currency and interest rate;
- with respect to Funding 1, Funding 1 obtains its share of revenue generated on a monthly basis from the [fixed rate, discounted variable rate, capped rate, tracker, minimum rate and higher variable rate loans], Funding 1 has entered into swap agreements; and
- with respect to the Trust, it does not require any hedging as it distributes the revenue and principal that it receives from the trust property to Funding 1 and the seller.]

Except for the purpose of hedging interest-rate or currency risk, none of the Issuer, Funding 1 or the Mortgages Trustee enter into derivative contracts, for purposes of Article 21(2) of the Securitisation Regulation.

[The table below shows the seller variable rate and the Bank of England base rate from August 1995 to August 2019.



The table below shows the seller variable rate, the base rate, three months sterling LIBOR, the Bank of England base rate and SONIA from August 1995 to August 2019.



**[Verification of data**

The seller has caused a sample of the loans (including the data disclosed in respect of those loans) to be subject to an agreed upon procedures review by an appropriate and independent third party. The expected portfolio as at [●] has been subject to an agreed upon procedures review on a sample of loans selected from the portfolio and conducted by and completed by a third party on [●] (the **AUP report**). Another independent third party has verified that the stratification tables disclosed under the sections [“Statistical information on the expected portfolio”, “Static pool data and dynamic data in respect of whole residential mortgage book” of this final terms and “Static pool data and dynamic data in respect of whole residential mortgage book” in the base prospectus] in respect of the loans are accurate. The AUP report has

been filed with the U.S. Securities and Exchange Commission on [●] and is publicly available. The originator has reviewed the reports of such independent third parties 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.]

**[STATIC POOL DATA AND DYNAMIC DATA IN RESPECT OF WHOLE RESIDENTIAL MORTGAGE BOOK**

The tables below set out, to the extent material, certain static pool information with respect to the loans in the mortgages trust. The table should be read together with the tables set forth under “Static pool data and Dynamic Data in respect of Whole Residential Mortgage Book” in the base prospectus.

Static pool information on prepayments has not been included because changes in prepayment and payment rates historically have not affected repayment of the notes, and are not anticipated to have a significant effect on future payments on the notes for a number of reasons. The mechanics of the mortgage trust require an extended cash accumulation period (for bullet loan tranches) when prepayment rates fall below certain minima required by the rating agencies, serving to limit the extent to which slow prepayments would cause the average lives of the notes to extend. Furthermore, only a limited amount of note principal in relation to the very large mortgages trust size is actually due to be repaid on any particular interest payment date.

[One of the characteristics of the mortgages trust is that the seller is able to sell more loans to the mortgages trustee over time, whether in connection with an issuance of notes by the issuer or any new notes by a new issuer or in order to maintain the minimum seller share. To aid in understanding changes to the mortgages trust over time, the following table sets out information relating to each sale of loans by the seller to the mortgages trustee pursuant to the mortgage sale agreement.

Date [●]	Balance of loans substituted or sold £[●]	Number of loans substituted or sold	[●]
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The sale of new loans by the seller to the mortgages trustee is subject to conditions, including ones required by the rating agencies, designed to maintain certain credit-related and other characteristics of the mortgages trust. These include limits on loans in arrears in the mortgages trust at the time of sale, limits on the aggregate balance of loans sold, limits on changes in the weighted average repossession frequency and the weighted average loss severity, minimum yield for the loans in the mortgages trust after the sale and a maximum loan-to-value ratio for the loans in the mortgages trust after the sale. See a description of these conditions in “**Description of the transaction documents – The mortgage sale agreement – Sale of loans and their related security**”.]

Please refer to the tables set forth under “**Static Pool Data and Dynamic Data in respect of whole Residential Mortgage Book**” in the base prospectus for (a) the distribution of loans originated by Santander UK (including but not limited to loans in the portfolio) in or after 2003 that have been delinquent for more than three months as at each year-end starting in 2003 (b) the distribution of loans originated by Santander UK (including but not limited to loans in the portfolio) in or after 2003 secured by mortgaged properties which have been repossessed and (c) the credit performance in respect of loans originated by Santander UK (including but not limited to loans in the portfolio).

[The following tables summarise loans in arrears and repossession experience for loans originated by Santander UK (including but not limited to loans in the portfolio) as at the dates indicated below. The tables should be read together with the tables set forth under “**Static Pool Data and Dynamic Data in respect of whole Residential Mortgage Book**” in the base prospectus.]



The following table summarises the credit performance in respect of loans originated by Santander UK (including but not limited to loans in the portfolio) since [●] (source: [●] Santander UK Annual Reports). The table should be read together with the tables set forth under “**Static Pool Data and Dynamic Data in respect of whole Residential Mortgage Book**” in the base prospectus.

	[●]	[●]	[●]	[●]	[●]	[●]
	£m	£m	£m	£m	£m	£m
Mortgage loans and advances to customers of which:	[●]	[●]	[●]	[●]	[●]	[●]
– Stage 1	[●]	[●]	[●]	[●]	[●]	[●]
– Stage 2	[●]	[●]	[●]	[●]	[●]	[●]
– Stage 3 <sup>(1)</sup>	[●]	[●]	[●]	[●]	[●]	[●]
Performing <sup>(2)</sup>	[●]	[●]	[●]	[●]	[●]	[●]
Early arrears:	[●]	[●]	[●]	[●]	[●]	[●]
– 31 to 60 days	[●]	[●]	[●]	[●]	[●]	[●]
– 61 to 90 days	[●]	[●]	[●]	[●]	[●]	[●]
NPLs: <sup>(3)</sup>	[●]	[●]	[●]	[●]	[●]	[●]
– By arrears	[●]	[●]	[●]	[●]	[●]	[●]
– By bankruptcy	[●]	[●]	[●]	[●]	[●]	[●]
– By maturity default	[●]	[●]	[●]	[●]	[●]	[●]
– By forbearance	[●]	[●]	[●]	[●]	[●]	[●]
– By properties in possession (PIPs)	[●]	[●]	[●]	[●]	[●]	[●]
PIPs not classified as NPL	[●]	[●]	[●]	[●]	[●]	[●]
Loss allowances <sup>(4)</sup>	[●]	[●]	[●]	[●]	[●]	[●]
Stage 2 ratio	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%
Stage 3 ratio	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%
Early arrears ratio <sup>(5)</sup>	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%
NPL ratio <sup>(6)</sup>	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%
Coverage ratio <sup>(7)</sup>	[●]%	[●]%	[●]%	[●]%	[●]%	[●]%

(1) Stage 1: when there has been no significant increase in credit risk (SICR) since initial recognition, Stage 2: when there has been a SICR since initial recognition, but no credit impairment has materialised, Stage 3: when the exposure is considered credit impaired.

(2) Excludes mortgages where the customer did not pay for between 31 and 90 days, arrears, bankruptcy, maturity default, forbearance and PIPs NPLs.

(3) Mortgage loans and advances are classified as non-performance loans when customers do not make a payment for three months or more, or if Santander UK has data that raises doubts on the ability of customers to keep up with payments.

(4) Prior to 2018, loss allowances were on an incurred loss basis per IAS 39, whilst for 2018 they are on an ECL basis per IFRS 9. The loss allowance is for both on and off-balance sheet exposures.

(5) Mortgages in early arrears as a percentage of mortgages.

(6) Mortgage NPLs as a percentage of mortgages.

(7) Loss allowances as a percentage of NPLs.

**Listing and admission to trading application**

These final terms comprise the final terms required for the notes described herein to be admitted to the Official List and admitted to trading on the regulated market of the London Stock Exchange pursuant to the Residential Mortgage Backed Note Programme of Fosse Master Issuer plc.

Signed on behalf of the issuer:

By:.....  
*Duly authorised*

**[END OF FORM OF FINAL TERMS]**

## TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions (the **Conditions**, and any reference to a **Condition** shall be construed accordingly) of the Notes issued on or following the date of this base prospectus in the form (subject to amendment) which will be incorporated by reference into each Global Note and each Definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer(s) and/or Manager(s) at the time of issue but, if not so permitted and agreed, such Definitive Note will have endorsed thereon or attached thereto such Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and each Definitive Note.

The Issuer may issue unlisted Notes and/or Non-LSE Listed Notes, the Issue Terms in relation to which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purpose of such Notes. Unlisted Notes and Non-LSE Listed Notes will not be issued pursuant to (and do not form part of) the base prospectus, and will not be issued pursuant to any Final Terms under the base prospectus.

The Notes are constituted by the Note Trust Deed. The security for the Notes is created pursuant to, and on the terms set out in, the Issuer Deed of Charge. By the Paying Agent and Agent Bank Agreement, provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

References hereinafter to the **Notes** shall, unless the context otherwise requires, be references to all the Notes issued by the Issuer and constituted by the Note Trust Deed and shall mean:

- (a) in relation to any Notes of a Series and Class represented by a Global Note, units of the lowest Specified Denomination in the Specified Currency in each case of such Series and Class;
- (b) any Global Note; and
- (c) any Definitive Note issued in exchange for a Global Note.

References hereinafter to the **Noteholders** shall, unless the context otherwise requires, be references to all the Noteholders.

Notes constituted by the Note Trust Deed are issued in series (each a **Series**) and each Series comprises one or more classes of Notes. Each Series of Notes is subject to the applicable Final Terms. The Final Terms in relation to each Series and Class of Notes (or the relevant provisions thereof) will be endorsed upon, or attached to, such Notes and will complete these Conditions in respect of such Notes. References to the **applicable Final Terms** are, in relation to a Series and Class of Notes, to the Final Terms (or the relevant provisions thereof) attached to or endorsed on such Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Issuer Deed of Charge and the Paying Agent and Agent Bank Agreement.

Copies of the Note Trust Deed, the Issuer Deed of Charge, the Paying Agent and Agent Bank Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office of the Note Trustee, being One Canada Square, London E14 5AL, and at the registered office of the Issuer, being at 35 Great St. Helen's, London EC3A 6AP, and the specified office for the time being of (a) the Principal Paying Agent, being at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, and (b) the U.S. Paying Agent, being at 14th Floor, 388 Greenwich Street, New York, New York 10013. Copies of the Final Terms of each Series of Notes are obtainable by Noteholders during normal business hours at the registered office of the Issuer and the specified office for the time being of (i) the Principal Paying Agent and (ii) the U.S. Paying Agent and any Noteholder must produce evidence satisfactory to the relevant Paying Agent as to its holding of Notes and identity.

The Holders of any Series and Class of Notes are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of, and definitions contained or incorporated in, the Note Trust Deed, the Issuer Deed of Charge, the Paying Agent and Agent Bank Agreement, each of the other Transaction Documents and the applicable Final Terms and to have notice of each other Final Terms relating to each other Series and Class of Notes.

A glossary of definitions appears in **Condition 18**.

References herein to the Class A Noteholders, the Class B Noteholders, the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders shall, in each case and unless specified otherwise, be references to the Holders of the Notes of all Series of the applicable Class.

References herein to the Class A Notes, the Class B Notes, the Class M Notes, the Class C Notes, the Class D Notes or the Class Z Notes shall, in each case and unless specified otherwise, be references to the Notes of all Series of the applicable Class.

## **1. FORM, DENOMINATION, REGISTER, TITLE AND TRANSFERS**

### **1.1 Form and Denomination**

The Rule 144A Notes are being offered and sold to qualified institutional buyers in the United States pursuant to Rule 144A. The Reg S Notes are being offered and sold outside the United States to non-U.S. persons pursuant to Regulation S.

Each Series and Class of Notes will be issued in the Specified Currency and in the Specified Denomination. Each Series and Class of Rule 144A Notes will be initially represented by one or more Rule 144A Global Notes, which, in the aggregate, will represent the Principal Amount Outstanding from time to time of such Series and Class of Rule 144A Notes. Each Series and Class of Reg S Notes will be initially represented by one or more Reg S Global Notes which, in the aggregate, will represent the Principal Amount Outstanding from time to time of such Series and Class of the Reg S Notes.

Each Reg S Global Note, save for Global Notes to be held under the NSS, will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Reg S Global Notes to be held under the NSS will be deposited with and registered in the name of the common safekeeper for Euroclear and Clearstream, Luxembourg. Each Rule 144A Global Note will be deposited with a custodian for, and registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) as nominee of, DTC. Each Global Note will be numbered serially with an identifying number which will be recorded on the relevant Global Note and in the Register.

Each Series and Class of Notes may be Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Each Series and Class of Notes may be Bullet Redemption Notes, scheduled redemption notes, pass-through notes or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Global Notes will be exchanged for Notes in definitive registered form (**Definitive Notes**) only under certain limited circumstances as described in the relevant Global Note. If Definitive Notes are issued, they will be serially numbered and issued in an aggregate principal amount equal to the Principal Amount Outstanding of the relevant Global Note and in registered form only.

The Notes (in either global or definitive form) will be issued in such denominations as are specified in the applicable Final Terms, save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank or regulatory authority (or equivalent body) or any laws or regulations applicable to the relevant currency and save that each Rule 144A Note will be issued in minimum denominations of \$200,000 or such other amount specified in the applicable Final Terms and in integral multiples of \$1,000 in excess thereof (or its equivalent in any other currency as at the date of issue of such Notes), and each Reg S Note will be issued in minimum denominations of £100,000 or such other amount specified in the applicable Final Terms and in integral multiples of £1,000 in excess thereof if denominated in sterling or €100,000 or such other amount specified in the applicable Final Terms and in integral multiples of €1,000 in excess thereof if denominated in euro (or its equivalent in any other currency as at the date of issue of such Notes).

In the case of a Series and Class of Notes with more than one Specified Denomination, Notes of one Specified Denomination may not be exchanged for Notes of such Series and Class of another Specified Denomination.

The first Class Z Variable Funding Note shall be issued with a minimum aggregate Principal Amount Outstanding of at least £10,000,000.

## **1.2 Register**

The Registrar will maintain the Register in respect of the Notes in accordance with the provisions of the Paying Agent and Agent Bank Agreement. In these Conditions, the **Holder** of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A Note will be issued to each Noteholder in respect of its registered holding. Each Note will be numbered serially with an identifying number which will be recorded in the Register.

## **1.3 Title**

The Holder of each Note shall (to the fullest extent permitted by applicable law) be treated by the Issuer, the Note Trustee, the Issuer Security Trustee, the Agent Bank and any Agent as the absolute owner of such Note for all purposes (including the making of any payments) regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

## **1.4 Transfers**

Title to the Notes shall pass by and upon registration in the Register. Subject as provided otherwise in this **Condition 1.4**, a Note may be transferred upon surrender of the relevant Note, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or the Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may only be transferred in the specified denominations. Where not all the Notes represented by the surrendered Note are the subject of the transfer, a new Note in respect of the balance of the Notes will be issued to the transferor.

Within five Business Days of such surrender of a Note, the Registrar will register the transfer in question and deliver a new Note of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of the Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (and by airmail if the Holder is overseas) to the address specified for such purpose by such relevant Holder.

The transfer of a Note will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax or other governmental charges which may be imposed in relation to it.

Noteholders may not require transfers of Notes to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Paying Agent and Agent Bank Agreement. The regulations may be changed by the Issuer with the prior written approval of the Note Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

Title to a Class Z Variable Funding Note shall only pass by and upon registration of the transfer in the Class Z Variable Funding Note register provided that no transferee shall be registered as a new Class Z Variable Funding Note Holder unless (i) the prior written consent of the Issuer and (for so long as any Rated Notes are outstanding) the Note Trustee has been obtained (and the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the holders of the Rated Notes) and (ii) such transferee has certified to, inter alios, the Registrar and the Issuer that it is (A) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (B) an independent person in relation to the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (C) a Qualifying Noteholder.

The Notes are not issuable in bearer form. Prior to the expiry of the applicable distribution compliance period, transfers by the holder of, or of a beneficial interest in, a Reg S Note to a transferee in the United States or who is a U.S. person will only be made to certain persons in offshore transactions outside the U.S. in reliance on Regulation S, or otherwise pursuant to an effective registration statement in accordance with the Securities Act or an exemption from the registration requirements thereunder and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

**Qualifying Noteholder** means a person which is beneficially entitled to interest in respect of the Class Z Variable Funding Note and is:

- (i) a company resident in the United Kingdom for United Kingdom tax purposes;
- (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Class Z Variable Funding Notes in computing the chargeable profits (for the purposes of Section 19 of the Corporation Tax Act 2009 (the CTA)) of that company; or
- (iii) a partnership each member of which is:
  - (A) a company resident in the United Kingdom; or
  - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of Section 19 of the CTA) the whole of any share of a payment of interest in respect of the Class Z Variable Funding Notes that is attributable to it by reason of Part 17 of the CTA.

## 2. STATUS, PRIORITY AND SECURITY

### 2.1 Status

The Notes of each Series and Class are direct, secured and unconditional obligations of the Issuer.

Subject to the provisions of **Conditions 4** and **5** and subject to the other payment conditions set out in the applicable Final Terms and the other Transaction Documents:

- (a) the Class A Notes of each Series will rank *pari passu* without any preference or priority among themselves and with the Class A Notes of each other Series but in priority to the Class B Notes, the Class M Notes, the Class C Notes, the Class D Notes and the Class Z Notes of any Series;
- (b) the Class B Notes of each Series will rank *pari passu* without any preference or priority among themselves and with the Class B Notes of each other Series but in priority to the Class M Notes, the Class C Notes, the Class D Notes and the Class Z Notes of any Series;
- (c) the Class M Notes of each Series will rank *pari passu* without any preference or priority among themselves and with the Class M Notes of each other Series but in priority to the Class C Notes, the Class D Notes and the Class Z Notes of any Series;
- (d) the Class C Notes of each Series will rank *pari passu* without any preference or priority among themselves and with the Class C Notes of each other Series but in priority to the Class D Notes and the Class Z Notes of any Series;
- (e) the Class D Notes of each Series will rank *pari passu* without any preference or priority among themselves and with the Class D Notes of each other Series but in priority to the Class Z Notes of any Series; and
- (f) the Class Z Notes of each Series will rank *pari passu* without any preference or priority among themselves and with the Class Z Notes of each other Series.

### 2.2 Conflict between the Classes of Notes

The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee under these Conditions or any of the Transaction Documents (except where expressly provided otherwise), but requiring the Note Trustee to have regard (except as expressly provided otherwise):

- (a) for so long as there are any Class A Notes outstanding (of any Series), only to the interests of the Class A Noteholders if, in the opinion of the Note Trustee, there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the interests of the Class M Noteholders and/or the interests of the Class C Noteholders and/or the interests of the Class D Noteholders and/or the interests of the Class Z Noteholders (of that Series or of any other Series);

- (b) subject to paragraph (a) above and for so long as there are any Class B Notes outstanding (of any Series), only to the interests of the Class B Noteholders if, in the opinion of the Note Trustee, there is or may be a conflict between the interests of the Class B Noteholders and the interests of the Class M Noteholders and/or the interests of the Class C Noteholders and/or the interests of the Class D Noteholders and/or the interests of the Class Z Noteholders (of that Series or of any other Series);
- (c) subject to paragraph (a) and (b) above and for so long as there are any Class M Notes outstanding (of any Series), only to the interests of the Class M Noteholders if, in the opinion of the Note Trustee, there is or may be a conflict between the interests of the Class M Noteholders and the interests of the Class C Noteholders and/or the interests of the Class D Noteholders and/or the interests of the Class Z Noteholders (of that Series or of any other Series);
- (d) subject to paragraph (a), (b) and (c) above and for so long as there are any Class C Notes outstanding (of any Series), only to the interests of the Class C Noteholders if, in the opinion of the Note Trustee, there is or may be a conflict between the interests of the Class C Noteholders and the interests of the Class D Noteholders and/or the interests of the Class Z Noteholders (of that Series or of any other Series); and
- (e) subject to paragraph (a), (b), (c) and (d) above and for so long as there are any Class D Notes outstanding (of any Series), only to the interests of the Class D Noteholders if, in the opinion of the Note Trustee, there is or may be a conflict between the interests of the Class D Noteholders and the interests of the Class Z Noteholders (of that Series or of any other Series).

The Note Trust Deed also contains provisions:

- (i) limiting the powers of the Class B Noteholders, the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders (in each case, of any Series), *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders (of that Series or of any other Series). Except in certain circumstances described in **Condition 11**, the Note Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders, the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders respectively, irrespective of the effect thereof on their respective interests;
- (ii) limiting the powers of the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders (in each case, of any Series), *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class B Noteholders (of that Series or of any other Series). Except in certain circumstances described above and in **Condition 11**, the Note Trust Deed contains no such limitation on the powers of the Class B Noteholders, the exercise of which will be binding on the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders, respectively, irrespective of the effect thereof on their respective interests;
- (iii) limiting the powers of the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders (in each case, of any Series), *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class M Noteholders (of that Series or of any other Series). Except in certain circumstances described above and in **Condition 11**, the Note Trust Deed contains no such limitation on the powers of the Class M Noteholders, the exercise of which will be binding on the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders irrespective of the effect thereof on their respective interests;
- (iv) limiting the powers of the Class D Noteholders and the Class Z Noteholders (in each case, of any Series), *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class C Noteholders (of that Series or of any other Series). Except in certain circumstances described above and in **Condition 11**, the Note Trust Deed contains no such limitation on the powers of the Class C Noteholders, the exercise of which will be binding on the Class D

Noteholders and the Class Z Noteholders irrespective of the effect thereof on their respective interests; and

- (v) limiting the powers of the Class Z Noteholders (of any Series), *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class D Noteholders (of that Series or of any other Series). Except in certain circumstances described above and in **Condition 11**, the Note Trust Deed contains no such limitation on the powers of the Class D Noteholders, the exercise of which will be binding on the Class Z Noteholders irrespective of the effect thereof on their respective interests.

Notwithstanding that none of the Note Trustee, the Issuer Security Trustee and the Noteholders may have any right of recourse against the Rating Agencies in respect of any confirmation given by them and relied upon by the Note Trustee or the Issuer Security Trustee pursuant to this **Condition 2**, the Note Trustee and the Issuer Security Trustee shall be entitled to assume, for the purpose of exercising any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, without further investigation or inquiry, that such exercise will not be materially prejudicial to the interests of the Noteholders (or any Series and Class thereof), if each of the Rating Agencies rating the relevant Series and Class has confirmed in writing that the then current ratings of the applicable Series and Class of Notes would not be reduced, withdrawn or qualified by such exercise. It is agreed and acknowledged that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to rely on the fact that the Rating Agencies have confirmed that the then current rating of the relevant series and/or class or classes of Notes would not be adversely affected, it is expressly agreed and acknowledged by the Note Trustee and the Issuer Security Trustee and specifically notified to the Noteholders (and to which they are bound by the Conditions) that the above does not impose or extend any actual or contingent liability for the Rating Agencies to the Note Trustee or the Issuer Security Trustee, the Noteholders or any other person or create any legal relations between the Rating Agencies and the Note Trustee, the Issuer Security Trustee, the Noteholders or any other person whether by way of contract or otherwise.

### **2.3 Security**

As security for, *inter alia*, the payment of all monies payable in respect of the Notes, the Issuer has entered into the Issuer Deed of Charge creating the Issuer Security in favour of the Issuer Security Trustee for itself and on trust for, *inter alios*, the Note Trustee and the Noteholders.

## **3. COVENANTS**

Save with the prior written consent of the Note Trustee or unless provided in or contemplated under these Conditions or any of the Transaction Documents to which the Issuer is a party, the Issuer shall not, so long as any Note remains outstanding:

### **3.1 Negative Pledge**

create or permit to subsist any mortgage, standard security, pledge, lien, charge or other security interest whatsoever (unless arising by operation of law), upon the whole or any part of its assets (including any uncalled capital) or its undertakings, present or future except where the same is given in connection with the issue of a Series;

### **3.2 Disposal of Assets**

sell, assign, transfer, lend, lease or otherwise dispose of, or deal with, or grant any option or present or future right to acquire all or any of its properties, assets, or undertakings or any interest, estate, right, title or benefit therein or thereto or agree or attempt or purport to do any of the foregoing;

### **3.3 Equitable Interest**

permit any person other than itself and the Issuer Security Trustee (as to itself and on behalf of the Issuer Secured Creditors) to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;

### **3.4 Bank Accounts**

have an interest in any bank account, other than the Issuer Bank Accounts, except in connection with the issue of a Series where such bank account is immediately charged in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge;

### **3.5 Restrictions on Activities**

carry on any business other than as described in the base prospectus (as revised, supplemented and/or amended from time to time) relating to the issue of the Notes and the related activities described therein or as contemplated in the Transaction Documents relating to the issue of the Notes;

### **3.6 Borrowings**

incur any indebtedness in respect of borrowed money whatsoever or give any guarantee or indemnity in respect of any indebtedness or obligation of any person, except where the same is incurred or given or the Issuer becomes so obligated in connection with the issue of a Series;

### **3.7 Merger**

consolidate or merge with any other person or convey or transfer substantially all of its properties or assets to any other person;

### **3.8 Waiver or Consent**

permit the validity or effectiveness of any of the Note Trust Deed or the Issuer Deed of Charge or the priority of the security interests created thereby to be amended, terminated, postponed, waived or discharged, or permit any other person whose obligations form part of the Issuer Security to be released from such obligations;

### **3.9 Employees or Premises**

have any employees or premises or subsidiaries;

### **3.10 Dividends and Distributions**

pay any dividend or make any other distribution to its shareholders (other than as provided in the Transaction Documents) or issue any further shares or alter any rights attaching to its shares as at the date of the Issuer Deed of Charge;

### **3.11 Purchase Notes**

purchase or otherwise acquire any Note or Notes; or

### **3.12 United States Activities**

engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

## **4. INTEREST**

### **4.1 Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable, subject as provided in these Conditions, in arrear on the Interest Payment Date(s) in each year specified for such Note in the applicable Final Terms up to (and including) the Final Maturity Date.

Except as provided in the applicable Final Terms, the amount of interest payable in respect of any Fixed Rate Note on each Interest Payment Date for a Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified for such Note in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or the first) Interest Payment Date.

If interest is required to be calculated in respect of any Fixed Rate Note for a period other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest specified for such Note in the applicable Final Terms to the Principal Amount Outstanding on such Global Note, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and then apportioning the resulting total between the Noteholders in respect of such Global Note, *pari passu* without preference or priority amongst themselves.

**Day Count Fraction** means, in respect of the calculation of an amount of interest for any Fixed Rate Note in accordance with this **Condition 4.1**:

- (a) if “**Actual/Actual (ICMA)**” is specified for such Note in the applicable Final Terms:
  - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date for such Notes (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates that would occur in one calendar year; and
- (b) if “**30/360**” is specified for such Note in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date for such Note (or, if none, the Interest Commencement Date) to (but excluding) the relevant Interest Payment Date (such number of days being calculated on the basis of a year of 360 days with twelve 30-day months) divided by 360.

As used in these Conditions, **Determination Period** means each period from and including a Determination Date (as defined in the applicable Final Terms) to but excluding the next Determination Date (including where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

## 4.2 Interest on Floating Rate Notes

### (a) Interest Payment Dates

Each Floating Rate Note bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date and such interest will be payable in arrear on the Interest Payment Date(s) in each year specified for such Note in the applicable Final Terms. Such interest will be payable in respect of each Floating Interest Period.

As used in these Conditions, **Floating Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or the first) Interest Payment Date.

If a **Business Day Convention** is specified for a Floating Rate Note in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (i) the “**Following Business Day Convention**”, the Interest Payment Date for such Note shall be postponed to the next day which is a Business Day; or
- (ii) the “**Modified Following Business Day Convention**”, the Interest Payment Date for such Note 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; or
- (iii) the “**Preceding Business Day Convention**”, the Interest Payment Date for such Note shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and any Additional Business Centre specified in the applicable Final Terms; and
- (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto (the **TARGET System**) is open; and
- (iii) in relation to any sum payable in a Specified Currency other than sterling, dollar or euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London, New York and any Additional Business Centre).

**(b) Rate of Interest**

The Rate of Interest payable from time to time in respect of a Floating Rate Note will be determined in the manner specified for such Note in the applicable Final Terms.

- (i) ISDA Determination for Floating Rate Notes

Where “ISDA Determination” is specified for such Note in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated for such Note in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent Bank or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent Bank or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified for such Note in the applicable Final Terms;
- (B) the Designated Maturity is the period specified for such Note in the applicable Final Terms; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on LIBOR, USD-LIBOR, EURIBOR, JPY LIBOR or CDOR for a currency, the first day of that Interest Period, or (ii) in any other case, as specified for such Note in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

- (ii) Screen Rate Determination for Floating Rate Notes

Where “**Screen Rate Determination**” is specified for a Floating Rate Note in the applicable Final Terms as the manner in which the Rate of Interest is to be determined for such Note, and the Reference Rate is specified in the applicable Final Terms as being a rate other than

SONIA, Compounded Daily SOFR or Weighted Average SOFR, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. London time (in the case of LIBOR, USD-LIBOR or JPY-LIBOR), 11.00 a.m. Brussels time (in the case of EURIBOR), 10.15 a.m. Toronto time (in the case of CDOR) (the **Specified Time**) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Agent Bank. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent Bank for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of clause (ii)(A), no offered quotation appears or, in the case of clause (ii)(B), fewer than three offered quotations appear, in each case as at the Specified Time, the Agent Bank shall request each of the Reference Banks to provide the Agent Bank with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent Bank with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent Bank.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent Bank with an offered quotation as provided in the preceding paragraph, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent Bank by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London inter-bank market (if the Reference Rate is LIBOR, USD-LIBOR or JPY-LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Canadian inter-bank market (if the Reference Rate is CDOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent Bank with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent Bank it is quoting to leading banks in the London inter-bank market (if the Reference Rate is LIBOR, USD-LIBOR or JPY-LIBOR) or the Euro-zone inter-bank market (if the Reference Rate is EURIBOR) or the Canadian inter-bank market (if the Reference Rate is CDOR) plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

## **SONIA**

Where **Screen Rate Determination** is specified for a Floating Rate Note in the applicable Final Terms as the manner in which the Rate of Interest is to be determined for such note, and the Reference Rate is specified in the applicable Final Terms as being SONIA, the Rate

of Interest for each Interest Period will, subject as provided below, be Compounded Daily SONIA plus or minus (as indicated in the applicable Final Terms) the Margin (if any), as calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms).

**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 Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_o} \left( 1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

**d** is the number of calendar days in the relevant Interest Period;

**d<sub>o</sub>** is the number of London Banking Days in the relevant Interest Period;

**i** is a series of whole numbers from one to **d<sub>o</sub>**, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period;

**London Banking Day** or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

**n<sub>i</sub>**, for any day **i**, means the number of calendar days from and including such day **i** up to but excluding the following London Banking Day;

**Observation Period** means the period from and including the date falling **p** London Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling **p** London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling **p** London Banking Days prior to such earlier date, if any, on which the Floating Rate Notes become due and payable);

**p** means, for any Interest Period, the number of London Banking Days included in the **Observation Look-back Period**, being not less than 5 London Banking Days, as specified in the applicable Final Terms;

the **SONIA reference rate**, in respect of any London Banking Day, is a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the London Banking Day immediately following such London Banking Day); and

**SONIA<sub>i-pLBD</sub>** means, in respect of any London Banking Day falling in the relevant Interest Period, the SONIA reference rate for the London Banking Day falling **p** London Banking Days prior to the relevant London Banking Day **i**.

If, in respect of any London Banking Day in the relevant Observation Period, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be: (i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at close of business on the relevant London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest

spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

Notwithstanding the paragraph above, 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 Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall, subject to receiving written Instructions from the Issuer and to the extent that it is reasonably practicable, follow such guidance in order to determine SONIA<sub>*i*</sub> for the purpose of the relevant Floating Rate Notes for so long as the SONIA reference rate is not available or has not been published by the authorised distributors. To the extent that any amendments or modifications to the Conditions or the Transaction Documents are required in order for the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) to follow such guidance in order to determine SONIA<sub>*i*</sub>, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall have no obligation to act until such amendments or modifications have been made in accordance with the Conditions and the Transaction Documents.

### Compounded Daily SOFR

Where Screen Rate Determination is specified for a Floating Rate Note in the applicable Final Terms as the manner in which the Rate of Interest is to be determined for such note, and the Reference Rate is specified in the applicable Final Terms as being Compounded Daily SOFR, the Rate of Interest for each Interest Period will be Compounded Daily SOFR plus or minus (as indicated in the applicable Final Terms) the Margin (if any).

Compounded Daily SOFR means the rate of return of a daily compound interest investment (with the Secured Overnight Financing Rate as the reference rate for the calculation of interest) and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on each Interest Determination Date as follows, with the resulting percentage being rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[ \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_{i-pUSBD} \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

***d*** means the number of calendar days in the relevant Interest Period;

***d*<sub>0</sub>**, for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

***i*** means a series of whole numbers from one to ***d*<sub>0</sub>**, each representing the relevant U.S. Government Securities Business Days in chronological order from, and including, the first U.S. Government Securities Business Day in the relevant Interest Period;

**SOFR<sub>*i*</sub>** means, for any U.S. Government Securities Business Day *i*

- (a) where in the applicable Final Terms “Lag” is specified as the Observation Method, the SOFR in respect of such U.S. Government Securities Business Day;
- (b) where in the applicable Final Terms “Lock-out” is specified as the Observation Method:
  - (i) for any such U.S. Government Securities Business Day that is a SOFR Reset Date, the SOFR in respect of the U.S. Government Securities Business Day immediately preceding such SOFR Reset Date, and
  - (ii) for any such U.S. Government Securities Business Day that is not a SOFR Reset Date, the SOFR in respect of the U.S. Government Securities Business Day immediately preceding the last SOFR Reset Date of the relevant Interest Period;

**p** means

- (a) where in the applicable Final Terms “Lag” is specified as the Observation Method, the number of U.S. Government Securities Business Days included in the Observation Look-back Period specified in the applicable Final Terms (or, if no such number is specified, five U.S. Government Securities Business Days);
- (b) where in the applicable Final Terms “Lock-out” is specified as the Observation Method, zero;

**USBD** means U.S. Government Securities Business Day;

**$n_i$** , for any U.S. Government Securities Business Day, means the number of calendar days from, and including, such U.S. Government Securities Business Day up to, but excluding, the following U.S. Government Securities Business Day; and

**SOFR <sub>$i-pUSBD$</sub>**  means, in respect of any U.S. Government Securities Business Day falling in the relevant Interest Period, the SOFR for the U.S. Government Securities Business Day falling  $p$  U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day  $i$ .

**Weighted Average SOFR**

Where **Screen Rate Determination** is specified for a Floating Rate Note in the applicable Final Terms as the manner in which the Rate of Interest is to be determined for such note, and the Reference Rate is specified in the applicable Final Terms as being Weighted Average SOFR, the Rate of Interest for each Interest Period will be Weighted Average SOFR plus or minus (as indicated in the applicable Final Terms) the Margin (if any).

**Weighted Average SOFR**, in relation to any Interest Period, means the arithmetic mean of SOFR <sub>$i$</sub>  in effect during such Interest Period (each such U.S. Government Securities Business Day,  $i$ ), and will be calculated by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms Document) on each Interest Determination Date by multiplying the relevant SOFR <sub>$i$</sub>  by the number of days such SOFR <sub>$i$</sub>  is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Period.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms), the Rate of Interest shall be (i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period); or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Floating Rate Notes for the first Interest Period had the Floating Rate Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Period).

If the relevant Floating Rate Notes become due and payable in accordance with Conditions 9 or 10, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Floating Rate Notes became due and payable and the Rate of Interest on such Floating Rate Notes shall, for so long as any such Floating Rate Note remains outstanding, be that determined on such date.

**(c) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for a Floating Rate Note for any Interest Period, then, in the event that the Rate of Interest for such Note in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Note for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for such Note for any Interest Period, then, in the event that the Rate of Interest for such Note in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Note for such Interest Period shall be such Maximum Rate of Interest.

**(d) Determination of Rate of Interest and Calculation of Interest Amounts**

The Agent Bank will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period (provided that no provision of these Conditions or the Paying Agent and Agency Bank Agreement shall require an Agent to do anything which may be illegal or contrary to applicable law or regulation).

The Agent Bank will calculate the amount of interest payable on the Floating Rate Notes in respect of each Specified Denomination or in respect of each Global Note (each an **Interest Amount**) for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of each Global Note, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub unit being rounded upwards or otherwise in accordance with applicable market convention and then apportioning the resulting total between the Noteholders in respect of such Global Note, *pari passu* without preference or priority amongst themselves.

**Day Count Fraction** means, in respect of the calculation of an amount of interest for a Floating Rate Note in accordance with this **Condition 4.2(d)** for any Interest Period:

- (i) if “**Actual/365**” is specified for such Note in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified for such Note in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified for such Note in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified for such Note in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” is specified for such Note in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “**30E/360**” is specified for such Note in the applicable Final Terms, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Final Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

**(e) Notification of Rate of Interest and Interest Amounts**

The Agent Bank will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Note Trustee, the Issuer Security Trustee, the Issuer Cash Manager, the Paying Agents, the Registrar and to any stock exchange or other relevant competent authority or quotation system on which the relevant Floating Rate Notes are for the time being listed, quoted and/or traded or by which they have been admitted to listing and to be published in accordance with **Condition 14** as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may

subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to the Note Trustee, the Issuer Security Trustee, the Issuer Cash Manager, the Paying Agents, the Registrar and each stock exchange or other relevant authority on which the relevant Floating Rate Notes are for the time being listed or by which they have been admitted to listing and to Noteholders in accordance with **Condition 14**.

**(f) Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this **Condition 4.2**, whether by the Agent Bank or the Calculation Agent (as defined in **Condition 4.2(b)(i)**) or the Note Trustee (or an agent on its behalf) shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Issuer Cash Manager, the Principal Paying Agent, the Calculation Agent, the other Paying Agents, the Note Trustee and all Noteholders and (in the absence of wilful default or bad faith) no liability to the Issuer or the Noteholders shall attach to the Agent Bank or the Calculation Agent or the Note Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**4.3 Accrual of Interest**

Interest (if any) will cease to accrue on each Note (or in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof, unless payment of principal is improperly withheld or refused in which event, interest will continue to accrue until the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) the seventh day after notice is duly given by the Principal Paying Agent or the U.S. Paying Agent (as the case may be) to the holder thereof that such payment will be made, provided that subsequently, payment is in fact made.

**4.4 Deferred Interest**

To the extent that, subject to and in accordance with the relevant Issuer Priority of Payments, the funds available to the Issuer to pay interest on any Series and Class of Notes (other than the most senior Class of Notes of any Series then outstanding) on an Interest Payment Date (after discharging the Issuer's liabilities of a higher priority) are insufficient to pay the full amount of such interest, payment of the shortfall attributable to such Series and Class of Notes (**Deferred Interest**) will not then fall due but will instead be deferred until the first Interest Payment Date for such Notes thereafter on which sufficient funds are available (after allowing for the Issuer's liabilities of a higher priority and subject to and in accordance with the relevant Issuer Priority of Payments) to fund the payment of such Deferred Interest to the extent of such available funds.

Such Deferred Interest will accrue interest (**Additional Interest**) at the rate of interest applicable from time to time to the applicable Series and Class of Notes and payment of any Additional Interest will also be deferred until the first Interest Payment Date for such Notes thereafter on which funds are available (after allowing for the Issuer's liabilities of a higher priority subject to and in accordance with the relevant Issuer Priority of Payments) to the Issuer to pay such Additional Interest to the extent of such available funds.

Amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date of the applicable Series and Class of Notes, when such amounts will become due and payable.

Payments of interest due on an Interest Payment Date in respect of the most senior Class of Notes of any Series then outstanding will not be deferred. In the event of the delivery of a Note Acceleration Notice (as described in **Condition 9**), the amount of interest in respect of such Notes that was due but not paid on such Interest Payment Date will itself bear interest at the applicable rate until both the unpaid interest and the interest on that interest are paid as provided in the Note Trust Deed.

**4.5 Interest Where There is an Increase Amount of a Class Z Variable Funding Note**

If, in the Floating Interest Period immediately preceding an Interest Payment Date, there has been a subscription of an Increase Amount in respect of a Class Z Variable Funding Note pursuant to **Condition 5.9 below**, the Interest payable shall be determined as the sum of:

- (a) the interest determined as being payable in respect of the Class Z Variable Funding Note as if the Principal Amount Outstanding were the Principal Amount Outstanding of the Class Z Variable Funding Note at the beginning of such Floating Interest Period; plus
- (b) the interest determined as being payable in respect of each Increase Amount made in such Floating Interest Period calculated on the basis set out in **Condition 4.2** as if references in **Condition 4.2** to the Principal Amount Outstanding in respect of such Class Z Variable Funding Note were to the Increase Amount and the Floating Interest Period in respect of such Increase Amount commenced on the Increase Date. The Rate of Interest in respect of any Increase Amount made on an Increase Date which is not an Interest Payment Date shall be the same rate as that determined in respect of the Principal Amount Outstanding of the Class Z Variable Funding Note immediately prior to such Increase Date or such other rate as may be specified in the applicable Final Terms in respect of such Class Z Variable Funding Note.

In all other cases, the interest payable in respect of each Class Z Variable Funding Note shall be determined pursuant to **Condition 4.2 above**.

## **5. REDEMPTION AND MANDATORY TRANSFER**

### **5.1 Final Redemption**

Unless previously redeemed in full as provided in this **Condition 5**, the Issuer shall redeem a Series and Class of Notes at their Redemption Amount together with all accrued interest on the Final Maturity Date in respect of such Notes.

The Issuer may not redeem such Notes in whole or in part prior to their Final Maturity Date except as provided in **Conditions 5.2, 5.4 or 5.5 below**, but without prejudice to **Condition 9**.

### **5.2 Mandatory Redemption of the Notes in Part**

On each Interest Payment Date, other than an Interest Payment Date on which a Series and Class of Notes are to be redeemed under **Conditions 5.1, 5.4 or 5.5**, the Issuer shall repay principal in respect of such Notes in an amount equal to the amount (if any) repaid on the corresponding Loan Tranche Payment Date in respect of the related Loan Tranche and pursuant to the Intercompany Loan Agreement converted, where the Specified Currency for such Notes is not Sterling, into the Specified Currency at the Specified Currency Exchange Rate for such Notes.

To the extent that there are insufficient funds available to the Issuer to repay the amount due to be paid on such Interest Payment Date, the Issuer will be required to repay the shortfall, to the extent that it receives funds therefor (and subject to the terms of the Issuer Deed of Charge and the Issuer Cash Management Agreement) on subsequent Interest Payment Dates in respect of such Notes.

### **5.3 Note Principal Payments and Principal Amount Outstanding**

The principal amount redeemable (the **Note Principal Payment**) in respect of each Note of a particular Series and Class on any Interest Payment Date under **Condition 5.2** above shall be a proportion of the amount required as at that Interest Payment Date to be applied in redemption of such Series and Class of Notes on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such Series and Class of Notes rounded down to the nearest sub-unit of the Specified Currency; provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On each Interest Determination Date the Issuer shall determine (or cause the Agent Bank to determine) (a) the amount of any Note Principal Payment payable in respect of each Note of the relevant Series and Class on the immediately following Interest Payment Date and (b) the **Principal Amount Outstanding** of each such Note, which shall be the Specified Denomination plus (in the case of each Class Z Variable Funding Note) the aggregate of all relevant Increase Amounts, less the aggregate amount of all Note Principal Payments in respect of such Note that has been paid since the relevant Closing Date and on or prior to that Interest Determination Date and (c) the fraction expressed as a decimal to the fifth decimal point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (b) above) and the denominator is the Specified Denomination. Each determination by or on behalf of the Issuer of any Note Principal Payment of a Note, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The Issuer will cause each determination of the Note Principal Payment and the Principal Amount Outstanding and the Pool Factor in respect of a Series and Class of Notes to be notified forthwith, and in any event not later than 1.00 p.m. (London time) on the Business Day immediately succeeding the Interest Determination Date, to the Note Trustee, the Issuer Security Trustee, the Paying Agents, the Registrar, the Agent Bank and (for so long as such Notes are listed on one or more stock exchanges) the relevant stock exchanges, and will cause notice of each determination of the Note Principal Payment and the Principal Amount Outstanding to be given to Noteholders in accordance with **Condition 14** by no later than the Business Day after the relevant Interest Payment Date.

#### 5.4 Optional Redemption in Full

Provided a Note Acceleration Notice has not been served and subject to the provisos below, upon giving not more than 60 nor less than 30 days' prior notice (or, in the case of (c) below, not more than 30 days nor less than 5 days' prior notice) to the Note Trustee and the Noteholders in accordance with **Condition 14**, the Issuer may redeem a Series and Class of Notes at their aggregate Redemption Amount together with any accrued and unpaid interest in respect thereof on the following dates:

- (a) the date specified as the Step-Up Date for such Notes in the applicable Final Terms and on any Interest Payment Date for such Notes thereafter;
- (b) on such Interest Payment Date on which the aggregate Principal Amount Outstanding of such Notes and all other Classes of Notes of the same Series is less than 10 per cent. of the aggregate Principal Amount Outstanding of such Series of Notes as at the Closing Date on which such Series of Notes were issued; or
- (c) the date specified as the Optional Redemption Date for such Notes in the applicable Final Terms and on each Interest Payment Date for such Notes thereafter,

provided that (in any of the cases above), on or prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that (i) it will have the funds, not subject to any interest of any other person, required to redeem such Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with such Notes outstanding in accordance with the terms and conditions of the Issuer Deed of Charge and the Issuer Cash Management Agreement, and (ii) the Repayment Tests will be satisfied following the making of such redemptions, and further provided that (in the case of paragraph (c) above only) each of the Rating Agencies has confirmed that the then current ratings of each Series and Class of Notes then outstanding for which it provides a rating would not be reduced, withdrawn or qualified by such redemption. The Note Trustee shall be entitled to accept such certificate as sufficient evidence thereof (without liability and without further investigation) in which event it shall be conclusive and binding on the Noteholders and all other persons.

#### 5.5 Optional Redemption for Tax and other Reasons

Provided a Note Acceleration Notice has not been served, if the Issuer at any time satisfies the Note Trustee in writing immediately prior to the giving of the notice referred to below that on the next Interest Payment Date either:

- (a) the Issuer would by virtue of a change in the law or regulations of the United Kingdom or any other jurisdiction (or the application or interpretation thereof) be required to deduct or withhold from any payment of principal or interest or any other amount under a Series and Class of Notes any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature (other than where the relevant Holder or beneficial owner has some connection with the relevant jurisdiction other than the holding of the Notes); or
- (b) Funding 1 would be required to deduct or withhold from amounts due in respect of the Loan Tranche under the Intercompany Loan Agreement which was funded by such Notes any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature; and
- (c) in relation to either the events described in paragraph (a) and (b) above, such obligation of the Issuer or Funding 1 (as the case may be) cannot be avoided by the Issuer or Funding 1 (as the case may be) taking reasonable measures available to the Issuer or Funding 1 (as the case may be),

then the Issuer shall use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Note Trustee as principal debtor under such Notes and/or as lender of such Loan Tranche as the case may be, upon the Note Trustee (1) being satisfied that such substitution will not be materially prejudicial to the interests of Noteholders and (2) receiving a certificate signed by two directors of the Issuer or Funding 1, as the case may be, certifying that such substitution would enable the Issuer or Funding 1, as the case may be, to make payments of principal and interest under the relevant Series or Class of Notes or under the Intercompany Loan, as the case may be, without such deduction or withholding, and upon the Issuer Security Trustee being satisfied that (A) the position of the Issuer Secured Creditors (other than the Noteholders) will not thereby be adversely affected as confirmed in writing by such Issuer Secured Creditors to the Issuer Security Trustee, and (B) such substitution would not require registration of any new security under United States securities laws or materially increase the disclosure requirements under United States law or the costs of issuance as certified by the Issuer to the Issuer Security Trustee in writing. Only if the Issuer is unable to arrange a substitution will the Issuer be entitled to redeem the Notes as described in this **Condition 5.5**.

Subject to the proviso below, if the Issuer is unable to arrange a substitution as described above and, as a result, one or more of the events described in paragraph (a) or (b) above (as the case may be) is continuing, then the Issuer may, having given not more than 60 nor less than 30 days' notice to the Note Trustee and the Noteholders in accordance with **Condition 14**, redeem all (but not some only) of such Notes on the immediately succeeding Interest Payment Date for such Notes at their aggregate Redemption Amount together with any accrued and unpaid interest in respect thereof provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee:

- (i) a certificate signed by two directors of the Issuer stating the circumstances referred to in paragraph (a) or (b) and (c) above prevail and setting out details of such circumstances; and
- (ii) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to deduct or withhold such amounts as a result of such change or amendment.

The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence (without liability and without further investigation) of the satisfaction of the circumstance set out in (a) or (b) and (c) above, in which event they shall be conclusive and binding on the Noteholders. The Issuer may only redeem such Notes as aforesaid, if on or prior to giving such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that (A) it will have the funds, not subject to any interest of any other person, required to redeem such Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with such Notes outstanding in accordance with the terms and conditions of the Issuer Deed of Charge and the Issuer Cash Management Agreement, and (B) the Repayment Tests will be satisfied following the making of such redemptions. In addition to the foregoing, if at any time the Issuer delivers a certificate to Funding 1, the Note Trustee and the Issuer Security Trustee to the effect that it would be unlawful for the Issuer to make, fund or allow to remain outstanding a Loan Tranche under the Intercompany Loan Agreement, then the Issuer may require Funding 1 to prepay the relevant Loan Tranche on a Loan Tranche Payment Date subject to and in accordance with the provisions of the Intercompany Loan Agreement to the extent necessary to cure such illegality and the Issuer may redeem all (but not some only) of the relevant Notes corresponding to such Loan Tranche at their Redemption Amount together with any accrued interest upon giving not more than 60 nor less than 30 days' (or such shorter period as may be required under any relevant law) prior written notice to the Issuer Security Trustee, the Funding 1 Security Trustee, the Note Trustee, the relevant Issuer Swap Provider(s) and the Noteholders in accordance with **Condition 14**, provided that, prior to giving any notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the relevant Notes as provided above and any amount to be paid in priority to or *pari passu* with the relevant Notes. Such monies received by the Issuer shall be used to redeem the relevant Notes in full, together with any accrued and unpaid interest, on the equivalent Interest Payment Date. The Note Trustee shall be entitled to accept such certificate as sufficient evidence thereof (without liability and without further investigation) in which event it shall be conclusive and binding on the Noteholders and all other persons.

## 5.6 Optional Redemption in Part

Provided a Note Acceleration Notice has not been served and subject to the provisos below, upon giving not more than 30 nor less than 15 days' prior notice to the Note Trustee and the Noteholders in accordance with **Condition 14**, the Issuer may redeem a Series and Class of Notes in the Instalment Amounts specified in the applicable Final Terms, together with any accrued and unpaid interest in respect thereof, on the date specified as the Optional Partial Redemption Date in respect of such Instalment Amount

for such Notes in the applicable Final Terms and on any Interest Payment Date for such Notes thereafter, PROVIDED THAT on or prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that (i) it will have the funds, not subject to any interest of any other person, required to redeem such Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with such Notes in accordance with the terms and conditions of the Issuer Deed of Charge and the Issuer Cash Management Agreement, and (ii) the Repayment Tests will be satisfied following the making of such redemptions, and the Note Trustee shall be entitled to accept such certificate as sufficient evidence thereof (without liability and without further investigation) and without liability to any person in which event it shall be conclusive and binding on the Noteholders and all other persons.

## 5.7 Redemption Amounts

For the purposes of this **Condition 5**, **Redemption Amount** means, in respect of any Series and Class of Notes, the amount specified in relation to such Notes in the applicable Final Terms or, if not so specified:

- (a) in respect of each Note (other than a Zero Coupon Note), the Principal Amount Outstanding of such Note; and
- (b) in respect of each Zero Coupon Note, an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP = the Reference Price;

AY = the Accrual Yield expressed as a decimal; and

y = a fraction, the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the first Closing Date of the applicable Series and Class of Notes to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such Note becomes due and payable and the denominator of which is 360.

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to **Condition 5.1, 5.2, 5.4, 5.5** or **5.6** above or upon its becoming due and repayable as provided in **Condition 9** is improperly withheld or refused, the amount due and repayable in respect of such Note shall be the amount calculated as provided in paragraph (b) above as though the reference therein to the date fixed for the redemption or, as the case may be, the date upon which such Note becomes due and payable were replaced by reference to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) the date on which the full amount of the monies payable in respect of such Note has been received by the Principal Paying Agent or the Note Trustee or the Registrar and notice to that effect has been given to the Noteholders in accordance with **Condition 14**.

## 5.8 Mandatory Transfer of Remarketable Notes

- (i) The Remarketable Notes shall be transferred in accordance with paragraph (ii) below on each relevant Mandatory Transfer Date prior to the occurrence of a Mandatory Transfer Termination Event (as confirmed by the Remarketing Agent or Tender Agent by the provision of a Conditional Purchaser Confirmation to the Issuer and the Principal Paying Agent) in exchange for payment of the Mandatory Transfer Price, and the Issuer will procure payment of the Mandatory Transfer Price to the Holders of the Remarketable Notes on the relevant Mandatory Transfer Date, provided that the Issuer shall not be liable for the failure to make payment of the Mandatory Transfer Price to the extent that such failure is a result of the failure of the Remarketing Agent or the Conditional Purchaser to perform its obligations under the relevant agreements.

- (ii) Subject to paragraph (i) above, all the Noteholders' interests in the Remarketable Notes shall be transferred on the relevant Mandatory Transfer Date to the account of the Remarketing Agent on behalf of the relevant purchasers or as otherwise notified by or on behalf of the Remarketing Agent prior to such date or, if Definitive Notes are then issued with respect to the Remarketable Notes, the Remarketable Notes will be registered in the name of the Remarketing Agent or as otherwise notified by or on behalf of the Remarketing Agent by the Registrar and the Register will be amended accordingly with effect from the relevant Mandatory Transfer Date.

## **5.9 Increase in a Class Z Variable Funding Note**

A Class Z Variable Funding Noteholder may on any date (each an **Increase Date**) increase the Principal Amount Outstanding of a Class Z Variable Funding Note and cause a corresponding increase in the Specified Denomination of such Class Z Variable Funding Note, provided that such increase shall not cause the seller share to be reduced below the minimum seller share, by:

- (a) delivering to the Issuer, the Registrar and the Issuer Cash Manager a written notice (with a copy to the Note Trustee) indicating:
  - (i) the amount of the increase (the **Increase Amount**);
  - (ii) the date of the proposed increase (which may be the date on which the notice is provided); and
  - (iii) with satisfactory evidence, that it is the relevant Class Z Variable Funding Noteholder; and
- (b) subscribing for and paying an amount equal to the Increase Amount to the Issuer Transaction Account or such other account as the Issuer (or the Issuer Cash Manager) may direct from time to time).

The Issuer undertakes to lend the proceeds of the Increase Amount to Funding 1 by way of an increase in the size of the relevant NR VFN Loan Tranche.

## **6. PAYMENTS**

### **6.1 Payment of Interest and Principal**

Payments of principal shall be made by cheque in the Specified Currency, drawn on a Designated Bank, or upon application by a Holder of the relevant Note to the Specified Office of the Principal Paying Agent not later than the fifth Business Day before the Record Date (as defined in **Condition 6.7**), by transfer to a Designated Account maintained by the payee with a Designated Bank and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note at the Specified Office of any Paying Agent.

Payments of interest shall be made by cheque in the Specified Currency drawn on a Designated Bank, or upon application by a Holder of the relevant Note to the Specified Office of the Principal Paying Agent not later than the fifth Business Day before the Record Date, by transfer to a Designated Account maintained by the payee with a Designated Bank and (in the case of interest payable on final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note at the Specified Office of any Paying Agent.

### **6.2 Laws and Regulations**

Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on payments.

### **6.3 Payment of Interest Following a Failure to Pay Principal**

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with **Condition 4** will be paid in accordance with this **Condition 6**.

### **6.4 Change of Agents**

The initial Principal Paying Agent, the Registrar, the Transfer Agent and the U.S. Paying Agents are listed in these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Transfer Agent and the U.S. Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Paying Agent with a Specified Office in London and a U.S. Paying Agent with a Specified Office in New York and a Registrar. Except where otherwise provided in the Note Trust Deed, the Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents, the Transfer Agent or the Registrar or their Specified Offices to be given in accordance with **Condition 14** and will notify the Rating Agencies of such change or addition.

#### **6.5 No Payment on Non-Business Day**

Where payment is to be made by transfer to a Designated Account, payment instructions (for value the due date or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (a) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and, where applicable, the day on which the relevant Note is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (b) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (i) the due date for a payment not being a Business Day or (ii) a cheque mailed in accordance with this **Condition 6.5** arriving after the due date for payment or being lost in the mail.

#### **6.6 Partial Payment**

If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure and the Registrar will ensure 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 date of such payment is endorsed on the relevant Note.

#### **6.7 Record Date**

Each payment in respect of a Note will be made to the persons shown as the Holder in the Register (i) where the Note is in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date; and (ii) where in definitive form, at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the **Record Date**). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

#### **6.8 Payment of Interest**

Subject as provided otherwise in these Conditions, if interest is not paid in respect of a Note of any Class on the date when due and payable (other than because the due date is not a Business Day) or by reason of non-compliance with **Condition 6.1**, then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with **Condition 14**.

### **7. PRESCRIPTION**

Claims against the Issuer for payment of interest and principal on redemption shall be prescribed and become void unless claims in respect of principal and/or interest are made within a period of 10 years from the relevant date in respect thereof. After the date on which a payment under a Note becomes void in its entirety, no claim may be made in respect thereof. In this **Condition 7**, the **relevant date**, in respect of a payment under a Note, is the date on which the payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of those payments under all the Notes due on or before that date has not been duly received by the Principal Paying Agent, the U.S. Paying Agent or the Note Trustee (as the case may be) on or prior to such date) the date on which the full amount of such monies having been so received or notice to that effect is duly given to Noteholders in accordance with **Condition 14**.

### **8. TAXATION**

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any relevant Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such

withholding or deduction. In that event, the Issuer or such Paying Agent shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

## **9. EVENTS OF DEFAULT**

### **9.1 Class A Noteholders**

The Note Trustee in its absolute discretion may (and if so requested in writing by the Holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes (which for this purpose and the purpose of any Extraordinary Resolution referred to in this **Condition 9.1** means the Class A Notes of all Series constituted by the Note Trust Deed) or if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the Holders of the Class A Notes shall), subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a **Class A Note Acceleration Notice**) to the Issuer, the Issuer Security Trustee and the Funding 1 Security Trustee of a Note Event of Default (as defined below) declaring (in writing) the Class A Notes and all other Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events which is continuing or unwaived:

- (a) default being made for a period of three Business Days in the payment of any amount of principal of the Class A Notes of any Series when and as the same ought to be paid in accordance with these Conditions or default being made for a period of three Business Days in the payment of any amount of interest on the Class A Notes of any Series when and as the same ought to be paid in accordance with these Conditions; or
- (b) the Issuer failing duly to perform or observe any other obligation binding upon it under the Class A Notes of any Series, the Note Trust Deed, the Issuer Deed of Charge or any other Transaction Document and, in any such case (except where the Note Trustee certifies that, in its opinion, such failure is incapable of remedy, in which case no notice will be required), such failure is continuing unremedied for a period of 20 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied and the Note Trustee has certified that the failure to perform or observe is materially prejudicial to the interests of the Holders of the Class A Notes of such Series; or
- (c) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in subparagraph (d) below, ceases or threatens to cease to carry on its business or a substantial part of its business or the Issuer is deemed unable to pay its debts within the meaning of Section 123(1)(a), (b), (c) or (d) of the Insolvency Act 1986 (as amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or
- (d) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation, restructuring or merger the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the Holders of the Class A Notes; or
- (e) proceedings being otherwise initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for an administration or the service of a notice of intention to appoint an administrator) and (except in the case of presentation of a petition for an administration order) such proceedings are not, in the sole opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order being granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Issuer initiating or consenting to the foregoing proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of

its creditors generally or a composition or similar arrangement with the creditors or takes steps with a view to obtaining a moratorium in respect of its indebtedness, including without limitation, the filing of documents with the court; or

- (f) if an Intercompany Loan Acceleration Notice is served under the Intercompany Loan Agreement while the Class A Notes of any Series are outstanding.

## **9.2 Class B Noteholders**

This **Condition 9.2** shall have no effect if, and for as long as, any Class A Notes of any Series are outstanding. Subject thereto, for so long as any Class B Notes are outstanding, the Note Trustee in its absolute discretion may (and if so requested in writing by the Holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class B Notes (which for this purpose and the purpose of any Extraordinary Resolution referred to in this **Condition 9.2**, means the Class B Notes of all Series constituted by the Note Trust Deed) or if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the Holders of the Class B Notes shall), subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a **Class B Note Acceleration Notice**) to the Issuer, the Issuer Security Trustee and the Funding 1 Security Trustee of a Note Event of Default (as defined below) and declaring (in writing) the Class B Notes and all other Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

- (a) default being made for a period of three Business Days in the payment of any amount of principal of the Class B Notes of any Series when and as the same ought to be paid in accordance with these Conditions or default being made for a period of three Business Days in the payment of any amount of interest on the Class B Notes of any Series when and as the same ought to be paid in accordance with these Conditions; or
- (b) the occurrence of any of the events in **Condition 9.1(b), (c), (d), (e) or (f)** above provided that the references in **Condition 9.1(b), Condition 9.1(d) and Condition 9.1(f)** to Class A Notes shall be read as references to Class B Notes.

## **9.3 Class M Noteholders**

This **Condition 9.3** shall have no effect if, and for as long as, any Class A Notes or Class B Notes of any Series are outstanding. Subject thereto, for so long as any Class M Notes are outstanding, the Note Trustee in its absolute discretion may (and if so requested in writing by the Holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class M Notes (which for this purpose and the purpose of any Extraordinary Resolution referred to in this **Condition 9.3**, means the Class M Notes of all Series constituted by the Note Trust Deed) or if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the Holders of the Class M Notes shall), subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a **Class M Note Acceleration Notice**) to the Issuer, the Issuer Security Trustee and the Funding 1 Security Trustee of a Note Event of Default (as defined below) and declaring (in writing) the Class M Notes and all other Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

- (a) default being made for a period of three Business Days in the payment of any amount of principal of the Class M Notes of any Series when and as the same ought to be paid in accordance with these Conditions or default being made for a period of three Business Days in the payment of any amount of interest on the Class M Notes of any Series when and as the same ought to be paid in accordance with these Conditions; or
- (b) the occurrence of any of the events in **Condition 9.1(b), (c), (d), (e) or (f)** above provided that the references in **Condition 9.1(b), Condition 9.1(d) and Condition 9.1(f)** to Class A Notes shall be read as references to Class M Notes.

## **9.4 Class C Noteholders**

This **Condition 9.4** shall have no effect if, and for as long as, any Class A Notes, Class B Notes or Class M Notes of any Series are outstanding. Subject thereto, for so long as any Class C Notes are outstanding, the Note Trustee in its absolute discretion may (and if so requested in writing by the Holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class C Notes (which for this purpose and the purpose of any Extraordinary Resolution referred to in this **Condition 9.4**, means the Class C Notes of all Series constituted by the Note Trust Deed) or if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the Holders of the Class C Notes shall), subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a **Class C Note Acceleration**

**Notice**) to the Issuer, the Issuer Security Trustee and the Funding 1 Security Trustee of a Note Event of Default (as defined below) and declaring (in writing) the Class C Notes and all other Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

- (a) default being made for a period of three Business Days in the payment of any amount of principal of the Class C Notes of any Series when and as the same ought to be paid in accordance with these Conditions or default being made for a period of three Business Days in the payment of any amount of interest on the Class C Notes of any Series when and as the same ought to be paid in accordance with these Conditions; or
- (b) the occurrence of any of the events in **Condition 9.1(b), (c), (d), (e) or (f)** above provided that the references in **Condition 9.1(b), Condition 9.1(d) and Condition 9.1(f)** to Class A Notes shall be read as references to Class C Notes.

## **9.5 Class D Noteholders**

This **Condition 9.5** shall have no effect if, and for as long as, any Class A Notes, Class B Notes, Class M Notes or Class C Notes of any Series are outstanding. Subject thereto, for so long as any Class D Notes are outstanding, the Note Trustee in its absolute discretion may (and if so requested in writing by the Holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class D Notes (which for this purpose and the purpose of any Extraordinary Resolution referred to in this **Condition 9.5**, means the Class D Notes of all Series constituted by the Note Trust Deed) or if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the Holders of the Class D Notes shall), subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a **Class D Note Acceleration Notice**) to the Issuer, the Issuer Security Trustee and the Funding 1 Security Trustee of a Note Event of Default (as defined below) and declaring (in writing) the Class D Notes and all other Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

- (a) default being made for a period of three Business Days in the payment of any amount of principal of the Class D Notes of any Series when and as the same ought to be paid in accordance with these Conditions or default being made for a period of three Business Days in the payment of any amount of interest on the Class D Notes of any Series when and as the same ought to be paid in accordance with these Conditions; or
- (b) the occurrence of any of the events in **Condition 9.1(b), (c), (d), (e) or (f)** above provided that the references in **Condition 9.1(b), Condition 9.1(d) and Condition 9.1(f)** to Class A Notes shall be read as references to Class D Notes.

## **9.6 Class Z Noteholders**

This **Condition 9.6** shall have no effect if, and for as long as, any Class A Notes, Class B Notes, Class M Notes, Class C Notes or Class D Notes of any Series are outstanding. Subject thereto, for so long as any Class Z Notes are outstanding, the Note Trustee in its absolute discretion may (and if so requested in writing by the Holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class Z Notes (which for this purpose and the purpose of any Extraordinary Resolution referred to in this **Condition 9.6**, means the Class Z Notes of all Series constituted by the Note Trust Deed) or if so directed by or pursuant to an Extraordinary Resolution passed at a meeting of the Holders of the Class Z Notes shall), subject in each case to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a **Class Z Note Acceleration Notice**) to the Issuer, the Issuer Security Trustee and the Funding 1 Security Trustee of a Note Event of Default (as defined below) and declaring (in writing) the Class Z Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events:

- (a) default being made for a period of three Business Days in the payment of any amount of principal of the Class Z Notes of any Series when and as the same ought to be paid in accordance with these Conditions or default being made for a period of three Business Days in the payment of any amount of interest on the Class Z Notes of any Series when and as the same ought to be paid in accordance with these Conditions; or
- (b) the occurrence of any of the events in **Condition 9.1(b), (c), (d), (e) or (f)** above provided that the references in **Condition 9.1(b), Condition 9.1(d) and Condition 9.1(f)** to Class A Notes shall be read as references to Class Z Notes.

## 9.7 Following Service of a Note Acceleration Notice

In these Conditions, a **Note Acceleration Notice** means any of the Class A Note Acceleration Notice, the Class B Note Acceleration Notice, the Class M Note Acceleration Notice, the Class C Note Acceleration Notice, the Class D Note Acceleration Notice and the Class Z Note Acceleration Notice. For the avoidance of doubt, upon any Note Acceleration Notice being given by the Note Trustee in accordance with **Condition 9.1, 9.2, 9.3, 9.4, 9.5 or 9.6** all Notes shall immediately become due, without further action, notice or formality at their Principal Amount Outstanding together with accrued interest (or, in the case of a Zero Coupon Note, at its Redemption Amount, calculated in accordance with **Condition 5.7**).

## 10. ENFORCEMENT OF NOTES

### 10.1 Enforcement

Subject as provided in the Note Trust Deed, the Note Trustee may, at its discretion and without notice at any time and from time to time, take such steps or actions and institute such proceedings against the Issuer or any other person as it may think fit to enforce the provisions of the Notes, the Note Trust Deed (including these Conditions) or any of the other Transaction Documents to which it is a party and the Note Trustee may, at its discretion at any time after the Issuer Security has become enforceable (including after the service of a Note Acceleration Notice in accordance with **Condition 9**), instruct the Issuer Security Trustee to take such steps as it may think fit to enforce the Issuer Security. The Note Trustee shall not be bound to take such steps or institute such proceedings or give such instructions unless:

- (a) (subject in all cases to restrictions contained in the Note Trust Deed to protect the interests of any higher ranking Class of Noteholders) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class M Noteholders, the Class C Noteholders, the Class D Noteholders or the Class Z Noteholders (which for this purpose and the purpose of a request in writing as referred to below in this **Condition 10.1**, means the Holders of all Series of the Class A Notes, the Class B Notes, the Class M Notes, the Class C Notes, the Class D Notes or the Class Z Notes (as applicable)) or so requested in writing by the Holders of at least one quarter in aggregate Principal Amount Outstanding of the Class A Notes, Class B Notes, Class M Notes, Class C Notes, Class D Notes or Class Z Notes (as applicable) of all Series; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Issuer Security Trustee shall not be bound to and shall not take such steps or take any such other action unless it is so directed by the Note Trustee and indemnified and/or secured and/or prefunded to its satisfaction.

Amounts available for distribution after enforcement of the Issuer Security shall be distributed in accordance with the terms of the Issuer Deed of Charge.

No Noteholder may institute any proceedings against the Issuer to enforce its rights under or in respect of the Notes, the Note Trust Deed or the Issuer Deed of Charge unless (i) the Note Trustee or the Issuer Security Trustee, as applicable, has become bound to institute proceedings and has failed to do so within 30 days of becoming so bound and (ii) such failure is continuing; provided that, no Class B Noteholder, Class M Noteholder, Class C Noteholder, Class D Noteholder or Class Z Noteholder will be entitled to commence proceedings for the winding up or administration of the Issuer unless there are no outstanding Notes of a Class with higher priority, or if Notes of a Class with higher priority are outstanding, there is consent of Noteholders of not less than one quarter of the aggregate principal amount of the Notes outstanding (as defined in the Note Trust Deed) of the Class or Classes of Notes with higher priority or pursuant to an Extraordinary Resolution of the Holders of such Class of Notes. Notwithstanding the foregoing and notwithstanding any other provision of the Note Trust Deed, the right of any Noteholder to receive payment of principal and interest on its Notes on or after the due date for such principal or interest, or to institute suit for the enforcement of payment of that principal or interest, may not be impaired or affected without the consent of that Noteholder.

### 10.2 Limited Recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertaking of the Issuer the subject of any Issuer Security (the **Issuer Charged Assets**). If:

- (a) there are no Issuer Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Issuer Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Deed of Charge; and
- (c) there are insufficient amounts available from the Issuer Charged Assets to pay in full, in accordance with the provisions of the Issuer Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any) and interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

## **11. MEETINGS OF NOTEHOLDERS, MODIFICATIONS AND WAIVER**

### **11.1 Meetings of Noteholders**

The Note Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any provision of these Conditions or the provisions of any of the Transaction Documents.

#### **(a) Class A Notes**

In respect of the Class A Notes, the Note Trust Deed provides that, subject to **Condition 11.2**:

- (i) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class A Notes of one Class only shall be deemed to have been duly passed if passed at a meeting of the Holders of the Class A Notes of that Class;
- (ii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class A Notes of any two or more Classes but does not give rise to a conflict of interest between the Holders of any such two or more Classes of Class A Notes, shall be deemed to have been duly passed if passed at a single meeting of the Holders of such two or more Classes of Class A Notes; and
- (iii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class A Notes of any two or more Classes and gives or may give rise to a conflict of interest between the Holders of any such Classes of Class A Notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Holders of such two or more Classes of Class A Notes, it shall be passed at separate meetings of the Holders of each such Class of Class A Notes.

#### **(b) Class B Notes**

In respect of the Class B Notes, the Note Trust Deed provides that, subject to **Condition 11.2**:

- (i) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class B Notes of one Class only shall be deemed to have been duly passed if passed at a meeting of the Holders of the Class B Notes of that Class;
- (ii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class B Notes of any two or more Classes but does not give rise to a conflict of interest between the Holders of any such two or more Classes of Class B Notes, shall be deemed to have been duly passed if passed at a single meeting of the Holders of such two or more Classes of Class B Notes; and
- (iii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class B Notes of any two or more Classes and gives or may give rise to a conflict of interest between the Holders of any such Classes of Class B Notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Holders of such two or more Classes of Class B Notes, it shall be passed at separate meetings of the Holders of each such Class of Class B Notes.

**(c) Class M Notes**

In respect of the Class M Notes, the Note Trust Deed provides that, subject to **Condition 11.2**:

- (i) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class M Notes of one Class only shall be deemed to have been duly passed if passed at a meeting of the Holders of the Class M Notes of that Class;
- (ii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class M Notes of any two or more Classes but does not give rise to a conflict of interest between the Holders of any such two or more Classes of Class M Notes, shall be deemed to have been duly passed if passed at a single meeting of the Holders of such two or more Classes of Class M Notes; and
- (iii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class M Notes of any two or more Classes and gives or may give rise to a conflict of interest between the Holders of any such Classes of Class M Notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Holders of such two or more Classes of Class M Notes, it shall be passed at separate meetings of the Holders of each such Class of Class M Notes.

**(d) Class C Notes**

In respect of the Class C Notes, the Note Trust Deed provides that, subject to **Condition 11.2**:

- (i) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class C Notes of one Class only shall be deemed to have been duly passed if passed at a meeting of the Holders of the Class C Notes of that Class;
- (ii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class C Notes of any two or more Classes but does not give rise to a conflict of interest between the Holders of any such two or more Classes of Class C Notes, shall be deemed to have been duly passed if passed at a single meeting of the Holders of such two or more Classes of Class C Notes; and
- (iii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class C Notes of any two or more Classes and gives or may give rise to a conflict of interest between the Holders of any such Classes of Class C Notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Holders of such two or more Classes of Class C Notes, it shall be passed at separate meetings of the Holders of each such Class of Class C Notes.

**(e) Class D Notes**

In respect of the Class D Notes, the Note Trust Deed provides that, subject to **Condition 11.2**:

- (i) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class D Notes of one Class only shall be deemed to have been duly passed if passed at a meeting of the Holders of the Class D Notes of that Class;
- (ii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class D Notes of any two or more Classes but does not give rise to a conflict of interest between the Holders of any such two or more Classes of Class D Notes, shall be deemed to have been duly passed if passed at a single meeting of the Holders of such two or more Classes of Class D Notes; and
- (iii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class D Notes of any two or more Classes and gives or may give rise to a conflict of interest between the Holders of any such Classes of Class D Notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Holders of such two or more Classes of Class D Notes, it shall be passed at separate meetings of the Holders of each such Class of Class D Notes.

**(f) Class Z Notes**

In respect of the Class Z Notes, the Note Trust Deed provides that, subject to **Condition 11.2**:

- (i) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class Z Notes of one Class only shall be deemed to have been duly passed if passed at a meeting of the Holders of the Class Z Notes of that Class;
- (ii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class Z Notes of any two or more Classes but does not give rise to a conflict of interest between the Holders of any such two or more Classes of Class Z Notes, shall be deemed to have been duly passed if passed at a single meeting of the Holders of such two or more Classes of Class Z Notes; and
- (iii) a resolution which, in the sole opinion of the Note Trustee, affects the interests of the Holders of the Class Z Notes of any two or more Classes and gives or may give rise to a conflict of interest between the Holders of any such Classes of Class Z Notes, shall be deemed to have been duly passed only if, in lieu of being passed at a single meeting of the Holders of such two or more Classes of Class Z Notes, it shall be passed at separate meetings of the Holders of each such Class of Class Z Notes.

The quorum for any meeting of the Holders of any Series and Class of Notes or of any Classes of Notes of one or more Series convened to consider a resolution (except for the purpose of passing an Extraordinary Resolution or a Programme Resolution) will be one or more persons holding or representing not less than one-twentieth of the aggregate Principal Amount Outstanding of such Series and Class of Notes or such Classes of Notes of one or more Series or, at any adjourned meeting, one or more persons being or representing Noteholders of such Series and Class of Notes or such Classes of Notes for the time being outstanding of one or more Series, whatever the aggregate Principal Amount Outstanding of the relevant Notes for the time being outstanding so held or represented. A **resolution** means a resolution (excluding an Extraordinary Resolution or a Programme Resolution) passed at a meeting of Noteholders duly convened and held in accordance with the provisions of the Note Trust Deed by a simple majority of the persons voting thereat upon a show of hands or if a poll is duly demanded by a simple majority of the votes cast on such poll.

Subject as provided in the following paragraph, the quorum at any meeting of the Holders of any Series and Class of Notes or of any Classes of Notes of one or more Series of Notes convened to consider an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such Series and Class of Notes or such Classes of Notes of one or more Series or, at any adjourned meeting, one or more persons being or representing Noteholders of such Series and Class of Notes or such Classes of Notes of one or more Series of Notes, whatever the aggregate Principal Amount Outstanding of the relevant Notes so held or represented.

The quorum at any meeting of the Noteholders for passing an Extraordinary Resolution which includes the sanctioning of a modification which would have the effect of altering the amount or timing of payments of principal on the Notes of such Series and Class or of such Classes of Notes of one or more Series or the rate, the day or the timing of payments of interest thereon or of the currency of payment of the Notes of such Series and Class or of such Classes of Notes of one or more Series or altering the priority of payments or altering the quorum or majority required in relation to any resolution (each a **Basic Terms Modification**, as more fully defined in the Note Trust Deed) shall be one or more persons holding or representing not less than 75 per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant Series and Class or of the Classes of Notes of one or more Series of Notes or, at any adjourned and reconvened meeting, not less than 25 per cent. of the aggregate Principal Amount Outstanding of the Notes of the relevant Series and Class or of the Classes of Notes of one or more Series.

An Extraordinary Resolution passed at any meeting of Noteholders shall be binding on all of the Noteholders of the relevant Series and Class or of the Classes of Notes of one or more Series whether or not they are present or represented at the meeting.

In connection with any meeting of Noteholders where the relevant Notes (or any of them) are not denominated in Sterling, the Principal Amount Outstanding of any Note not denominated in Sterling shall be converted into Sterling at the relevant Specified Currency Exchange Rate.

A resolution signed by or on behalf of all the Noteholders of the relevant Series and Class or of the relevant Classes of Notes of one or more Series who for the time being are entitled to receive notice of a meeting under the Note Trust Deed shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Holders of such Series and Class or of the relevant Classes of Notes of one or more Series.

Every such meeting shall be held at such time and place as the Note Trustee may appoint or approve, provided that the place shall be a location in the United Kingdom (or, if applicable, the European Union). At least 21 days' (and no more than 365 days') notice specifying the place, day and hour of meeting shall be given to the relevant Noteholders prior to any meeting of such Noteholders.

## **11.2 Programme Resolution**

Notwithstanding the provisions of **Condition 11.1**, any Extraordinary Resolution of the Noteholders of any Class to direct the Note Trustee to give a Note Acceleration Notice pursuant to **Condition 9** or take any enforcement action or instruct the Issuer Security Trustee to enforce the Issuer Security pursuant to **Condition 10** (a **Programme Resolution**) shall only be capable of being passed at a single meeting of the Noteholders of all Series of such Class of Notes. The quorum at any such meeting for passing a Programme Resolution shall be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the Notes of such Class or, at any adjourned and reconvened meeting, one or more persons being or representing Noteholders of such Class of Notes, whatever the aggregate Principal Amount Outstanding of such Class of Notes so held or represented by them.

A Programme Resolution passed at any meeting of all Series of any Class of Notes shall be binding on all Noteholders of all Series of that Class of Notes, whether or not they are present or represented at the meeting.

## **11.3 Limitations on Noteholders**

Subject as provided in **Condition 11.4**:

- (a) an Extraordinary Resolution of the Class A Noteholders of any Series shall be binding on all Class B Noteholders, all Class M Noteholders, all Class C Noteholders, all Class D Noteholders and all Class Z Noteholders, in each case, of that Series or of any other Series irrespective of the effect upon them;
- (b) no Extraordinary Resolution of the Class B Noteholders of any Series shall take effect for any purpose while any Class A Notes (of that Series or of any other Series) remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders of each Series or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders of any Series (as applicable) and, subject hereto and to **Condition 11.4**, an Extraordinary Resolution of the Class B Noteholders of any Series will be binding on all Class M Noteholders, all Class C Noteholders, all Class D Noteholders and all Class Z Noteholders, in each case, of that or of any other Series irrespective of the effect upon them;
- (c) no Extraordinary Resolution of the Class M Noteholders of any Series shall take effect for any purpose while any Class A Notes or Class B Notes (in each case, of that Series or of any other Series) remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders and an Extraordinary Resolution of the Class B Noteholders, in each case of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders and/or the Class B Noteholders of any Series (as applicable) and, subject hereto and to **Condition 11.4**, an Extraordinary Resolution of the Class M Noteholders of any Series will be binding on all Class C Noteholders, all Class D Noteholders and all Class Z Noteholders, in each case, of that or of any other Series irrespective of the effect upon them;
- (d) no Extraordinary Resolution of the Class C Noteholders of any Series shall take effect for any purpose while any Class A Notes, Class B Notes or Class M Notes (in each case, of that Series or of any other Series) remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders, an Extraordinary Resolution of the Class B Noteholders and an Extraordinary Resolution of the Class M Noteholders, in each case of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and/or the Class M Noteholders of any Series (as applicable) and, subject hereto and to **Condition 11.4**, an Extraordinary Resolution of the Class C Noteholders of any Series will be binding on all Class D Noteholders and all Class Z Noteholders of that or of any other Series irrespective of the effect upon them;
- (e) no Extraordinary Resolution of Class D Noteholders of any Series shall take effect for any purpose while any Class A Notes, Class B Notes, Class M Notes or Class C Notes (in each

case, of that Series or of any other Series) remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders, an Extraordinary Resolution of the Class B Noteholders, an Extraordinary Resolution of the Class M Noteholders and an Extraordinary Resolution of the Class C Noteholders, in each case of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class M Noteholders and/or the Class C Noteholders of any Series (as applicable) and, subject hereto and to **Condition 11.4**, an Extraordinary Resolution of the Class D Noteholders of any Series will be binding on all Class Z Noteholders of that or of any other Series irrespective of the effect upon them; and

- (f) no Extraordinary Resolution of Class Z Noteholders of any Series shall take effect for any purpose while any Class A Notes, Class B Notes, Class M Notes, Class C Notes or Class D Notes (in each case, of that Series or of any other Series) remain outstanding unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders, an Extraordinary Resolution of the Class B Noteholders, an Extraordinary Resolution of the Class M Noteholders, an Extraordinary Resolution of the Class C Noteholders and an Extraordinary Resolution of the Class D Noteholders, in each case of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class M Noteholders, the Class C Noteholders and/or the Class D Noteholders of any Series (as applicable).

#### **11.4 Approval of Modifications and Waivers by Noteholders**

No Extraordinary Resolution of the Noteholders of any one or more Series of Class A Notes to sanction a modification of, or any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Transaction Documents or these Conditions of any Series and Class of Notes shall take effect unless it has been sanctioned by an Extraordinary Resolution of the Class B Noteholders, an Extraordinary Resolution of the Class M Noteholders, an Extraordinary Resolution of the Class C Noteholders, an Extraordinary Resolution of the Class D Noteholders and an Extraordinary Resolution of the Class Z Noteholders, in each case of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class B Noteholders, the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders of any Series.

No Extraordinary Resolution of the Noteholders of any one or more Series of Class B Notes to sanction a modification of, or any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Transaction Documents or these Conditions of any Series and Class of Notes shall take effect unless it has been sanctioned by an Extraordinary Resolution of the Class M Noteholders, an Extraordinary Resolution of the Class C Noteholders, an Extraordinary Resolution of the Class D Noteholders and an Extraordinary Resolution of the Class Z Noteholders, in each case of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class M Noteholders, the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders of any Series.

No Extraordinary Resolution of the Noteholders of any one or more Series of Class M Notes to sanction a modification of, or any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Transaction Documents or these Conditions of any Series and Class of Notes shall take effect unless it has been sanctioned by an Extraordinary Resolution of the Class C Noteholders, an Extraordinary Resolution of the Class D Noteholders and an Extraordinary Resolution of the Class Z Noteholders, in each case of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class C Noteholders, the Class D Noteholders and the Class Z Noteholders of any Series.

No Extraordinary Resolution of the Noteholders of any one or more Series of Class C Notes to sanction a modification of, or any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Transaction Documents or these Conditions of any Series and Class of Notes shall take effect unless it has been sanctioned by an Extraordinary Resolution of the Class D Noteholders and an Extraordinary Resolution of the Class Z Noteholders, in each case, of each Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class D Noteholders and the Class Z Noteholders of any Series.

No Extraordinary Resolution of the Noteholders of any one or more Series of Class D Notes to sanction a modification of, or any waiver or authorisation of any breach or proposed breach of, any of the provisions of the Transaction Documents or these Conditions of any Series and Class of Notes shall take effect unless it has been sanctioned by an Extraordinary Resolution of the Class Z Noteholders of each

Series, or the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class Z Noteholders of any Series.

#### **11.5 Modifications and Determinations by Note Trustee**

Subject as provided in the Trust Deed, the Note Trustee may, without the consent of the Noteholders:

- (a) agree to any modification (other than a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions of any Series and Class of Notes or any of the Transaction Documents which is not in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders of any Series and Class of Notes; or
- (b) determine that any Note Event of Default shall not be treated as such provided that it is not in the opinion of the Note Trustee materially prejudicial to the interests of the Holders of the most senior Class of Notes then outstanding; or
- (c) agree to any modification (including a Basic Terms Modification) of these Conditions of any Series and Class of Notes or any of the Transaction Documents which, in the opinion of the Note Trustee, is of a formal, minor or technical nature or is to correct a manifest error or proven error established as such to the satisfaction of the Note Trustee or is to comply with the mandatory provisions of law; or
- (d) agree to any modification of any of these Conditions or any Transaction Documents as expressly provided for in the Transaction Documents.

Subject as provided in the Trust Deed, the Note Trustee shall be obliged, without the consent or sanction of the Noteholders, to concur with the Issuer, and to direct the Issuer Security Trustee and the Security Trustee to concur with the Issuer, in making any modification (other than a Basic Terms Modification, provided that a Base Rate Modification (as defined below) shall not constitute a Basic Terms Modification) of these Conditions or any of the Transaction Documents that the Issuer (acting on the advice of the Issuer Cash Manager) considers necessary for the purpose of changing the screen rate or base rate (the **Applicable Base Rate**) that then applies in respect of the Floating Rate Notes, the Issuer Swap Agreements, the Loan Tranches, in each case, in relation only to Notes issued on or after 13 September 2019 and/or the Funding 1 Swaps (such replacement rate, an **Alternative Base Rate**) and making, such other related or consequential amendments as are necessary or advisable in the reasonable judgment of the Issuer and/or Funding 1 (in each case, acting on the advice of the Issuer Cash Manager) to facilitate such change (a **Base Rate Modification**), provided that, in relation to any such Base Rate Modification:

- (i) the Issuer (or the Issuer Cash Manager, acting on behalf of the Issuer) certifies to the Note Trustee in writing (such certificate, a **Base Rate Modification Certificate**) that such Base Rate Modification is being undertaken due to:
  - (A) a material disruption to LIBOR, EURIBOR or any other relevant interest rate benchmark, an adverse change in the methodology of calculating such interest rate benchmark or such interest rate benchmark ceasing to exist or be published;
  - (B) the insolvency or cessation of business of the administrator of LIBOR, EURIBOR or any other relevant interest rate benchmark (in circumstances where no successor administrator has been appointed);
  - (C) a public statement by the administrator of LIBOR, EURIBOR or any other relevant interest rate benchmark that it has or will cease publishing the relevant interest rate benchmark permanently or indefinitely (in circumstances where no successor administrator has been appointed) or has or will change such interest rate benchmark in an adverse manner;
  - (D) a public statement by the supervisor of the administrator of LIBOR, EURIBOR or any other relevant interest rate benchmark that the relevant interest rate benchmark has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner;

- (E) a public statement by the supervisor of the administrator of LIBOR, EURIBOR or any other relevant interest rate benchmark that means the relevant interest rate benchmark may no longer be used or that its use is or will be subject to restrictions or adverse consequences;
  - (F) a public announcement of the permanent or indefinite discontinuation of the relevant screen rate or base rate that applies to the Floating Rate Notes at such time;
  - (G) it becoming unlawful for any Paying Agent, the Agent Bank, any calculation agent, the Issuer or the Issuer Cash Manager to calculate any payments due to be made to any Noteholder or any party to the Transaction Documents using the Applicable Base Rate; or
  - (H) the reasonable expectation of the Issuer (or the Issuer Cash Manager, acting on behalf of the Issuer) that any of the events specified in paragraphs (A) to (G) above will occur or exist within six months of the proposed effective date of such Base Rate Modification;
- (ii) such Alternative Base Rate is a base rate published, endorsed, approved or recognised by the Federal Reserve, the Bank of England or the European Central Bank, any regulator in the United States, the United Kingdom or the European Union or any stock exchange on which the Notes are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);
  - (iii) each of the Rating Agencies confirms in writing to the Issuer (copied to the Note Trustee) that the then current ratings of any Rated Notes will not be downgraded, withdrawn or qualified as a result of such Base Rate Modification (it being acknowledged that none of the Rating Agencies has any obligation to provide such confirmation at any time and that the confirmation of one of the Rating Agencies may be sufficient for that purpose; provided that (i) a written request for confirmation or response has been delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee) and (ii) one or more Rating Agencies either (x) indicates it does not consider such confirmation or response necessary, or (y) provides no confirmation or response within a reasonable timeframe)); and
  - (iv) the Seller or the Issuer pays all fees, costs and expenses (including legal fees) properly incurred by the Issuer, the Note Trustee and or any other Transaction Party in connection with such Base Rate Modification,

**provided that:**

- (x) at least 35 calendar days' prior written notice of any such proposed Base Rate Modification has been given to the Note Trustee;
- (y) the Base Rate Modification Certificate in relation to such Base Rate Modification shall be provided to the Note Trustee both at the time the Note Trustee is notified of the proposed Base Rate Modification and on the date that such Base Rate Modification takes effect; and
- (z) the Issuer Cash Manager, acting on behalf of the Issuer, certifies in writing to the Note Trustee (which certification may be in the Base Rate Modification Certificate) that the Issuer has provided at least 30 calendar days' notice to the Noteholders of the proposed Base Rate Modification in accordance with **Condition 14** and Noteholders representing at least 10 per cent. of the Aggregate Principal Amount Outstanding of the most senior Class of Floating Rate Notes then outstanding have not contacted the Issuer or the Principal Paying Agent (acting on behalf of the Issuer) in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Floating Rate Notes may be held) within such notification period notifying the Issuer or the Principal Paying Agent (acting on behalf of the Issuer) that such Noteholders do not consent to the Base Rate Modification.

If Noteholders representing at least 10 per cent. of the Aggregate Principal Amount Outstanding of the most senior Class of Floating Rate Notes then outstanding have notified the Issuer or the Principal Paying Agent (acting on behalf of the Issuer) in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Floating Rate Notes may be held) within the notification period referred to above that they do not consent to the Base Rate Modification, then such Base Rate Modification will not be made unless an Extraordinary Resolution of the Noteholders of the most senior Class of Floating Rate Notes then outstanding is passed in favour of such Base Rate Modification in accordance with this **Condition 11**.

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

Nothing in this paragraph (d) affects the rights of the Noteholders of Notes issued prior to 5 March 2018 in relation to amendments to the Funding 1 Swaps.

Notwithstanding anything to the contrary in this **Condition 11** or any Transaction Document, when implementing any Base Rate Modification pursuant to this **Condition 11.5**:

- 11.6 the Note Trustee shall not consider the interests of the Noteholders, any other Secured Creditor or any other person and shall act and rely solely, and without further enquiry or liability, on any certificate (including any Base Rate Modification Certificate) or evidence provided to it by the Issuer or the Issuer Cash Manager acting on behalf of the Issuer 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 Base Rate Modification is or may be materially prejudicial to the interests of any such person; and
- (2) the Note Trustee shall not be obliged to agree to any modification which, in the sole opinion of the Note Trustee, would have the effect of (i) exposing the Note Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction and/or (ii) increasing the obligations or duties, or decreasing the rights or protections, of the Note Trustee in the Issuer Transaction Documents and/or these Conditions.

For the avoidance of doubt, the Issuer (or the Issuer Cash Manager, acting on behalf of the Issuer) may propose an Alternative Base Rate on more than one occasion provided that the conditions set out in this **Condition 11.5** are satisfied.

For the avoidance of doubt, the Note Trustee shall be entitled to assume, without further investigation or inquiry, that such modification, waiver, determination or authorisation will not be materially prejudicial to the interests of the Noteholders or any Class or Series thereof if each of the Rating Agencies rating the relevant Series and/or Class of Notes has confirmed in writing that the then current ratings of the applicable Series and/or Class of Notes for which it provides a rating would not be reduced, withdrawn or qualified by such modification, waiver, determination or authorisation. Any such modification, waiver, authorisation or determination shall be binding on the relevant Noteholders and any such modification shall be notified to the relevant Noteholders and the Rating Agencies in accordance with **Condition 14** as soon as practicable thereafter.

Without prejudice to Clauses 20.1, 20.2, 20.3 and 20.4 of the Note Trust Deed, the Note Trustee shall, without the consent of any holders of any Series or Class of Notes issued after the date hereof, be required to give its consent to, and direct the Issuer Security Trustee and the Funding 1 Security Trustee to consent to, any modifications to these Conditions or any of the Transaction Documents that are requested by the Issuer or the Cash Manager, provided that the Issuer has certified to the Note Trustee in writing that such modifications are required in order to comply with any requirements which apply to it under European Regulation 648/2012 of 4 July 2012, known as the European Market Infrastructure Regulation (**EMIR**) as amended by the EMIR Refit 2.1, irrespective of whether such modifications are materially prejudicial to the interests of the Noteholders of any Series or Class of Notes or any other Issuer Secured Creditor and provided such modifications do not relate to a Basic Terms Modification. The Note Trustee shall not be obliged to agree to any modification pursuant to this paragraph which (in the sole opinion of the Note Trustee) would have the effect of (a) exposing the Note Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (b) increasing the obligations or duties, or decreasing the protections, of the Note Trustee in the Transaction Documents and/or the Conditions.

In addition, without prejudice to Clause 21.1 of the Note Trust Deed, the Note Trustee shall, without the consent of any holders of any Series or Class of Notes, be required to give its consent to any modifications to these Conditions or any of the Transaction Documents that are requested by the Issuer, provided that the Issuer has certified to the Note Trustee in writing by two directors that such modifications are required to:

- (i) remove any one of the Rating Agencies (a **Removed Rating Agency**) from rating Notes issued on or after the date of the base prospectus (an **Existing Rating Agency Removal**); and/or
- (ii) reappoint any such Removed Rating Agency or substitute any such Removed Rating Agency for one of the remaining two Rating Agencies (an **Existing Rating Agency Reappointment**),

(each of an Existing Rating Agency Removal and an Existing Rating Agency Reappointment, a **Ratings Modification Event**), irrespective of whether such modifications are materially prejudicial to the interests of the Noteholders of any Series or Class of Notes or any other Issuer Secured Creditor, provided that, in each case and at all times, each Series and Class of Notes continues to be rated by at least two Rating Agencies. The Note Trustee shall not be obliged to agree to any modification pursuant to this paragraph which (in the sole opinion of the Note Trustee) would have the effect of (a) exposing the Note Trustee to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction; or (b) increasing the obligations or duties, or decreasing the protections, of the Note Trustee in the Transaction Documents and/or the Conditions.

The above provisions relating to a ratings modification event (together with consequential modifications to the Terms And Conditions of a Series and Class of Notes and/or the Transaction Documents) do not apply in respect of (i) the Existing Notes and (ii) any Notes issued on or after the date of the base prospectus which will be consolidated with and form a single Series with any Existing Notes.

The Noteholders of any Series or Class of Notes and any other Issuer Secured Creditors shall be deemed to have instructed the Note Trustee to concur with such modifications and shall be bound by such modifications regardless of whether or not such modifications are materially prejudicial to the interests of Noteholders and the other Issuer Secured Creditors.

Any modification, waiver, authorisation or determination made pursuant to this **Condition 11.5** shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders and the Rating Agencies in accordance with **Condition 14** as soon as practicable thereafter.

#### **11.7 Redenomination**

The Note Trustee may agree, without the consent of the Holders of the Sterling Notes on or after the Specified Date (as defined below), to such modifications to the Sterling Notes and the Note Trust Deed in respect of redenomination of such Sterling Notes in euro and associated reconventioning, renominatisation and related matters in respect of such Sterling Notes as may be proposed by the Issuer (and confirmed by an independent financial institution approved by the Note Trustee to be in conformity with then applicable market conventions) and to provide for redemption at the euro equivalent of the Sterling principal amount of the Sterling Notes. For these purposes, **Specified Date** means the date on which the United Kingdom participates in the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, or otherwise participates in European economic and monetary union in a manner with an effect similar to such third stage.

Any such modification shall be binding on the Holders of the Sterling Notes and, unless the Note Trustee agrees otherwise, any such modification shall be notified to such Noteholders in accordance with **Condition 14** as soon as practicable thereafter.

#### **11.8 Exercise of Note Trustee's Functions**

Where the Note Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions under these Conditions or any Transaction Document, to have regard to the interests of the Noteholders of any Class, it shall have regard to the interests of such Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, the Note Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. In connection with any such exercise, the Note Trustee shall not be entitled to

require, and no Noteholder shall be entitled to claim, from the Issuer or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

## **12. INDEMNIFICATION OF THE NOTE TRUSTEE AND THE ISSUER SECURITY TRUSTEE**

The Note Trust Deed, the Issuer Deed of Charge and the Funding 1 Deed of Charge set out certain provisions for the benefit of the Note Trustee, the Issuer Security Trustee and the Funding 1 Security Trustee. The following is a summary of such provisions and is subject to the more detailed provisions of the Note Trust Deed, the Issuer Deed of Charge and the Funding 1 Deed of Charge.

The Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee, the Issuer Security Trustee and the Funding 1 Security Trustee and providing for their indemnification in certain circumstances, including, among others, provisions relieving the Issuer Security Trustee, the Note Trustee and the Funding 1 Security Trustee from taking enforcement proceedings or enforcing the Issuer Security and/or the Funding 1 Security, as the case may be, unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Note Trustee, the Issuer Security Trustee and the Funding 1 Security Trustee and their related companies are entitled to enter into business transactions with the Issuer, any member of the Santander UK's group of companies, the Issuer Cash Manager and/or the related companies of any of them and to act as note trustee or security trustee for the holders of any new notes and/or any other person who is a party to any Transaction Document or whose obligations are comprised in the Issuer Security or the Funding 1 Security and/or any of its subsidiary or associated companies without accounting for any profit resulting therefrom.

Neither the Note Trustee, the Issuer Security Trustee nor the Funding 1 Security Trustee will be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security or the Funding 1 Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Note Trustee or the Issuer Security Trustee or the Funding 1 Security Trustee, as applicable.

Furthermore, the Note Trustee, the Issuer Security Trustee and the Funding 1 Security Trustee will be relieved of liability for making searches or other inquiries in relation to the assets comprising the Issuer Security and Funding 1 Security. The Note Trustee, the Issuer Security Trustee and the Funding 1 Security Trustee do not have any responsibility in relation to the legality and the enforceability of the trust arrangements and the related Issuer Security and Funding 1 Security. None of the Note Trustee, the Issuer Security Trustee or the Funding 1 Security Trustee will be obliged to take any action that might result in its incurring personal liabilities. None of the Note Trustee, the Issuer Security Trustee or the Funding 1 Security Trustee is obliged to monitor or investigate the performance of any other person under the Transaction Documents and is entitled to assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, unless it receives express notice to the contrary.

None of the Note Trustee, the Issuer Security Trustee or the Funding 1 Security Trustee will be responsible for any deficiency that may arise because it is liable to tax in respect of the proceeds of any Issuer Security or any Funding 1 Security.

The Bank of New York Mellon, London Branch, (the **Initial Trustee**) is acting as Note Trustee under the Note Trust Deed and as Issuer Security Trustee under the Issuer Deed of Charge and as Funding 1 Security Trustee under the Funding 1 Deed of Charge (and while doing so the Initial Trustee and any successor which acts in all such capacities are referred to in this Condition as the **Trustee**). No entity may act as a trustee in any such capacity unless it is also the Trustee or unless the Trustee agrees otherwise or unless the Trustee resigns its office as trustee in one or more of such capacities. In its capacity as Trustee, the Trustee will not be liable to any Noteholder for any loss which he may suffer by reason of any conflict which may arise between the interests of the Noteholders and any other person to whom the Trustee owes duties as a result of the Trustee acting in all such capacities.

Neither the Initial Trustee nor any of its successors has any responsibility to Noteholders, the Issuer Secured Creditors or the Funding 1 Secured Creditors for the validity, sufficiency or enforceability of the Issuer Security and the Funding 1 Security (which the Initial Trustee has not investigated) and shall accept such title and interest as any chargor or mortgagor has without responsibility for investing the same or any defect there may be therein. Neither the Initial Trustee nor any of its successors are responsible for monitoring the performance by any person of its obligations to the Issuer, Funding 1, any Further Funding Companies or any obligor and each may assume until it has actual knowledge to the contrary that such obligations are being duly performed.

### 13. REPLACEMENT OF NOTES

If Definitive Notes are lost, stolen, mutilated, defaced or destroyed, the Noteholder can replace them at the Specified Office of any Paying Agent subject to all applicable laws and stock exchange requirements. The Noteholder will be required both to pay the expenses of producing a replacement and to comply with the Issuer's, the Registrar's and the Paying Agents' reasonable requests for evidence and indemnity.

If a Global Note is lost, stolen, mutilated, defaced or destroyed, the Issuer will deliver a replacement Global Note to the registered holder upon receipt of satisfactory evidence and surrender of any defaced or mutilated Global Note. A replacement will only be made upon payment of the expenses for a replacement and compliance with the Issuer's, Registrar's and Paying Agents' reasonable requests as to evidence and indemnity.

Defaced or mutilated Notes must be surrendered before replacements will be issued.

### 14. NOTICE TO NOTEHOLDERS

#### 14.1 Publication of Notice

Any notice to Noteholders shall be validly given if such notice is:

- (a) published on the Relevant Screen; and
- (b) for so long as the notes are admitted to trading on the London Stock Exchange's regulated market and listed on the official list of the Financial Conduct Authority, (i) published by delivery to the applicable clearing system, or (ii) any notice shall also be published in accordance with the relevant listing rules and regulations.

#### 14.2 Date of Publication

Any notices so published shall be deemed to have been given on the fourth day after the date of posting, or as the case may be, on the date of such publication or, if published more than once on different dates, on the first date on which publication shall have been made on the Relevant Screen on which publication is required, or, in the case of notices provided pursuant to **Condition 14.1(b)(i) above**, on the same day that such notice was delivered.

#### 14.3 Global Notes

While the Notes are represented by Global Notes, any notice to Noteholders will be validly given if such notice is provided in accordance with **Condition 14.1** or (at the option of the Issuer) if delivered to DTC (in the case of the Rule 144A Notes held within the DTC system) or Euroclear and/or Clearstream, Luxembourg (in the case of the Reg S Notes and Rule 144A Notes held under the NSS) or (if specified in the applicable Final Terms) if delivered through any **Alternative Clearing System** specified therein. Any notice delivered to the DTC and/or Euroclear and/or Clearstream, Luxembourg and/or such Alternative Clearing System will be deemed to be given on the day of such delivery.

#### 14.4 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any Series or 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 exchanges on which the Notes are then admitted for trading and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

### 15. NOTES ISSUES

The Issuer shall (subject to satisfaction of the Issuance Tests) be at liberty, without the consent of the Noteholders, to create and issue Notes from time to time.

### 16. RATING AGENCIES

If:

- (a) a confirmation of rating or other response by a Rating Agency is a condition to any action or step under any Transaction Document; and

- (b) a written request for such confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and/or the Issuer Security Trustee and/or the Funding 1 Security Trustee, as applicable) and one or more of the Rating Agencies (each a **Non-Responsive Rating Agency**) indicates that it does not consider such confirmation or response necessary in the circumstances or within 30 days of delivery of such request elicits no confirmation or response and/or such request elicits no statement by such Rating Agency that such confirmation or response could not be given; and
- (c) at least one Rating Agency gives such a confirmation or response based on the same facts,

then such condition shall be deemed to be modified with respect to the facts set out in the request referred to in (b) so that there shall be no requirement for the confirmation or response from the Non-Responsive Rating Agency.

The Note Trustee and/or the Issuer Security Trustee and/or the Funding 1 Security Trustee, as applicable, shall be entitled to treat as conclusive a certificate by any director, officer or employee of the Issuer, Funding 1, the Seller, any investment bank or financial adviser acting in relation to the Notes as to any matter referred to in (b) in the absence of manifest error or the Note Trustee and/or the Issuer Security Trustee and/or the Funding 1 Security Trustee, as applicable, having facts contradicting such certificates specifically drawn to his attention and the Note Trustee and/or the Issuer Security Trustee and/or the Funding 1 Security Trustee, as applicable, shall not be responsible for any loss, liability, costs, damages, expenses or inconvenience that may be caused as a result.

## **17. GOVERNING LAW AND JURISDICTION**

The Transaction Documents and the Notes (and any non-contractual obligations arising out of or in connection with them) are governed by English law unless specifically stated to the contrary. Certain provisions in the Transaction Documents relating to property situated in Scotland are governed by Scots law. Unless specifically stated to the contrary:

- (a) the courts of England are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and the Transaction Documents; and
- (b) the Issuer and the other parties to the Transaction Documents irrevocably submit to the non-exclusive jurisdiction of the courts of England.

## **18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy of a third party which exists or is available apart from that Act.

## **19. DEFINITIONS**

Unless otherwise defined in these Conditions or unless the context otherwise requires, in these Conditions the following words shall have the following meanings and any other capitalised terms used in these Conditions shall have the meanings ascribed to them or incorporated in the Note Trust Deed or the Master Definitions and Construction Schedule. The provisions of Clause 2 (Interpretation and Construction) of the Issuer Master Definitions and Construction Schedule are incorporated into and shall apply to these Conditions.

**Accession Agreement** means, in respect of the Issuer Master Definitions and Construction Schedule (as defined below) an agreement pursuant to which a company agrees to become a party to the Issuer Master Definitions and Construction Schedule;

**Account Bank A** means the bank at which the Funding 1 Transaction Account is maintained from time to time (being The Bank of New York Mellon, London Branch, and, thereafter, such other replacement account banks as Funding 1 may choose with the prior written approval of the Funding 1 Security Trustee in accordance with the Funding 1 Bank Account Agreement);

**Account Bank B** means the bank at which the Funding 1 GIC Account is maintained from time to time (being Santander UK plc acting through its offices at 2 Triton Square, Regent's Place, London NW1 3AN and, thereafter, such other replacement account banks as Funding 1 may choose with the prior written approval of the Funding 1 Security Trustee in accordance with the Funding 1 Bank Account Agreement);

**Accrual Yield** means, in respect of any Series and Class (or Sub-Class) of Master Issuer Notes, the yield specified as such for such Notes in the relevant Final Terms;

**Additional Business Centre** means, in respect of any Series and Class of Notes, each place specified as such for such Notes in the applicable Final Terms;

**Agents** means the Paying Agents, the Transfer Agent, the Registrar and the Agent Bank;

**Agent Bank** means Citibank, N.A., London Branch in its capacity as agent bank at its Specified Office or such other person for the time being acting as agent bank under the Paying Agent and Agent Bank Agreement;

**Alliance & Leicester** means Alliance & Leicester Limited (formerly Alliance & Leicester plc) (registered number 03263713), a private limited company incorporated under the laws of England and Wales, whose registered office is at Carlton Park, Narborough, Leicester LE10 0AL;

**Broken Amount** means, in respect of any Series and Class of Notes, the amount specified as such (if any) for such Notes in the applicable Final Terms;

**Bullet Redemption Notes** means any Series and Class (or Sub-Class) of Notes which is scheduled to be repaid in full on one Interest Payment Date;

**Business Day** has the meaning set forth in **Condition 4.2(a)** and, if (i) the relevant Final Terms specify that the Reference Rate is "Compounded Daily SOFR" and (ii) a SOFR Index Cessation Effective Date has not occurred, a U.S. Government Securities Business Day;

**Capital Requirements Regulation** means Regulation (EU) No. 575/2013 (as amended by the CRR Amendment Regulation);

**CDOR** means the Canadian Dealer Offered Rate, the recognised benchmark index for Canadian bankers' acceptances, as further described in the Issuer Master Definitions and Construction Schedule under "**Canadian Bankers Acceptances**";

**Cash Management Agreement** means the cash management agreement entered into on the Initial Closing Date between the Cash Manager, the Mortgages Trustee, Funding 1 and the Funding 1 Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Cash Manager** means Santander UK acting, pursuant to the Cash Management Agreement, as agent for the Mortgages Trustee, Funding 1 and the Funding 1 Security Trustee (amongst others) to, *inter alia*, manage all cash transactions and maintain certain ledgers on behalf of the Mortgages Trustee, Funding 1 and the Funding 1 Security Trustee (which expression shall include such other person as may be appointed from time to time as Cash Manager pursuant to the Cash Management Agreement);

**Class** or **class** means, in relation to the Notes of any Series and the Noteholders, the Class A Notes, the Class B Notes, the Class M Notes, the Class C Notes, the Class D Notes or the Class Z Notes, as the context requires, and the respective holders thereof;

**Class A Noteholders** means the Holders of the Class A Notes;

**Class A Notes** means Notes of any Series designated as such (or a sub-class of such) in the applicable Final Terms;

**Class B Noteholders** means the Holders of the Class B Notes;

**Class B Notes** means Notes of any Series designated as such (or a sub-class of such) in the applicable Final Terms;

**Class C Noteholders** means the Holders of the Class C Notes;

**Class C Notes** means Notes of any Series designated as such (or a sub-class of such) in the applicable Final Terms;

**Class D Noteholders** means the Holders of the Class D Notes;

**Class D Notes** means Notes of any Series designated as such (or a sub-class of such) in the applicable Final Terms;

**Class M Noteholders** means the Holders of the Class M Notes;

**Class M Notes** means Notes of any Series designated as such (or a sub-class of such) in the applicable Final Terms;

**Class Z Noteholders** means the Holders of the Class Z Notes;

**Class Z Notes** means Notes designated as such in the applicable Final Terms including the Class Z Variable Funding Notes;

**Class Z Variable Funding Noteholders** means the Holders for the time being of the Class Z Variable Funding Notes;

**Class Z Variable Funding Notes** means Class Z Notes which are designated as Class Z Variable Funding Notes in the applicable Final Terms;

**Clearstream, Luxembourg** means Clearstream Banking, société anonyme;

**Closing Date** has the meaning given to it in the applicable Final Terms;

**Conditional Purchaser** means, in respect of any Series and Class of Remarketable Notes, the Conditional Purchaser specified in the applicable Final Terms;

**Conditional Purchaser Confirmation** means, in respect of any Series and Class of Remarketable Notes, the confirmation given by the Remarketing Agent or the Tender Agent to the Issuer and the Principal Paying Agent that the Conditional Purchaser has purchased an interest in or has had transferred to it or on its behalf an interest in all such Remarketable Notes;

**CRR Amendment Regulation** means Regulation (EU) 2017/2401;

**Definitive Notes** means the Notes while in definitive form;

**Corporate Services Agreement** means the agreement dated the Initial Closing Date between (amongst others) the Corporate Services Provider, Funding 1, Holdings, Alliance & Leicester (which has been replaced by Santander UK since the Part VII Effective Date) and the Funding 1 Security Trustee for the provision by the Corporate Services Provider of certain corporate services and personnel to Funding 1 and Holdings (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Corporate Services Provider** means Intertrust Management Limited or such other person or persons for the time being acting as corporate services provider to Funding 1 and Holdings under the Corporate Services Agreement;

**Dealers** means the institutions named as such in the applicable Final Terms relating to any Series and Class of Notes;

**Definitive Notes** means the Notes while in definitive form;

**Designated Account** means the account maintained by a Holder with a Designated Bank and identified as such in the Register;

**Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro;

**Determination Date** means, in respect of any Series and Class of Notes, the date(s) specified as such (if any) for such Notes in the applicable Final Terms;

**Dollars, U.S. Dollars or \$** means the lawful currency for the time being of the United States of America;

**DTC** means The Depository Trust Company;

**EURIBOR** means the Euro inter-bank offered rate as determined, with respect to any Notes which are Floating Rate Notes, by the Agent Bank in accordance with these Conditions, the Paying Agent and Agent Bank Agreement and the applicable Final Terms;

**Euro, euro or €** means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time;

**Euroclear** means Euroclear Bank S.A./N.V.;

**Existing Notes** means each Series and Class of Notes issued prior to the date of the base prospectus and any Series and Class of Notes issued on or after the date of the base prospectus which is consolidated with and forms a single Series and Class with any Notes issued prior to such date;

**Existing Rating Agency Reappointment** has the meaning given to it in **Condition 11.5**;

**Existing Rating Agency Removal** has the meaning given to it in **Condition 11.5**;

**Extraordinary Resolution** means a resolution passed at a meeting of the Noteholders of a particular Class, Series or Series and Class duly convened and held in accordance with the provisions of the Note Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll;

**Federal Reserve's website** means the website of the Board of Governors of the Federal Reserve System currently at <http://www.federalreserve.gov>, or any successor website;

**Final Maturity Date** means, in respect of any Series and Class of Notes, the date specified as such for such Notes in the applicable Final Terms;

**Final Terms** means, in relation to any Series of Notes, the final terms issued in relation to such Series of Notes as a supplement to these Conditions and giving details of, *inter alia*, the amount and price of such Series of Notes and which forms a part of the base prospectus in relation to such Series of Notes;

**Fixed Coupon Amount** means, in respect of any Series and Class of Notes, the amount specified as such (if any) for such Notes in the applicable Final Terms;

**Funding 1** means Fosse Funding (No.1) Limited;

**Funding 1 Bank Account Agreement** means the agreement entered into on or about the Initial Closing Date between Santander UK in its capacity then as Funding 1 Account Bank, Funding 1, the Cash Manager and the Funding 1 Security Trustee as amended and restated from time to time and as further amended and restated on or about the date hereof, pursuant to which amendment and restatement The Bank of New York Mellon, London Branch, acceded as Account Bank A and Santander UK acceded to its role as Account Bank B which governs the operation of the Funding 1 Bank Accounts (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Funding 1 Bank Accounts** means the Funding 1 GIC Account and the Funding 1 Transaction Account and such other bank account(s) held in the name of Funding 1 with the approval of the Funding 1 Security Trustee from time to time;

**Funding 1 Deed of Charge** means the deed of charge entered into on the Initial Closing Date between, among others, Funding 1, the Funding 1 Security Trustee, the Issuer and the Issuer Security Trustee and each deed of accession or supplement entered into in connection therewith;

**Funding 1 GIC Account** means the account in the name of Funding 1 held at Account Bank B and maintained subject to the terms of the Funding 1 Bank Account Agreement and the Funding 1 Deed of Charge or such additional or replacement account as may for the time being be in place;

**Funding 1 Interest Payment Date** means, in relation to a Loan Tranche, the Quarter Dates specified in the Final Terms in each year (or, if such day is not a Business Day, the next succeeding Business Day) or, following the occurrence of a Pass-Through Trigger Event, the 18th day of each calendar month in each year (or, if such day is not a Business Day, the next succeeding Business Day);

**Funding 1 Loan Agreement** means the Funding 1 loan agreement entered into on or about the date hereof between Funding 1, the Funding 1 Loan Provider and the Funding 1 Security Trustee;

**Funding 1 Loan Provider** means Santander UK;

**Funding 1 Secured Creditors** means the Funding 1 Security Trustee, the Funding 1 Swap Provider, the Cash Manager, Account Bank A, Account Bank B, the Seller, the Corporate Services Provider, each Start Up Loan Provider, the Issuer and any other entity that accedes to the terms of the Funding 1 Deed of Charge from time to time;

**Funding 1 Security** means the security created under the Funding 1 Deed of Charge;

**Funding 1 Security Trustee** means The Bank of New York Mellon, London Branch, and its successors or any other security trustee under the Funding 1 Deed of Charge;

**Funding 1 Start-Up Loan Agreements** means the Funding 1 start-up loan agreement entered into on or about the Initial Closing Date between Funding 1, the Funding 1 Start-Up Loan Provider and the Funding 1 Security Trustee and each other start-up loan agreement entered into in connection with the issuance of a Series of Notes (as each of the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Funding 1 Swap Agreement** means each of the LIBOR Funding 1 Swap Agreement and the SONIA Funding 1 Swap Agreement.

**Funding 1 Swap Provider** means Santander UK acting in its capacity as the Funding 1 Swap Provider pursuant to the Funding 1 Swap Agreement;

**Funding 1 Transaction Account** means the account in the name of Funding 1 held with Account Bank A and maintained subject to the terms of the Funding 1 Bank Account Agreement and the Funding 1 Deed of Charge or such additional or replacement account as may for the time being be in place;

**Funding Companies** means Funding 1 and each Further Funding Company (if any);

**Further Funding Company** means any funding entity (other than Funding 1) established in the future by Holdings;

**Global Notes** means the Rule 144A Global Notes and the Reg S Global Notes;

**Help to Buy Loans** means loans which meet the criteria published by the Homes and Communities Agency (or, in relation to Scottish loans, the Scottish Government) from time to time;

**Holdings** means Fosse (Master Issuer) Holdings Limited (registered number 5925689), a limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen's, London EC3A 6AP;

**Increase Amount** has the meaning given to that term in **Condition 5.9(a)(i)**;

**Increase Date** has the meaning given to that term in **Condition 5.9**;

**Initial Closing Date** means 28 November 2006;

**Intercompany Loan** means, at any time, the aggregate of all Loan Tranches advanced under the Intercompany Loan Agreement;

**Intercompany Loan Agreement** means the loan agreement entered into on the Initial Closing Date between, amongst others, Funding 1, the Issuer and the Funding 1 Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Interest Period** means in relation to a series and class of notes (i) with respect to the first interest payment date, the period from (and including) the applicable interest commencement date to (but excluding) such first interest payment date, and (ii) thereafter, with respect to each interest payment date, the period from and including the preceding interest payment date to (but excluding) that interest payment date; and in respect of a loan tranche, (i) with respect to the first Funding 1 payment date, the period from (and including) the applicable interest commencement date to (but excluding) such first Funding 1 payment date, and (ii) thereafter, the period from and including the preceding Funding 1 payment date to (but excluding) that Funding 1 payment date;

**Interest Commencement Date** means, in respect of any Series and Class of Notes, the Closing Date of such Notes or such other date as may be specified as such for such Notes in the applicable Final Terms;

**Interest Determination Date** means, with respect to the Notes denominated in Dollars, the date two Business Days prior to each Interest Payment Date, with respect to the Notes denominated in Euros, the date two Target Business Days prior to each Interest Payment Date, with respect to Notes denominated in Sterling, Japanese yen and Canadian dollars, each Interest Payment Date;

**Interest Payment Date** means, in respect of a Series and Class of Notes (other than Monthly Payment Notes), the Quarterly Interest Payment Dates and (in the case of Monthly Payment Notes) the Monthly Interest Payment Dates, subject, in each case, to the applicable Final Terms;

**ISDA Definitions** means the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Closing Date of the first Series of Notes;

**Issuer** means Fosse Master Issuer plc;

**Issuer Account Bank** means Santander UK or such other person for the time being acting as account bank to the Issuer under the Issuer Bank Account Agreement;

**Issuer Bank Accounts** means the Issuer Transaction Account, the Issuer Share Capital Account and any other account opened and maintained by the Issuer with the Issuer Account Bank pursuant to the Transaction Documents (including without limitation the Issuer GIC Account);

**Issuer Bank Account Agreement** means the bank account agreement entered into on the Initial Closing Date between the Issuer, the Issuer Cash Manager, the Issuer Account Bank and the Issuer Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Issuer Cash Management Agreement** means the cash management agreement dated the Initial Closing Date between, amongst others, the Issuer Cash Manager, the Issuer and the Issuer Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Issuer Cash Manager** means Santander UK or such other person or persons for the time being acting, under the Issuer Cash Management Agreement, as agent, *inter alia*, for the Issuer;

**Issuer Charged Assets** means the property, assets and undertakings of the Issuer the subject of any security created by the Issuer Deed of Charge;

**Issuer Corporate Services Agreement** means the agreement entered into on or about the Initial Closing Date and made between (amongst others) the Issuer Corporate Services Provider and the Issuer for the provision by the Issuer Corporate Services Provider of certain corporate services and personnel to the Issuer (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Issuer Corporate Services Provider** means Intertrust Management Limited or such other person or persons for the time being acting as corporate services provider to the Issuer under the Issuer Corporate Services Agreement;

**Issuer Deed of Charge** means the deed of charge entered into on the Initial Closing Date between, among others, the Issuer and the Issuer Security Trustee and each deed of accession or supplement entered into in connection therewith;

**Issuer Master Definitions and Construction Schedule** means, in relation to the Issuer, the schedule signed on or about the Initial Closing Date, as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time and includes any and all Accession Agreements;

**Issuer Priority of Payments** means the Issuer Pre-Acceleration Revenue Priority of Payments, the Issuer Pre-Acceleration Principal Priority of Payments, the Issuer Post-Acceleration Principal Priority of Payments or the Issuer Post-Enforcement Priority of Payments, as the case may be, each as set out in the Issuer Cash Management Agreement or the Issuer Deed of Charge (as the case may be);

**Issuer Secured Creditors** means the Issuer Security Trustee, the Note Trustee, the Issuer Swap Providers, the Issuer Corporate Services Provider, the Issuer Account Bank, the Issuer Cash Manager, the

Paying Agents, the Agent Bank, the Exchange Rate Agent, the Transfer Agent, the Registrar and the Noteholders and any new Issuer Secured Creditor who accedes to the Issuer Deed of Charge from time to time under a deed of accession or a supplemental deed;

**Issuer Security** means the security created by the Issuer pursuant to the Issuer Deed of Charge;

**Issuer Security Trustee** means The Bank of New York Mellon, London Branch, and its successors or any other security trustee under the Issuer Deed of Charge;

**Issuer Swap Agreement** means, in respect of a Series and Class of Notes, the ISDA master agreement, schedules and confirmations relating to the currency and/or interest rate swaps to be entered into on or prior to each Closing Date between the Issuer, the applicable Issuer Swap Provider and the Issuer Security Trustee in connection with the Notes (as each of the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Issuer Swap Providers** means Santander UK or the institution(s) identified in respect of each Issuer Swap Agreement in relation to the relevant Series and Class (or Sub-Class) of Notes and shall be identified as such in the relevant drawdown prospectus or supplemental prospectus;

**Issue Terms** means, in relation to any Series of Non-LSE Listed Notes, the issue terms issued in relation to such Series of Non-LSE Listed Notes as a supplement to these Conditions and giving details of, *inter alia*, the amount and price of such Series of Non-LSE Listed Notes;

**JPY LIBOR** means the London inter-bank offered rate for deposits in Japanese yen;

**LIBOR** means the London inter-bank offered rate, as further described in the Issuer Master Definitions and Construction Schedule;

**LIBOR Funding 1 Swap Agreement** means the 1992 ISDA Master Agreement (Multicurrency-Cross Border) and schedule and credit support annex thereto entered into on the Initial Closing Date between Funding 1 and the Funding 1 Swap Provider and any confirmation documented thereunder from time to time between Funding 1 and the Funding 1 Swap Provider (as each of the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time) in respect of the LIBOR Funding 1 Swaps;

**LIBOR Funding 1 Swaps** means any swap documented under the LIBOR Funding 1 Swap Agreement which enables Funding 1 to hedge exposure in relation to LIBOR-linked Intercompany Loans arising from the possible variance between the rates of interest payable on the variable rate loans, the fixed rates of interest payable on the fixed rate loans and the rates of interest payable on the base rate loans (as applicable) and a sterling LIBOR based rate for three-month sterling deposits;

**Loan** means each loan referenced by its loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies (including all Further Advances) due or owing with respect to that loan under the relevant Mortgage Conditions by a Borrower on the security of a Mortgage from time to time outstanding or, as the context may require, the Borrower's obligations in respect of the same;

**Loan Tranche** means an advance made by the Issuer to Funding 1 pursuant to the Intercompany Loan Agreement, funded from proceeds received by the Issuer from the issue of a Series and Class of Notes or the Class Z Variable Funding Notes, as applicable;

**London Business Day** means a day (other than a Saturday or Sunday) on which banks are open for general business in London;

**Mandatory Transfer Date** means, in respect of any Series and Class of Remarketable Notes, the Interest Payment Date specified as such for such Remarketable Notes in the applicable Final Terms;

**Mandatory Transfer Price** means, in respect of any Series and Class of Remarketable Notes, the Principal Amount Outstanding of such Remarketable Notes on the relevant Mandatory Transfer Date following the application of Note Principal Payments on such date;

**Mandatory Transfer Termination Event** shall occur in respect of any Series and Class of Remarketable Notes if the Conditional Purchaser has purchased an interest in all such Remarketable Notes;

**Managers** means the entities specified as such in the applicable Final Terms;

**Margin** means, in respect of any Series and Class of Notes, the amount specified as such for such Notes in the applicable Final Terms and, in the case of Remarketable Notes, shall include the Reset Margin;

**Maximum Rate of Interest** means, in respect of any Series and Class of Notes, the rate of interest specified as such for such Notes in the applicable Final Terms;

**Maximum Reset Margin** means, in respect of any Series and Class of Remarketable Notes, the amount specified as such for such Remarketable Notes in the applicable Final Terms;

**Minimum Rate of Interest** means, in respect of any Series and Class of Notes, the rate of interest specified as such for such Notes in the applicable Final Terms;

**Money Market Notes** means Notes which will be "Eligible Securities" within the meaning of Rule 2a-7 under the United States Investment Company Act of 1940, as amended;

**Monthly Dates** means the 18th day of each calendar month in each year (or, if such day is not a Business Day, the next succeeding Business Day);

**Monthly Interest Payment Dates** means, in respect of any Monthly Payment Notes, the Monthly Dates specified in the applicable Final Terms for the payment of interest and/or principal subject, in each case, to the appropriate Business Day Convention, if any, specified in the applicable Final Terms;

**Monthly Payment Notes** means either Money Market Notes or any other Notes in respect of which Monthly Interest Payment Dates are specified in the applicable Final Terms;

**Mortgage Sale Agreement** means the mortgage sale agreement entered into on the Initial Closing Date and made between the seller, Funding 1, the Mortgages Trustee and the Funding 1 Security Trustee in relation to the sale of Loans to the Mortgages Trustee from time to time (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Mortgages Trust Deed** means the mortgages trust deed entered into between (amongst others) the Mortgages Trustee, Funding 1 and the Seller on or about the Initial Closing Date (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Mortgages Trustee** means, on and from 29 April 2016, Fosse Trustee (UK) Limited (registered number 07210492), a private company with limited liability incorporated in England and Wales whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN, and prior to 29 April 2016, Fosse Trustee Limited (registered number 94410), a private company with limited liability incorporated in Jersey, Channel Islands, whose registered office is at 13 Castle Street, St. Helier, Jersey JE4 5UT, Channel Islands;

**Mortgages Trustee Account Bank** means the bank at which the Mortgages Trustee GIC Account is maintained from time to time (being initially Alliance & Leicester and currently Santander UK plc acting through its offices at 2 Triton Square, Regent's Place, London NW1 3AN and, thereafter, such other replacement account bank as the Mortgages Trustee may appoint in accordance with the Transaction Documents);

**Mortgages Trustee Bank Account Agreement** means the agreement entered into on or about the Initial Closing Date between (amongst others) the Mortgages Trustee Account Bank and the Mortgages Trustee which governs the operation of the Mortgages Trustee GIC Account (as the same may be amended, restated, novated and/or supplemented from time to time);

**Mortgages Trustee Corporate Services Agreement** means the agreement entered into on 29 April 2016 among, *inter alios*, Intertrust Management Limited, the Mortgages Trustee and the Funding 1 Security Trustee, for the provision by the Mortgages Trustee Corporate Services Provider of certain corporate services to the Mortgages Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Mortgages Trustee Corporate Services Provider** means Intertrust Management Limited or such other person or persons for the time being acting as corporate services provider to the Mortgages Trustee under the Mortgages Trustee Corporate Services Agreement;

**Mortgages Trustee GIC Account** means the account in the name of the Mortgages Trustee maintained with the Mortgages Trustee Account Bank pursuant to the Mortgages Trustee Bank Account Agreement or such additional or replacement bank account of the Mortgages Trustee as may for the time being be in place;

**New York Business Day** means a day (other than a Saturday or a Sunday) on which banks are open for general business (including dealings in foreign currency) in the city of New York;

**Non-LSE Listed Notes** means any notes listed and/or traded on any exchange other than the London Stock Exchange;

**Note Event of Default** means the occurrence of an event of default by the Issuer as specified in **Condition 9**;

**Noteholders** means the holders for the time being of the Notes;

**Notes** means any Global Notes or Definitive Notes;

**Note Trust Deed** means the trust deed entered into on the Initial Closing Date between the Issuer and the Note Trustee, and each supplemental deed entered into in connection therewith;

**Note Trustee** means The Bank of New York Mellon, London Branch, and its successors or any further or other note trustee under the Note Trust Deed, as trustee for the Noteholders;

**NR VFN Loan Tranche** means a Loan Tranche made by the Issuer to Funding 1 under the Intercompany Loan Agreement from the proceeds of issue of and Increase Amounts under a Class Z Variable Funding Note;

**NSS** means the New Safekeeping Structure for Global Notes which are intended to constitute eligible collateral for Eurosystem monetary policy operations;

**OBFR** means the Overnight Bank Funding Rate that appears on the Federal Reserve's website at 5:00 p.m. (New York time) on an Interest Payment Date for trades made on the related Interest Determination Date;

**OBFR Index Cessation Date** means, following the occurrence of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Overnight Bank Funding Rate), ceases to publish the Overnight Bank Funding Rate, or the date as of which the Overnight Bank Funding Rate may no longer be used, in each case as certified in writing by the Issuer to the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms);

**OBFR Index Cessation Event** means the occurrence of one or more of the following events:

- (1) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased or will cease to publish or provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate;
- (2) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) has ceased or will cease to provide the Overnight Bank Funding Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate; or
- (3) a public statement by a regulator or other official sector entity prohibiting the use of the Overnight Bank Funding Rate that applies to, but need not be limited to, fixed income securities and derivatives, to the extent that such public statement has been acknowledged in writing by ISDA as an "OBFR Index Cessation Event" under the 2006 ISDA Definitions as published by ISDA;

**Official List** means the official list of securities maintained by the London Stock Exchange;

**Pass-Through Trigger Event** means any of the following events:

- (a) a Trigger Event;
- (b) the service of a Note Acceleration Notice by the Note Trustee on the Issuer; or

- (c) the service of an Intercompany Loan Acceleration Notice by the Funding 1 Security Trustee on Funding 1;

**Paying Agent and Agent Bank Agreement** means the paying agent and agent bank agreement entered into on the Initial Closing Date between, among others, the Issuer, the Paying Agents, the Transfer Agent, the Registrar, the Agent Bank and the Issuer Security Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Paying Agents** means the Principal Paying Agent and the U.S. Paying Agent, together with any further or other paying agents for the time being appointed under the Paying Agent and Agent Bank Agreement;

**Principal Amount Outstanding** has the meaning indicated in **Condition 5.3**;

**Principal Paying Agent** means Citibank, N.A., London Branch in its capacity as principal paying agent at its Specified Office or such other person for the time being acting as principal paying agent under the Paying Agent and Agent Bank Agreement;

**Programme Agreement** means the agreement entered into on or around the Initial Closing Date between (amongst others) the Issuer and the Dealers named therein (or deemed named therein) (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Quarter Dates** means the 18th day of any of the following dates (or any one of such dates occurring annually or two of such dates occurring semi-annually) as specified in the Final Terms for the payment of interest and/or principal on the Notes and any corresponding Loan Tranche:

- (a) January, April, July and October; or
- (b) February, May, August and November; or
- (c) March, June, September and December;

**Quarterly Interest Payment Dates** means, in respect of a Series and Class of Notes (other than Monthly Payment Notes), the Quarter Dates specified in the Final Terms for the payment of interest and/or principal until the occurrence of a Pass-Through Trigger Event and, following such occurrence, the Monthly Dates, subject, in each case, to the appropriate Business Day Convention, if any, specified in the applicable Final Terms;

**Rate of Interest** and **Rates of Interest** means, in respect of any Series and Class of Notes, the rate or rates (expressed as a percentage per annum) of interest payable in respect of such Notes specified in the applicable Final Terms or calculated and determined in accordance with the applicable Final Terms;

**Rating Agencies** means, in relation to a Series and Class (or Sub-Class) of Notes, two or more of Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited, Moody's Investors Service Limited and Fitch Ratings Ltd., as specified in the applicable Final Terms;

**Ratings Modification Event** has the meaning given to it in **Condition 11.5**;

**Reference Price** means, in respect of any Series and Class of Notes, the price specified as such for such Notes in the applicable Final Terms;

**Reference Banks** has the meaning given to it in the Issuer Master Definitions and Construction Schedule;

**Reference Rate** means, in respect of any Series and Class of Notes, the rate specified as such for such Notes in the applicable Final Terms;

**Reg S** means Regulation S under the United States Securities Act of 1933, as amended;

**Reg S Notes** means each Series and Class of Notes constituted by the Note Trust Deed that are sold outside the United States to non-U.S. persons in reliance on Reg S;

**Reg S Global Notes** means the note certificates representing the Reg S Notes while in global form;

**Register** means the register of Noteholders kept by the Registrar and which records the identity of each Noteholder and the number of Notes that each Noteholder owns;

**Registrar** means Citibank, N.A., London Branch in its capacity as registrar at its Specified Office or such other person for the time being acting as registrar under the Paying Agent and Agent Bank Agreement;

**Relevant Screen** means a page of the Reuters service or Bloomberg service, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and has been notified to Noteholders in the manner set out in **Condition 14**;

**Relevant Screen Page** means, in respect of any Series and Class of Notes, the screen page specified as such for such Notes in the applicable Final Terms;

**Remarketing Agent** means, in respect of any Series and Class of Remarketable Notes, the Remarketing Agent specified in the applicable Final Terms, or such other agent appointed to act as remarketing agent under the terms of the relevant Remarketing Agreement;

**Remarketing Agreement** means, in respect of any Series and Class of Remarketable Notes, the agreement between the Issuer and the Remarketing Agent pursuant to which the Remarketing Agent agrees to use reasonable efforts to identify third party purchasers for such Remarketable Notes on each Mandatory Transfer Date prior to the occurrence of a Mandatory Transfer Termination Event (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**Remarketable Notes** means any Series and Class of Notes identified as such in the applicable Final Terms;

**Removed Rating Agency** has the meaning given to it in **Condition 11.5**;

**Repayment Tests** means Rules 1 and 2 under the Funding 1 Pre-Acceleration Principal Priority of Payments as set out in the Funding 1 Deed of Charge;

**Reset Margin** means, in respect of any Series and Class of Remarketable Notes, (i) for each Reset Period a percentage not exceeding the Maximum Reset Margin determined by the Remarketing Agent in accordance with the Remarketing Agreement or (ii) if the Remarketing Agreement has been terminated, the Maximum Reset Margin;

**Reset Period** means, in respect of any Series and Class of Remarketable Notes, the period commencing on the first Mandatory Transfer Date specified in the applicable Final Terms up to but excluding the next Mandatory Transfer Date and thereafter the period from each Mandatory Transfer Date up to but excluding the next Mandatory Transfer Date;

**Rule 144A Global Notes** means the note certificates representing the Rule 144A Notes while in global form;

**Rule 144A Notes** means each Series and Class of Notes constituted by the Note Trust Deed which are sold in the United States only to qualified institutional buyers within the meaning of Rule 144A under the United States Securities Act of 1933, as amended;

**Santander UK** means Santander UK plc (registered number 2294747), a public limited company incorporated under the laws of England and Wales, whose registered office is at 2 Triton Square, Regent's Place, London NW1 3AN;

**Scottish Declaration of Trust** means each declaration of trust in relation to Scottish Loans and their Related Security granted by the Seller in favour of the Mortgages Trustee pursuant to the Mortgage Sale Agreement;

**Scottish Loan** means a Loan secured by a standard security over a Property located in Scotland;

**Security Trustee** means The Bank of New York Mellon, London Branch or such other persons and all other persons for the time being acting as security trustee pursuant to the Funding Deed of Charge;

**Seller** means Santander UK;

**Series** means, in relation to the Notes, all Notes (of any Class) issued on a given day and designated as such;

**Series and Class** means a particular Class of Notes of a given Series or, where such Class of such Series comprises more than one sub-class, **Series and Class** means any sub-class of such Class;

**Servicer** means Santander UK, or such other person as may from time to time be appointed as servicer of the portfolio pursuant to the Servicing Agreement;

**Servicing Agreement** means the agreement entered into on the Initial Closing Date between the Servicer, the Mortgages Trustee, the Funding 1 Security Trustee, Funding 1 and the Seller pursuant to which the Servicer agrees to administer the Loans and their Related Security comprised in the portfolio (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

**SOFR** means the rate determined in accordance with the following provisions:

- (1) the Secured Overnight Financing Rate that appears on the Federal Reserve's website at 5:00 p.m. (New York time) on an U.S. Government Securities Business Day;
- (2) if the rate specified in paragraph (1) above does not so appear, and a SOFR Index Cessation has not occurred, then the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall use the Secured Overnight Financing Rate published on the Federal Reserve's website for the first preceding U.S. Government Securities Business Day on which the Secured Overnight Financing Rate was published on the Federal Reserve's website;
- (3) if a SOFR Index Cessation Date has occurred, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall calculate SOFR as if references to SOFR were references to the rate that was recommended as (and notified by the Issuer to the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) as) being the replacement for the Secured Overnight Financing Rate by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator, and which rate may include any adjustments or spreads). If no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Date, then the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall use OBFR published on the Federal Reserve's website for any Interest Payment Date after the SOFR Index Cessation Date; and
- (4) if the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) is required to use OBFR in paragraph (3) above and an OBFR Index Cessation Date has occurred, then for any Interest Payment Date after such OBFR Index Cessation Date, the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) shall use the short-term interest rate target set by the Federal Open Market Committee and published on the Federal Reserve's website, or if the Federal Open Market Committee does not target a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve's website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range);

**SOFR Index Cessation Date** means, following the occurrence of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used, in each case as certified in writing by the Issuer to the Principal Paying Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms);

**SOFR Index Cessation Event** means the occurrence of one or more of the following events:

- (1) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate;

- (2) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate; or
- (3) a public statement by a regulator or other official sector entity prohibiting the use of the Secured Overnight Financing Rate that applies to, but need not be limited to, fixed income securities and derivatives, to the extent that such public statement has been acknowledged in writing by ISDA as an “SOFR Index Cessation Event” under the 2006 ISDA Definitions as published by ISDA;

**SOFR Reset Date** means each U.S. Government Securities Business Day in the relevant Interest Period, other than any U.S. Government Securities Business Day during the period from (and including) the day following the relevant Interest Determination Date to (but excluding) the corresponding Interest Payment Date;

**SONIA** means the Sterling Overnight Index Average benchmark risk-free rate administered by the Bank of England.

**SONIA Funding 1 Swap Agreement** means the 1992 ISDA Master Agreement (Multicurrency-Cross Border) and schedule and credit support annex thereto entered into on 13 September 2019 between Funding 1 and the Funding 1 Swap Provider and any confirmation documented thereunder from time to time between Funding 1 and the Funding 1 Swap Provider (as each of the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time) in respect of the SONIA Funding 1 Swaps;

**SONIA Funding 1 Swaps** means any swap documented under the SONIA Funding 1 Swap Agreement which enables Funding 1 to hedge exposure in relation to SONIA-linked Intercompany Loans arising the possible variance between the rates of interest payable on the variable rate loans, the fixed rates of interest payable on the fixed rate loans and the rates of interest payable on the base rate loans (as applicable) and a compounded daily SONIA rate;

**SONIA-linked Intercompany Loan** means any Intercompany Loan between Funding 1, an issuer, and the Funding 1 Security Trustee that pays a rate of interest that is based on SONIA;

**Specified Currency** means, in respect of any Series and Class of Notes, the currency or currencies specified as such for such Notes in the applicable Final Terms;

**Specified Currency Exchange Rate** means, in relation to a Series and Class of Notes, the exchange rate specified in the Issuer Swap Agreement relating to such Series and Class of Notes or, if the Issuer Swap Agreement has been terminated, the applicable spot rate;

**Specified Denomination** means, in respect of any Series and Class of Notes, the denomination specified as such for such Notes in the applicable Final Terms which shall be in the case of Rule 144A Notes a minimum of \$200,000 or such other amount specified in the applicable Final Terms (or its equivalent in any other currency as at the date of issue of such Notes) and in the case of Reg S Notes a minimum of £100,000 or such other amount specified in the applicable Final Terms if denominated in sterling or €100,000 or such other amount specified in the applicable Final Terms (or its equivalent in any other currency as at the date of issue of such Notes) if denominated in a currency other than sterling;

**Specified Office** means, as the context may require, in relation to any of the Agents, the office specified against the name of such Agent in the Paying Agent and Agent Bank Agreement or such other specified office as may be notified to the Issuer and the Note Trustee pursuant to the Paying Agent and Agent Bank Agreement;

**Specified Time** has the meaning given in **Condition 4.2(b)(ii)**;

**Step-Up Date** means:

- (a) in respect of any Loan Tranche, the Funding 1 Interest Payment Date on which the interest rate payable in respect of the relevant Loan Tranche made under the Intercompany Loan increases by a pre-determined amount; and
- (b) in respect of any Notes, the date on which the interest rate payable by the Issuer in respect of those Notes increases by a pre-determined amount;

**Sterling, pounds sterling** or **£** means the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

**Sterling Notes** means each Series and Class of Notes denominated in Sterling;

**Sub-Class** means any sub-class of a Series and Class of Master Issuer Notes;

**Subscription Agreement** means an agreement supplemental to the Programme Agreement in or substantially in the form set out in the Programme Agreement or such other form as may be agreed between the Issuer, Managers and the Dealers;

**sub-unit** means, with respect to any currency other than Sterling, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Sterling, one pence;

**TARGET Business Day** means a day on which the Trans-European Automated Real-time Gross settlement Express (known as TARGET2) system which was launched on 19 November 2007, or any successor thereto, is open;

**Tender Agent** means, in respect of any Series and Class of Remarketable Notes, the Tender Agent specified in the applicable Final Terms;

**Transaction Documents** means the Cash Management Agreement, the Funding 1 Bank Account Agreement, the Corporate Services Agreement, the controlling beneficiary deed, the Funding 1 Deed of Charge, each Deed of Accession to the Funding 1 Deed of Charge, the Funding 1 Swap Agreement, the Funding 1 Loan Agreement, the Intercompany Loan Agreement, the Issuer Deed of Charge, each Deed of Accession to the Issuer Deed of Charge, the Master Definitions and Construction Schedule, the Issuer Bank Account Agreement, the Issuer Cash Management Agreement, the Issuer Corporate Services Agreement, the Issuer Master Definitions and Construction Schedule, each Issuer Swap Agreement and any related Issuer Swap Guarantees, the Mortgage Sale Agreement, the Mortgages Trust Deed, the Mortgages Trustee Bank Account Agreement, the Mortgages Trustee Corporate Services Agreement, the Paying Agent and Agent Bank Agreement, the Programme Agreement, each Scottish Declaration of Trust, the Servicing Agreement, each Funding 1 Start-Up Loan Agreement, each Subscription Agreement, the Note Trust Deed, each Loan Tranche Supplement, each Conditional Purchase Agreement, each Remarketing Agreement, any other deeds of accession or supplemental deeds relating to any such documents and any other agreement or document from time to time designated as such by the Issuer and Note Trustee and/or the Issuer Security Trustee and/or the Funding 1 Security Trustee;

**Transfer Agent** means Citibank, N.A., London Branch in its capacity as transfer agent at its Specified Office or such other person for the time being acting as transfer agent under the Paying Agent and Agent Bank Agreement;

**Trust Deed** means the trust deed entered into on the Programme Date as amended and restated from time to time between the Master Issuer and the Note Trustee, and each supplemental deed entered into in connection therewith;

**USD-LIBOR** means the London inter-bank offered rate for deposits in U.S. dollars, as further described in the Issuer Master Definitions and Construction Schedule;

**U.S. Government Securities Business Day** means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association (or any successor thereto) recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; and

**U.S. Paying Agent** means Citibank, N.A., New York Branch acting in its capacity as U.S. paying agent through its New York office or such other person for the time being acting as U.S. paying agent under the Paying Agent and Agent Bank Agreement.

## STATIC POOL DATA AND DYNAMIC DATA IN RESPECT OF WHOLE RESIDENTIAL MORTGAGE BOOK

The tables below set out static pool information with respect to the mortgage loans. These tables show, for each of the last five years of origination, the distribution of such loans originated in that year by origination characteristics.

Static pool information on prepayments has not been included because changes in prepayment and payment rates historically have not affected repayment of the notes, and are not anticipated to have a significant effect on future payments on the notes for a number of reasons. The mechanics of the mortgage trust require an extended cash accumulation period (for bullet loan tranches) when prepayment rates fall below certain minima required by the rating agencies, serving to limit the extent to which slow prepayments would cause the average lives of the notes to extend. Furthermore, only a limited amount of note principal in relation to the very large mortgages trust size is actually due to be repaid on any particular interest payment date.

One of the characteristics of the mortgages trust is that the seller is able to sell more loans to the mortgages trustee over time, whether in connection with an issuance of notes by the issuer or any new notes by a new issuer or in order to maintain the minimum seller share. To aid in understanding changes to the mortgages trust over time, the following table sets out information relating to each sale of loans by the seller to the mortgages trustee pursuant to the mortgage sale agreement.

Date	Balance of loans substituted or sold	Number of loans substituted or sold
28 November 2006	£3,399,995,370	42,395
1 August 2007	£4,888,705,280	53,212
26 November 2007	£1,517,425,544	15,680
12 March 2010	£1,199,521,398	14,468
3 June 2010	£4,312,895,908	42,051
27 July 2010	£3,021,735,828	27,596
25 May 2011	£4,774,431,440	53,726
15 July 2011	£1,200,835,714	10,662
28 November 2011	£3,343,203,162	24,830
27 April 2012	£3,440,690,829	35,433
31 May 2012	£485,536,388	7,352
31 October 2012	£2,001,895,926	21,132
13 September 2019*	£4,124,364,069	21,983

\* Portfolio Replacement Date

The sale of new loans by the seller to the mortgages trustee is subject to conditions, including ones required by the rating agencies, designed to maintain certain credit-related and other characteristics of the mortgages trust. These include limits on loans in arrears in the mortgages trust at the time of sale, limits on the aggregate balance of loans sold, limits on changes in the weighted average repossession frequency (**WAFF**) and the weighted average loss severity (**WALS**), minimum yield for the loans in the mortgages trust after the sale and maximum LTV for the loans in the mortgages trust after the sale. See a description of these conditions in “**Description of the transaction documents – The mortgage sale agreement – Sale of loans and their related security**”.

## ARREARS EXPERIENCE

The following tables summarise loans in arrears and repossession experience for loans originated by Santander UK (including but not limited to loans in the portfolio) as at the dates indicated below. All of the loans shown in the table below were originated by Santander UK; and the loans shown in the table below were serviced by Santander UK. As at the date of this base prospectus, Santander UK services all of the loans in the portfolio.

Balance of loans that have ever entered into 3-month + arrears																	
Year that the loan was first in 3-month+ arrears																	
Origination year	Total*	2003**	2004**	2005**	2006**	2007**	2008**	2009**	2010**	2011**	2012**	2013**	2014**	2015**	2016**	2017**	2018**
	2003	£23,655.7m	£37.3m	£233.9m	£484.2m	£654.2m	£764.7m	£847.4m	£914.8m	£955.3m	£991.1m	£1,025.8m	£1,054.3m	£1,076.3m	£1,089.2m	£1,098.8m	£1,110.4m
2004	£19,728.2m		£39.6m	£230.0m	£416.8m	£570.5m	£682.4m	£778.7m	£829.3m	£884.3m	£929.6m	£966.9m	£991.2m	£1,009.8m	£1,023.4m	£1,034.8m	£1,046.3m
2005	£24,124.5m			£29.7m	£200.3m	£405.5m	£632.6m	£819.9m	£935.1m	£1,025.7m	£1,108.5m	£1,176.1m	£1,222.5m	£1,257.6m	£1,284.9m	£1,307.9m	£1,331.2m
2006	£28,559.7m				£44.6m	£267.7m	£630.1m	£1,001.3m	£1,202.2m	£1,378.0m	£1,532.2m	£1,660.6m	£1,744.6m	£1,807.5m	£1,853.8m	£1,888.3m	£1,926.1m
2007	£32,028.0m					£42.3m	£410.3m	£1,009.5m	£1,349.8m	£1,637.5m	£1,911.9m	£2,162.0m	£2,318.7m	£2,433.5m	£2,519.2m	£2,588.2m	£2,653.8m
2008	£28,729.2m						£145.6m	£706.0m	£1,134.0m	£1,477.2m	£1,770.5m	£2,051.4m	£2,218.6m	£2,336.9m	£2,433.8m	£2,508.8m	£2,579.7m
2009	£18,993.4m							£35.4m	£140.6m	£250.9m	£359.0m	£447.3m	£510.3m	£547.8m	£583.2m	£612.6m	£645.2m
2010	£17,629.1m								£10.5m	£59.2m	£124.8m	£202.7m	£252.3m	£290.2m	£318.5m	£340.2m	£364.9m
2011	£20,794.4m									£9.2m	£61.3m	£132.2m	£195.7m	£242.6m	£279.2m	£307.7m	£337.8m
2012	£14,730.1m										£6.9m	£30.6m	£61.2m	£86.8m	£114.4m	£134.7m	£150.4m
2013	£18,465.2m											£2.6m	£16.7m	£35.7m	£54.8m	£76.3m	£93.0m
2014	£25,817.0m												£3.8m	£17.8m	£44.6m	£69.5m	£96.3m
2015	£25,620.4m													£1.3m	£15.2m	£41.8m	£76.0m
2016	£24,772.1m														£2.5m	£21.4m	£58.2m
2017	£24,387.6m															£2.4m	£20.0m
2018	£27,310.3m																£2.3m

\* Origination values do not include further advances and flexible mortgage loan drawdowns.

\*\* Balance of loans that have ever entered into more than three months arrears. Data is cumulative.

Balance of loans that have been repossessed																	
Year that the loan was first repossessed																	
	Total*	2003**	2004**	2005**	2006**	2007**	2008**	2009**	2010**	2011**	2012**	2013**	2014**	2015**	2016**	2017**	2018**
2003	£23,655.7m	£0.2m	£9.0m	£38.1m	£69.9m	£93.4m	£117.8m	£132.9m	£142.2m	£150.2m	£157.6m	£162.9m	£166.4m	£168.5m	£170.1m	£170.9m	£172.1m
2004	£19,728.2m		£0.6m	£13.5m	£46.5m	£82.2m	£117.8m	£143.1m	£158.5m	£173.1m	£184.6m	£194.0m	£200.1m	£203.1m	£205.5m	£207.4m	£209.1m
2005	£24,124.5m			£0.3m	£15.0m	£43.1m	£95.5m	£140.9m	£168.8m	£195.3m	£219.9m	£236.8m	£249.4m	£257.2m	£261.8m	£265.6m	£269.1m
2006	£28,559.7m				£1.4m	£27.8m	£88.5m	£172.1m	£223.2m	£265.2m	£300.4m	£333.4m	£356.6m	£370.2m	£381.6m	£389.9m	£395.2m
2007	£32,028.0m					£0.9m	£28.3m	£123.5m	£199.7m	£279.8m	£347.4m	£424.7m	£471.3m	£499.5m	£519.3m	£537.9m	£552.1m
2008	£28,729.2m						£2.0m	£51.3m	£121.3m	£189.1m	£261.6m	£328.6m	£370.7m	£399.1m	£419.0m	£430.8m	£442.1m
2009	£18,993.4m							£0.0m	£4.6m	£13.7m	£25.3m	£35.9m	£45.1m	£50.9m	£55.0m	£56.8m	£61.0m
2010	£17,629.1m								£0.0m	£1.8m	£7.4m	£12.5m	£17.1m	£20.6m	£24.2m	£25.4m	£27.2m
2011	£20,794.4m									£0.0m	£1.4m	£5.8m	£9.2m	£11.9m	£14.3m	£15.9m	£17.6m
2012	£14,730.1m										£0.0m	£0.9m	£1.9m	£3.2m	£4.4m	£5.0m	£5.4m
2013	£18,465.2m											£0.0m	£0.2m	£0.3m	£0.7m	£1.2m	£2.3m
2014	£25,817.0m												£0.0m	£0.0m	£1.1m	£1.6m	£3.0m
2015	£25,620.4m													£0.0m	£0.2m	£0.8m	£2.5m
2016	£24,772.1m														£0.0m	£0.1m	£0.8m
2017	£24,387.6m															£0.0m	£0.1m
2018	£27,310.3m																£0.0m

\* Origination values do not include further advances and flexible mortgage loan drawdowns.

\*\* Balance of loans that have ever been repossessed. Data is cumulative.

The following table summarises the credit performance in respect of loans originated by Santander UK (including but not limited to loans in the portfolio) since 2013 (source: 2018, 2016, 2015 and 2014 Santander UK Annual Reports)

	2018	2017	2016	2015	2014	2013
	£m	£m	£m	£m	£m	£m
Mortgage loans and advances to customers of which:						
– Stage 1	157,957	154,682	154,274	152,819	150,057	148,079
– Stage 2	146,619	NA	NA	NA	NA	NA
– Stage 3 <sup>(1)</sup>	9,356	NA	NA	NA	NA	NA
Performing <sup>(2)</sup>	1,982	NA	NA	NA	NA	NA
Early arrears:	NA	151,688	150,895	148,963	145,598	142,806
– 31 to 60 days	NA	1,126	1,269	1,604	1,941	2,394
– 61 to 90 days	NA	700	793	979	1,185	1,424
NPLs: <sup>(3)</sup>	NA	426	476	625	756	970
– By arrears	1,907	1,868	2,110	2,252	2,459	2,788
– By bankruptcy	1,392	1,427	1,578	1,826	2,133	2,558
– By maturity default	18	14	21	34	44	55
– By forbearance	392	303	316	263	210	146
– By properties in possession (PIPs)	80	95	160	83	72	29
PIPs not classified as NPL	25	29	35	46	-	91
Loss allowances <sup>(4)</sup>	NA	NA	NA	NA	59	NA
Stage 2 ratio	234	225	279	424	579	593
Stage 3 ratio	5.92%	NA	NA	NA	NA	NA
Early arrears ratio <sup>(5)</sup>	1.25%	NA	NA	NA	NA	NA
	NA	0.73%	0.82%	1.05%	1.29%	1.62%

					<i>Arrears experience</i>	
NPL ratio <sup>(6)</sup>	1.21%	1.21%	1.37%	1.47%	1.64%	1.88%
Coverage ratio <sup>(7)</sup>	NA	12%	13%	19%	24%	21%

(1) Stage 1: when there has been no significant increase in credit risk (SICR) since initial recognition, Stage 2: when there has been a SICR since initial recognition, but no credit impairment has materialised, Stage 3: when the exposure is considered credit impaired.

(2) Excludes mortgages where the customer did not pay for between 31 and 90 days, arrears, bankruptcy, maturity default, forbearance and PIPs NPLs.

(3) Mortgage loans and advances are classified as non-performance loans when customers do not make a payment for three months or more, or if Santander UK has data that raises doubts on the ability of customers to keep up with payments.

(4) Prior to 2018, loss allowances were on an incurred loss basis per IAS 39, whilst for 2018 they are on an ECL basis per IFRS 9. The loss allowance is for both on and off-balance sheet exposures.

(5) Mortgages in early arrears as a percentage of mortgages.

(6) Mortgage NPLs as a percentage of mortgages.

(7) Loss allowances as a percentage of NPLs.

(1) Net loss is net of recoveries in the current period on properties sold in prior periods.

(2) Average of opening and closing balances for the period.

To the extent any information in the table above has materially changed, an updated table will be set out in the final terms relating to an issue of notes.

There can be no assurance that the arrears experience with respect to the loans comprising the portfolio will correspond to the experience of the seller's loan portfolio as set forth in the foregoing table. The statistics in the preceding table represent only the arrears experience for the periods presented, whereas the arrears experience on the loans in the portfolio depends on results obtained over the life of the loans in the portfolio. The foregoing statistics include loans with a variety of payment and other characteristics that may not correspond to those of the loans in the portfolio. Moreover, if the property market experiences an overall decline in property values so that the value of the properties in the portfolio falls below the principal balances of the loans comprising the overall pool, the actual rates of arrears could be significantly higher than those previously experienced by the servicer. In addition, other adverse economic conditions, whether or not they affect property values, may nonetheless affect the timely payment by borrowers of principal and interest and, accordingly, the rates of arrears and losses with respect to the loans in the portfolio. Noteholders should observe that the United Kingdom experienced relatively low and stable interest rates during the periods covered in the preceding table. If interest rates were to rise, it is likely that the rate of arrears would rise.

## **MATERIAL LEGAL ASPECTS OF THE LOANS AND THEIR RELATED SECURITY**

*The following discussion is a summary of the material legal aspects of English and Scottish residential property loans and mortgages. It is not an exhaustive analysis of the relevant law.*

### **English Loans**

#### **General**

There are two parties to a mortgage. The first party is the mortgagor, who is the borrower and homeowner. The mortgagor grants the mortgage over its property. The second party is the mortgagee, who is the lender. Each English loan will be secured by a mortgage which has a first ranking priority over all other mortgages secured on the property and over all unsecured creditors of the borrower. In respect of previous seller originated loans, borrowers may create a subsequent mortgage or other secured interest over the relevant property without the consent of the seller, though such other mortgage or interest will rank below the seller's mortgage in priority. In respect of seller originated loans, each borrower is prohibited from creating another mortgage or other secured interest over the relevant property without the consent of the seller.

#### ***Nature of property as security***

There are two forms of title to land in England and Wales: registered and unregistered. Both systems of title can include both freehold and leasehold land.

#### ***Registered title***

Title to registered land is registered at the Land Registry. Each parcel of land is given a unique title number. Prior to 13 October 2003, title to the land was established by a land certificate or (in the case of land which is subject to a mortgage or charge) charge certificate containing official copies of the entries on the register relating to that land. However, pursuant to the Land Registration Act 2002, which came into force on 13 October 2003, the provision of land certificates and charge certificates has now been abolished. Title to land is now established by reference to entries on the registers held by the Land Registry.

There are four classes of registered title. The most common is title absolute. A person registered with title absolute owns the land free from all interests other than those entered on the register and those classified as unregistered interests which override first registration and unregistered interests which override registered dispositions.

Title information documents provided by the Land Registry will reveal the present owner of the land, together with any legal charges and other interests affecting the land. However, the Land Registration Act 2002 provides that some interests in the land will bind the land even though they are not capable of registration at the Land Registry such as unregistered interests which override first registration and unregistered interests which override registered dispositions. The title information documents will also contain a plan indicating the location of the land. However, this plan is not conclusive as to matters such as the location of boundaries.

#### ***Unregistered title***

All land in England and Wales is now subject to compulsory registration on the occurrence of any of a number of trigger events, which includes the granting of a first legal mortgage. However, a small proportion of land in England and Wales (typically where the land has been in the same ownership for a number of years) is still unregistered. Title to unregistered land is proved by establishing a chain of documentary evidence to title going back at least 15 years. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration. However, other rights would have to be registered at the Central Land Charges Registry in order to be effective against a subsequent purchaser of the land.

#### ***Taking security over land***

Where land is registered, a mortgagee must register its mortgage at the Land Registry in order to secure priority over any subsequent mortgagee. Prior to registration, the mortgage will take effect only as an equitable mortgage or charge. Priority of mortgages over registered land is governed by the date of registration of the mortgage rather than date of creation. However, a prospective mortgagee is able to obtain a priority period within which to register his mortgage. If the mortgagee submits a proper application for

registration during this period, its interest will take priority over any application for registration of another interest which is received by the Land Registry during this priority period.

In the system of unregistered land, the mortgagee protects its interest by retaining possession of the title deeds to the property. Without the title deeds to the property, the borrower is unable to establish the necessary chain of ownership, and is therefore effectively prevented from dealing with its land without the consent of the mortgagee. Priority of mortgages over unregistered land is governed first by the possession of title deeds, and, in relation to subsequent mortgages, by the registration of a land charge.

### ***The seller as mortgagee***

The sale of the English mortgages by the seller to the mortgages trustee will take effect in equity only. The mortgages trustee will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the mortgages. The consequences of this are explained in **Risk Factors – There may be risks associated with the fact that the mortgages trustee has no legal title to the mortgages, which may adversely affect payments on the notes**” above.

### ***Enforcement of mortgages***

If a borrower defaults under a loan, the English mortgage conditions provide that all monies under the loan will become immediately due and payable. The seller or its successors or assigns would then be entitled to recover all outstanding principal, interest and fees under the covenant of the borrower contained in the English mortgage conditions to pay or repay those amounts. In addition, the seller or its successors or assigns may enforce its mortgage in relation to the defaulted loan. Enforcement may occur in a number of ways, including the following:

- The mortgagee may enter into possession of the property. If it does so, it does so in its own right and not as agent of the mortgagor, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property.
- The mortgagee may lease the property to third parties.
- The mortgagee may foreclose on the property. Under foreclosure procedures, the mortgagor's title to the property is extinguished so that the mortgagee becomes the owner of the property. The remedy is, because of procedural constraints, rarely used.
- The mortgagee may sell the property, subject to various duties to ensure that the mortgagee exercises proper care in relation to the sale. This power of sale arises under the Law of Property Act 1925. The purchaser of a property sold pursuant to a mortgagee's power of sale becomes the owner of the property.

There is a requirement for a court order to enforce a land mortgage securing a loan to the extent that the credit agreement is regulated by the consumer credit regime or treated as such or, on and from N(M), is a regulated mortgage contract that would otherwise be regulated by the consumer credit regime or treated as such.

## **Scottish loans**

### ***General***

A standard security is the only means of creating a fixed charge over heritable or long leasehold property in Scotland. Its form must comply with the requirements of the Conveyancing and Feudal Reform (Scotland) Act 1970 (the **1970 Act**). There are two parties to a standard security. The first party is the grantor, who is the borrower and homeowner. The grantor grants the standard security over its property (and is generally the only party to execute the standard security). The second party is the grantee of the standard security, who is the lender and is called the heritable creditor. Each Scottish loan will be secured by a standard security which has a first ranking priority over all other standard securities secured on the property and over all unsecured creditors of the borrower. Borrowers may create a subsequent standard security over the relevant property without the consent of the seller. Upon intimation to the seller (in its capacity as trustee for the mortgages trustee pursuant to the relevant Scottish declaration of trust) of the creation of any subsequent standard security the prior ranking of the seller's standard security shall be restricted to security for advances made prior to such intimation and advances made subsequent to such intimation which the seller or the mortgages trustee is obliged to advance, and for interest and expenses in respect thereof.

The 1970 Act automatically imports a statutory set of “**Standard Conditions**” into all standard securities, although the majority of these may be varied by agreement between the parties. Santander UK, along with most lenders in the residential mortgage market in Scotland, have elected to vary the Standard Conditions by means of their own sets of Scottish mortgage conditions, the terms of which are imported into each standard security. The main provisions of the Standard Conditions which cannot be varied by agreement relate to redemption and enforcement, and in particular to the notices and other procedures that are required to be carried out prior to the exercise of the heritable creditor's rights on a default by the borrower.

### ***Nature of property as security***

While title to all land in Scotland is registered there are currently two possible forms of registration, namely the Land Register and the Sasine Register. Both systems of registration can include both heritable (the Scottish equivalent to freehold) and long lease land.

### ***Land Register***

This system of registration was established by the Land Registration (Scotland) Act 1979 (as amended and replaced by the 2012 Act on 8 December 2014) and applies to the whole of Scotland. Any sale of land (including a long leasehold interest in land) the title to which has not been registered in the Land Register or the occurrence of certain other events in relation thereto (including, from 1 April 2016, the granting of a standard security alone) will trigger its registration in the Land Register, when it is given a unique title number. Title to the land and the existence of any standard security over it are established by the entries on the Land Register relating to that land. Prior to 22 January 2007 the holder of the title received a land certificate containing official copies of the relevant entries on the Land Register. Similarly, the holder of any standard security over the land in question received a charge certificate containing official copies of the entries relating to that security. However, in terms of the Automated Registration of Title to Land (Electronic Communications) (Scotland) Order 2006 and the Land Registration (Scotland) Rules 2006, with effect from 22 January 2007 such land and charge certificates were only issued to the relevant title or security holder if so requested at the time of the relevant registration and were otherwise available in electronic form only. Under the 2012 Act, land and charge certificates are no longer issued, but a person is able to apply for an extract of the title sheet for any property, being an official copy of the relevant entries on the Land Register. A person registered in the Land Register owns the land free from all interests other than those entered on the Register and any interests which are constituted otherwise than by registration.

The relevant Land Register entries and, where issued, land certificate (whether in paper or electronic form) will reveal the present owners of the land, together with any standard securities and other interests (other than certain overriding interests and certain interests implied by law) affecting the land. They will also contain a plan indicating the location and extent of the land. This plan is not in all circumstances conclusive as to the extent of the land and, under the 2012 Act, there is a statutory duty upon the Keeper of the Land Register of Scotland to rectify any manifest inaccuracy of which he or she becomes aware.

### ***Sasine Register***

Title to all land in Scotland where the Keeper of the Registers of Scotland has not induced registration or no event has yet occurred to trigger registration in the Land Register is currently recorded in the General Register of Sasines. Title to such land is proved by establishing a chain of documentary evidence of title going back at least ten years. Where the land is affected by third party rights, some of those rights can be proved by documentary evidence or by proof of continuous exercise of the rights for a prescribed period and do not require registration. However, other rights (including standard securities) would have to be recorded in the Sasine Register in order to be effective against a subsequent purchaser of the land.

### ***Taking security over land***

A heritable creditor must register its standard security in the Land Register (or the Sasine Register for registrations prior to 1 April 2016) in order to perfect its security and secure priority over any subsequent standard security. Until such registration occurs, a standard security will not be effective against a subsequent purchaser or the heritable creditor under another standard security over the property. Priority of standard securities is (subject to express agreement to the contrary between the security holders) governed by their date of registration rather than their date of execution. Advance Notices, introduced by the 2012 Act, provide a 35 day ‘protected period’ in which a competing standard security cannot be registered against the applicable property and is broadly equivalent to the priority period system which operates in relation to registered land in England and Wales.

### ***The seller as heritable creditor***

The sale of the Scottish mortgages by the seller to the mortgages trustee on the first sale date was given effect by a declaration of trust by the seller in favour of the mortgages trustee (and any further sale of Scottish mortgages subsequent to the first sale date has been or will be given effect by further declarations of trust), by which the beneficial interest in the Scottish mortgages has been or will be transferred to the mortgages trustee. Such beneficial interest (as opposed to the legal title) cannot be registered in the Land Register or the Sasine Register. The consequences of this are explained in “**Risk Factors – There may be risks associated with the fact that the mortgages trustee has no legal title to the mortgages, which may adversely affect payments on the notes**” above.

### ***Enforcement of mortgages***

If a borrower defaults under a Scottish loan, the applicable Scottish mortgage conditions provide that all monies under the loan will become immediately due and payable. The seller or its successors or assignees would then be entitled to recover all outstanding principal, interest and fees under the obligation of the borrower contained in the Scottish mortgage conditions to pay or repay those amounts. In addition, the seller or its successors or assignees may, subject to taking various preliminary steps to attempt to resolve the borrower’s position and observing certain procedural requirements, enforce its standard security in relation to the defaulted loan. Enforcement may occur in a number of ways, including the following (all of which arise under the 1970 Act):

- The heritable creditor may enter into possession of the property. If it does so, it does so in its own right and not as agent of the borrower, and so may be personally liable for mismanagement of the property and to third parties as occupier of the property.
- The heritable creditor may grant a lease of the property of up to seven years (or longer with the court’s permission) to third parties.
- The heritable creditor may sell the property, subject to various duties to ensure that the sale price is the best that can reasonably be obtained. The purchaser of a property sold pursuant to a heritable creditor’s power of sale becomes the owner of the property.
- The heritable creditor may, in the event that a sale cannot be achieved, foreclose on the property. Under foreclosure procedures the borrower’s title to the property is extinguished so that the heritable creditor becomes the owner of the property. However, this remedy is rarely used.

In contrast to the position in England and Wales, the heritable creditor has no power to appoint a receiver under the standard security.

There is a requirement for a court order to enforce a standard security securing a loan to the extent that the credit agreement is regulated by the consumer credit regime or treated as such or, on and from N(M), is a regulated mortgage contract that would otherwise be regulated by the consumer credit regime or treated as such.

### ***Borrower’s right of redemption***

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security over residential property has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years, subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender, interest thereon and expenses incurred by the lender in relation to that standard security.

## MATERIAL INFORMATION RELATING TO THE REGULATION OF MORTGAGES IN THE UK

### Consumer Credit Act 2006

Under the Consumer Credit Act 2006, the earlier "extortionate credit" regime under the CCA was replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements, except regulated mortgage contracts under the FSMA, and also applies to (as described above) "consumer credit back book mortgage contracts". If the court makes a determination that the relationship between a lender and a borrower is unfair, then it may make an order, among other things, requiring the originator, or any assignee (such as the mortgages trustee), to repay amounts received from such borrower. In applying the "unfair relationship" test, the courts are able to consider a wider range of circumstances surrounding the transaction, including the conduct of the creditor (or anyone acting on behalf of the creditor) before and after making the agreement. There is no statutory definition of the word "unfair" in the CCA as the intention is for the test to be flexible and subject to judicial discretion and it is therefore difficult to predict whether a court would find a relationship "unfair". However, the word "unfair" is not an unfamiliar term in UK legislation due to the UTCCR and the CRA (each as defined below). The courts may, but are not obliged to, look solely to the CCA 2006 for guidance. The principle of "treating customers fairly" under the FSMA, and guidance published by the FSA and, as of 1 April 2013, the FCA on that principle, as well as former guidance by the OFT on the unfair relationship test, may also be relevant. Under the CCA, once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary.

*Plevin v Paragon* [2014] UKSC 61, a Supreme Court judgment, has clarified that compliance with the relevant regulatory rules by the creditor (or a person acting on behalf of the creditor) does not preclude a finding of unfairness, as a wider range of considerations may be relevant to the fairness of the relationship than those which would be relevant to the application of the rules.

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

If a court determined that there was an unfair relationship between the lender and the borrowers in respect of the loans and ordered that financial redress be made in respect of such Loans or if redress was due in accordance with the FCA rules and guidance on PPI complaints, such redress may adversely affect the ultimate amount received by the issuer in respect of the relevant loans.

Time-bar on PPI claims became effective from 29 August 2019. The FCA also announced that it is to require firms to pro-actively contact customers whose PPI complaints had previously been rejected to advise them of the existence of the *Plevin* judgment referred to above.

## Mortgage regulation under FSMA

In the UK, regulation of residential mortgage business under the FSMA came into force on 31 October 2004 (the **regulation effective date**). Residential mortgage lending under the FSMA is regulated by the FCA. Entering into, arranging or advising in respect of, and administering, regulated mortgage contracts, and agreeing to do any of those activities, are (subject to certain exemptions) regulated activities under the FSMA and the FSMA (Regulated Activities) Order 2001 (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 before 21 March 2016, it was a regulated mortgage contract under the RAO if: (a) the lender provided credit to an individual or to trustees; and (b) the obligation of the borrower to repay was secured by a first legal mortgage (or, in Scotland, a first ranking standard security) on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which was used, or was 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 was 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) is broadly the person's spouse or civil partner, near relative or a person with whom the borrower (or, in the case of credit provided to trustees, a beneficiary of the trust) has a relationship which is characteristic of a spouse.

There have been incremental changes to the definition of regulated mortgage contract over time, including, from 21 March 2016, 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.

The current definition of a regulated mortgage contract is such that, if a mortgage contract is entered into on or after 21 March 2016, it will be a regulated mortgage contract if it meets the following conditions (when read in conjunction with and subject to certain relevant exclusions, such as the relevant exclusions for buy-to-let loans): (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used, (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 who is not an individual, as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person.

Credit agreements which were originated before 21 March 2016, which were regulated by the CCA, and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 are 'consumer credit back book mortgage contracts' and are also therefore regulated mortgage contracts (see "**Regulation of residential secured lending**"). Unless an exclusion or exemption applies, each entity carrying on a regulated activity under the FSMA has to hold authorisation and permission under the FSMA to carry on that activity.

On and from the regulation effective date, subject to any exemption, persons carrying on any specified regulated mortgage-related activities by way of business must be authorised under the FSMA. The specified activities currently are: (a) entering into a regulated mortgage contract as lender; (b) administering a regulated mortgage contract (administering in this context broadly means notifying borrowers of changes in mortgage payments and/or collecting payments due under a 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. 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. 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 a loan or any other loan that the borrower has taken with that authorised person (or exercise analogous rights in Scotland). Any such claim or set-off may reduce the amounts available to meet the payments due in respect of the notes.

The seller is required to hold and holds authorisation and permission to enter into and to administer and, where applicable, to advise in respect of regulated mortgage contracts. Subject to any exemption,

brokers are required to hold authorisation and permission to arrange and, where applicable, to advise in respect of regulated mortgage contracts.

None of the issuer, Funding 1, or the mortgages trustee are, or propose to be, an authorised person under the FSMA with respect to regulated mortgage contracts and related activities. The mortgages trustee does not require authorisation in order to acquire legal or beneficial title to a regulated mortgage contract or a regulated credit agreement. None of the issuer, Funding 1 or the mortgages trustee carry on the regulated activity of administering (servicing) regulated mortgage contracts because the loans are serviced pursuant to the servicing agreement by the servicer, which has the required FCA authorisation and permission under the FSMA. If the servicing agreement terminates, however, the issuer, Funding 1 and the mortgages trustee will have a period of not more than one month in which to arrange for the loans to be serviced by a replacement servicer having the required authorisation and permission under the FSMA. During that period, the mortgages trustee will also be exempt from the authorisation requirement in respect of any debt-counselling, debt administration or debt-collecting activities it carries out. In addition, no variation may be made to the loans in the portfolio and no further advance or product switch has been or will be made in relation to a loan in the portfolio, where this would result in the issuer, Funding 1, or the mortgages trustee arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract debt-counselling or debt-collecting or performing debt administration in respect of, an unregulated first charge mortgage or agreeing to carry on any of these activities, if the issuer, Funding 1, or the mortgages trustee would be required to be authorised under the FSMA to do so. 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.

### **Changes to mortgage regulation and to the regulatory structure in the United Kingdom**

In December 2011, the FSA published a consultation paper that consolidated proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, inter alia, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovered. In October 2012, the FSA published a feedback statement and final rules that generally came into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing. These rules have imposed more stringent requirements on lenders such as, for example, requirements for lenders to assess the affordability of a loan made to a borrower and to verify the income of the borrower. In relation to interest-only loans that are not buy-to-let loans, the mortgage market review introduced rules that require relevant institutions, with effect from 26 April 2014, to obtain evidence (with permitted exceptions) that a borrower will have in place a clearly understood and credible payment strategy and that the payment strategy has the potential to repay the principal at the end of the term of an interest-only loan.

These rules required a number of material changes to the mortgages sales process, both in terms of advice provision in nearly all scenarios and significantly enhanced affordability assessment and evidencing. The rules permit interest-only loans. However, there is a clear requirement for a clearly understood and credible strategy for repaying the capital (evidence of which the lender must obtain before making the loan).

Santander UK Group has implemented certain changes to implement the mortgage market review requirements. The FCA continues to assess firms' implementation of the rules introduced as a result of the mortgage market review and commenced a review of responsible lending practices in April 2015, publishing its report in May 2016. This is in addition to regulatory reforms being made as a result of the implementation of the Mortgage Credit Directive from 21 March 2016. In December 2016, the FCA published terms of reference for a market study into competition in the mortgages sector, which will focus on consumers' ability to make effective choices in the first charge residential mortgage market and whether commercial arrangements between lenders, brokers and other players leads to conflicts of interest or misaligned incentives to the detriment of consumers. Following a deferral, the FCA published its interim report setting out its preliminary conclusions in May 2018 and a final report in March 2019.

It is possible that further changes may be made to the MCOB rules as a result of these reviews and other related future regulatory reforms. To the extent that any new rules do apply to any of the loans, failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the loan.

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013 and: (i) in June 2015 published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and (ii) began a further thematic

review on responsible lending in April 2015, on which it reported in May 2016. This is in addition to regulatory reforms which were made as a result of the implementation of the Mortgage Credit Directive (see "**Mortgage Credit Directive**" below). It is possible that further changes may be made to the FCA's MCOB rules as a result of these reviews and other related future regulatory reforms. To the extent that any new rules do apply to any of the mortgage loans, failure to comply with these rules may entitle a borrower to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the loan. Any such claim or set-off may reduce the amounts available to meet the payments due in respect of the notes.

Under the Financial Services Act 2012: (a) the carrying on of servicing activities in certain circumstances by a person exercising the rights of the lender without FCA permission to do so renders the credit agreement unenforceable, except with FCA approval; and (b) the FCA has the power to make rules to render unenforceable contracts made in contravention of its rules on cost and duration of credit agreements or in contravention of its product intervention rules. This Act also provides for formalised cooperation to exist between the FCA and the Ombudsman (as described below), particularly where identified issues potentially have wider implications, with a view to the FCA requiring affected firms to operate consumer redress schemes.

Any further changes to the FCA's MCOB rules or to MCOB or the FSMA or changes in the regulatory structure or the Financial Services Act 2012, may adversely affect the loans, the seller, the issuer, the servicer and their respective businesses and operations.

## Distance Marketing

In the UK, the Financial Services (Distance Marketing) Regulations 2004 (the **DM Regulations**) apply, *inter alia*, to credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower); and the FCA's Mortgages and Home Finance: Conduct of Business sourcebook (**MCOB**) came into force on 31 October 2004, which sets out the FCA's rules for regulated mortgage activities, including, amongst other things, certain pre-origination matters such as financial promotion and pre-application illustrations, pre contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

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

A regulated mortgage contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under the DM Regulations but is subject to related authorisations and pre-contract disclosure requirements in MCOB. 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. Certain other credit agreements will be cancellable under the DM Regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under the DM Regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the borrower receives the last of the prescribed information.

Compliance with the DM Regulations may be secured by way of injunction (interdict in Scotland), granted on such terms as the court thinks fit to ensure such compliance, and certain breaches of the DM Regulations may render the supplier or intermediaries (and their respective relevant officers) liable to a fine. 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.

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 the originator to the borrower under or in relation to the cancelled agreement within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the originator receiving notice of cancellation; (b) the borrower is liable to pay interest or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (c) any security is to be treated as never having had effect in respect of the cancelled agreement. 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 a loan or any other loan that the borrower has taken with that authorised person (or exercise analogous rights in Scotland). Any such claim or set-off may reduce the amounts available to meet the payments due in respect of the notes.

If a significant portion of the loans are characterised as being cancellable under the DM Regulations, then there could be an adverse effect on the ability of the issuer to make payments on the notes.

### **Unfair Terms in Consumer Contracts Regulations 1994 and 1999**

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

The UTCCR and the CRA provide that a consumer (which would include a borrower under all or almost all of the loans) may challenge a term in an agreement on the basis that it is "unfair" under the UTCCR or the CRA as applicable and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term) and provide that a regulator may take action to stop the use of terms which are considered 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 under a loan, 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 mortgages trustee), 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 that the borrower has taken with the lender (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off in relation to a loan in the portfolio may adversely affect the issuer's ability to make payments on the notes.

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

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

- other credit-related regulated activities.

MCOB rules for regulated mortgage contracts require that: (a) arrears charges represent a reasonable estimate of the cost of the additional administration required as a result of the borrower being in arrears, and (b) from 25 June 2010, the borrower's payments are allocated first towards paying off the balance of any payment shortfall, excluding any interest or charges on that balance. In October 2010, the FSA issued a statement that, in its view, early repayment charges are likely to amount to the price paid by the borrower in exchange for services provided and may not be reviewable for fairness under the UTCCR provided that they are written in plain and intelligible language and are adequately drawn to the borrower's attention. In January 2012, the FSA issued a further statement intended to raise awareness of issues that it commonly identifies under the UTCCR (such statement has since been withdrawn – see below).

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

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

The 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 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 1999 and 30 September 2015 is found to be unfair for the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the notes.

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 consider firms should have regard to when drafting and reviewing variation terms in consumer contracts. This follows developments in case law, including at the Court of Justice of the EU. The finalised guidance relates to all financial services consumer contracts entered into since 1 July 1995. The FCA stated that firms should consider both this guidance and any other rules that apply when they draft and use variation terms in their consumer contracts. The FCA stated that the finalised guidance will apply to FCA authorised persons and their appointed representative in relation to any consumer contracts which contain variation terms.

The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the Competition and Markets Authority published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the **CMA Guidance**). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs".

The guidance issued by the FSA, the FCA, the OFT and the CMA has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR and the CRA, or reform of the UTCCR and the CRA, will not have a material adverse effect on the seller, the servicer and the issuer and their respective businesses and operations. This may adversely affect the issuer's ability to make payments on the notes in full when due.

## **Consumer Rights Act 2015**

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

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

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

A term of a consumer contract which is not on the "grey list" may 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 is practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible to 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.

Where only the existence but not the amount of the commission was disclosed to a borrower then, depending on the circumstances of the case, that borrower may have a claim against the relevant legal title holder of the affected loan. If such claim was successful, it is likely that a court would order payment to such borrower of the amount of commission paid in respect of the affected loan together with interest on that amount (although the court does have discretion as to the remedy that it would award the borrower in the circumstances), whereas the award is likely to be greater where there was a failure to disclose the existence of the commission to a borrower.

The guidance issued by the FSA, the FCA, the OFT, the Law Commission and the Scottish Law Commission has evolved over time and it is possible that a different approach may be taken in the future, including by the FCA and/or the CMA. No assurance can be given that future changes to guidance on unfair contract terms legislation will not have a material adverse effect on the seller, the servicer and the issuer and their respective businesses and operations. This may adversely affect the issuer's ability to make payments on the notes in full when due.

### **Decisions of the Ombudsman could lead to some terms of the loans being varied**

Under the FSMA, the Ombudsman is required to make decisions on, inter alia, 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 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 is 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. As 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, it is not possible to predict how any future decision of the Ombudsman would affect the issuer's ability to make payments in full on the notes when due.

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

On 11 May 2005, the European Parliament and the Council adopted Directive (2005/29/EC) on unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally, the Unfair Practices Directive applies full harmonisation, which means that member states may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits member states to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

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

The Unfair Practices Directive has been 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 to be "unfair". 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 agreements 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. However, the Consumer Protection (Amendment) Regulations 2014 (SI No. 870/2014) came into force on 1 October 2014 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

In addition, the Unfair Practices Directive is taken into account in reviewing rules under the FSMA. For example, MCOB rules for regulated mortgage contracts from 25 June 2010 prevent the lender from: (a) repossessing the mortgaged property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term or change in the product type, and (b) automatically capitalising a payment shortfall.

No assurance can be given that the UK's implementation of the Unfair Practices Directive will not have a material adverse effect on the loans or the manner in which they are serviced and accordingly on the ability of the issuer to make payments to noteholders.

### **Regulation of residential secured lending**

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending, replacing the regime for consumer credit under which second charge lending previously fell. The UK government concluded there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is secured by a first or subsequent charge. The European Mortgage Credit Directive (2014/17/EU) (the **Mortgage Credit Directive**) also follows this principle and makes no distinction between requirements for first charge and second (and subsequent) charge mortgage lending. The UK government therefore concluded that it made sense to implement changes to second (and subsequent) charge lending alongside the implementation of the Mortgage Credit Directive. The UK government also proposed to move the regulation of second (and subsequent) charge loans already in existence before 21 March 2016 to the regulated mortgage contract regime rather than keeping them within the consumer credit regime. This policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime for pre-2004 first charge loans regulated by the CCA. Mortgage regulation under FSMA began on 31 October 2004. Mortgages entered into before that date were regulated by the CCA, provided they did not exceed the financial threshold in place when they were entered into and were not otherwise exempt. Consequently, in November 2015, the UK government made legislation the effect of which was that the administration of and other activities relating to pre-October 2004 first charge mortgages which at that time were regulated by the CCA became regulated mortgage activities from 21 March 2017, although firms could have adopted the new rules from 21 March 2016 if they chose. The move of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 (the **Mortgage Credit Directive Order**). The government put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out were not removed retrospectively.

Credit agreements which were originated before 21 March 2016 which were regulated by the CCA and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 are defined by the Mortgage Credit Directive Order as "consumer credit back book mortgage contracts" and are now regulated mortgage contracts. The main CCA consumer protection retained in respect of consumer credit back book mortgage contracts is the continuing unenforceability of the agreement if it was rendered unenforceable by the CCA prior to 21 March 2016. Unless the agreement was irredeemably unenforceable, the lender may enforce the agreement by seeking a court order or bringing any relevant period of non-compliance with the CCA to an end in the same manner as would have applied if the agreement were still regulated by the CCA. If a consumer credit back book mortgage contract was void as a result of section 56(3) of the CCA, that agreement or the relevant part of it will remain void. Restrictions on early settlement fees will also be retained. If interest was not chargeable under a consumer credit back book mortgage contract due to non-compliance with section 77A of the CCA (duty to serve an annual statement)

or section 86B of the CCA (duty to serve a notice of sums in arrears (NOSIA)), once the consumer credit back book mortgage contract became regulated by FSMA under the Mortgage Credit Directive Order as of 21 March 2016, the sanction of interest not being chargeable under section 77A of the CCA and section 86D of the CCA ceased to apply, but only for interest payable under those loans after 21 March 2016. A consumer credit back book mortgage contract will also be subject to the unfair relationship provisions described below. Certain provisions of MCOB are applicable to these consumer credit back book mortgage contracts. These include the rules relating to disclosure at the start of a contract and post-sale disclosure (MCOB 7), charges (MCOB 12) and arrears, payment shortfalls and repossessions (MCOB 13). General conduct of business standards will also apply (MCOB 2). This process is subject to detailed transitional provisions that are intended to retain certain customer protections in CONC and the CCA that are not contained within MCOB.

The seller has given or, as applicable, will give warranties to the mortgages trustee and others in the mortgage sale agreement that, *inter alia*, each loan and its related security is enforceable (subject to certain exceptions). If a loan or its related security does not materially comply with these warranties, and if the default cannot be or is not cured within 20 London business days, then the seller will, upon receipt of notice from the mortgages trustee, be required to repurchase the loans under the relevant mortgage account and their related security.

This regulatory regime may result in adverse effects on the enforceability of certain loans and consequently the issuer's ability to make payment in full on the notes when due.

### **Home Owner and Debtor Protection (Scotland) Act 2010**

The Home Owner and Debtor Protection (Scotland) Act 2010 (the 2010 Act) enacted by the Scottish Parliament contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. The 2010 Act amends the Conveyancing and Feudal Reform (Scotland) Act 1970, which permitted a heritable creditor to proceed to sell the secured property where the formal notice calling up the standard security had expired without challenge (or where a challenge had been made but not upheld). Under the 2010 Act the heritable creditor is required to obtain a court order to exercise its power of sale, unless the borrower and any other occupiers have surrendered the property voluntarily. In addition, the 2010 Act requires the heritable creditor in applying for a court order to demonstrate that it has taken various preliminary steps to attempt to resolve the borrower's position, as well as imposing further procedural requirements. This may restrict the ability of the seller as heritable creditor of the Scottish mortgages to exercise its power of sale, and this may adversely affect the issuer's ability to make payments in full when due on the notes.

### **Protocol on repossessions, protection of tenants on repossessions**

The pre-action protocol for mortgage repossession 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, including the seller, have confirmed that they will delay the initiation of repossession action for at least six months after a borrower, who is an owner-occupier, is in arrears. The application of such a moratorium may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. In addition, the Mortgage Repossessions (Protection of Tenants etc) Act 2010 came into force on 1 October 2010. The Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. In addition, under the protocols the lender must consider whether to postpone the start of a possession claim where the borrower has made a genuine complaint to the Ombudsman about the potential possession claim. The lender has to serve notice at the property before enforcing a possession order.

The protocols and the Mortgage Repossessions (Protection of Tenants etc) Act 2010 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 and may adversely affect the ability of the issuer to make payments in full on the notes when due.

### **Mortgage Prisoners**

In March 2019, the FCA issued the Mortgages Market Study Final Report (the **MMS Final Report**) and published a consultation paper (the **Consultation**) setting out detailed proposals to remove regulatory barriers to changing mortgages for "mortgage prisoners". The Consultation closes in June 2019. The term

“mortgage prisoners” has been defined by the FCA to mean mortgage customers who would benefit from changing their mortgage product (either with their existing lender or with a new lender) (**Switching**) but are unable to do so despite being up to date with their current mortgage payments. The FCA has confirmed that the findings from the MMS Final Report are aimed at the first charge residential mortgage market in particular and that it did not focus on second charge, buy-to-let, commercial mortgages or home reversion plans. The FCA have however stated that insights gained from the MMS Final Report are likely to be relevant to other markets within the FCA’s regulatory scope.

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

## UNITED KINGDOM TAXATION

The comments below, which are of a general nature and based on current United Kingdom tax law and HM Revenue & Customs' published practice, describe only the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of the notes. They do not deal with any other United Kingdom tax implications of acquiring, holding or disposing of notes. Ashurst LLP, United Kingdom tax advisers to the issuer (**UK tax counsel**), has prepared and reviewed this summary and the opinions of UK tax counsel are contained in this summary. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective noteholders who are unsure as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

### ***Payment of interest on the notes***

Payments of interest on the notes may be made without deduction or withholding on account of United Kingdom income tax provided that the notes carry a right to interest and are and continue to be listed on a "**recognised stock exchange**" within the meaning of Section 1005 of the Income Tax Act 2007 (the **ITA**). The London Stock Exchange is a recognised stock exchange. Securities 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 terms of Part 6 of FSMA) and admitted to trading on the London Stock Exchange. Provided, therefore, that the notes carry a right to interest and are and remain so listed on a "recognised stock exchange" within the meaning of Section 1005 of the ITA, interest on the notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the notes may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the notes is less than 365 days from the date of issue and where notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for a year or more.

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 per cent.), subject to any other available exemptions or 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, HM Revenue & Customs can issue a notice to the Issuer to pay interest to that noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

## UNITED STATES FEDERAL INCOME TAXATION

### General

The following is a general summary of certain material U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Rule 144A notes. In general, the discussion assumes that a holder acquires the Rule 144A notes at original issuance and holds the Rule 144A notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Rule 144A notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) regulated investment companies; (vi) real estate investment trusts; (vii) persons that will hold the Rule 144A notes as part of a “hedging” or “conversion” transaction or as a position in a “straddle” for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10 per cent. or more of the shares of the issuer (by vote or value); (ix) partnerships, pass-through entities or persons who hold Rule 144A notes through partnerships or other pass-through entities; and (x) United States holders (as defined below) that have a “functional currency” other than the U.S. dollar. This discussion also does not address alternative minimum or net investment income tax consequences, or the indirect effects on the holders of equity interests in holders of Rule 144A notes, nor does it describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), U.S. Treasury regulations and judicial and administrative interpretations thereof, all as currently in effect and subject to change at any time, possibly with retroactive effect.

As described below under “**Tax status of the issuer, Funding 1, mortgages trustee and mortgages trust**”, unless otherwise indicated in the applicable final terms, upon issuance of the Rule 144A notes, Cleary Gottlieb Steen & Hamilton LLP, U.S. federal income tax advisers to the issuer (**U.S. tax counsel**), will deliver an opinion that the mortgages trustee acting as trustee of the mortgages trust, Funding 1 and the issuer will not be subject to U.S. federal income tax as a result of their contemplated activities. As described further below under “**Characterisation of the Rule 144A notes**”, unless otherwise indicated in the applicable final terms, upon issuance of the Rule 144A notes, U.S. tax counsel will deliver an opinion that, although there is no authority on the treatment of instruments substantially similar to the Rule 144A notes, the class A, class B and class M Rule 144A notes, when issued, will be treated as debt for U.S. federal income tax purposes (either of the issuer or Funding 1, as described below), and the class C Rule 144A notes, when issued, should be treated as debt for U.S. federal income tax purposes (either of the issuer or Funding 1, as described below). The treatment of the class D Rule 144A notes for U.S. federal income tax purposes will be set forth in the applicable final terms.

An opinion of U.S. tax counsel is not binding on the U.S. Internal Revenue Service (the **IRS**) or the courts, and no rulings will be sought from the IRS on any of the issues discussed in this section and there can be no assurance that the IRS or courts will agree with the conclusions expressed herein. **Accordingly, investors are encouraged to consult their own tax advisers as to the U.S. federal income tax consequences to the investor of the purchase, ownership and disposition of the Rule 144A notes to them, including the possible application of state, local, non-U.S. or other tax laws, and other U.S. tax issues affecting the transaction.**

As used in this section, the term **United States holder** means a beneficial owner of Rule 144A notes that is for U.S. federal income tax purposes: (i) a citizen or resident of the United States; (ii) a corporation (or other entity treated as a corporation) created or organised in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of the source of its income; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. A **Non-United States holder** is a beneficial owner of the Rule 144A notes that is not a United States holder. If a partnership holds Rule 144A notes, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding Rule 144A notes are encouraged to consult their own tax advisers regarding the personal tax consequences to them.

United States holders that use an accrual method of accounting for tax purposes (“**accrual method holders**”) generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the “**book/tax conformity rule**”). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the

general tax rules described below. It is not clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. Accrual method holders should consult with their tax advisers regarding the potential applicability of the book/tax conformity rule to their particular situation.

### **Tax status of the issuer, Funding 1, mortgages trustee and mortgages trust**

Under the transaction documents, each of the issuer, Funding 1 and the mortgages trustee acting in its capacity as trustee of the mortgages trust covenants not to engage in any activities in the United States (directly or through agents), not to derive any income from sources within the United States as determined under U.S. federal income tax principles, and not to hold any property if doing so would cause it to be engaged or deemed to be engaged in a trade or business within the United States as determined under U.S. federal income tax principles. Unless otherwise indicated in the applicable final terms, upon issuance of the Rule 144A notes, U.S. tax counsel will deliver an opinion that, assuming compliance with the transaction documents, none of the issuer, Funding 1 or the mortgages trustee acting in its capacity as trustee of the mortgages trust will be subject to U.S. federal income tax. See “**General**” above for further information regarding this opinion. No election will be made to treat the issuer, Funding 1 or the mortgages trustee or any of their assets as a REMIC (a type of securitisation vehicle having a special tax status under the Code).

### **Characterisation of the Rule 144A notes**

Although there is no authority regarding the treatment of instruments that are substantially similar to the Rule 144A notes, unless otherwise indicated in the applicable final terms, upon issuance of the Rule 144A notes, U.S. tax counsel will deliver an opinion that the class A, class B and class M Rule 144A notes, when issued, will be treated as debt for U.S. federal income tax purposes, and the class C Rule 144A notes, when issued, should be treated as debt for U.S. federal income tax purposes (either of the issuer or of Funding, as described under “**Rule 144A notes as debt of Funding 1**”). The treatment of the class D Rule 144A notes for U.S. federal income tax purposes will be set forth in the applicable final terms. The issuer intends to treat the Rule 144A notes (other than notes that will not be treated as debt for U.S. federal income tax purposes as indicated in the applicable final terms) as indebtedness of the issuer for all purposes, including U.S. federal income tax purposes.

The Rule 144A notes will not be qualifying real property loans in the hands of domestic savings and loan associations, real estate investment trusts, or REMICs under Sections 7701(a)(19)(C), 856(c) or 860G(a)(3) of the Code, respectively.

For the purposes of the discussions below, the term **Rule 144A notes** excludes notes that will not be treated as debt for U.S. federal income tax purposes as indicated in the applicable final terms.

### **Taxation of United States holders of the notes**

#### **Qualified Stated Interest and Original Issue Discount**

The issuer intends to treat interest on the Rule 144A notes as “qualified stated interest” under U.S. Treasury regulations (**OID Regulations**) relating to original issue discount (**OID**). As a consequence, discount on the Rule 144A notes arising from an issuance at less than par will only be required to be accrued under the OID Regulations if such discount exceeds a statutorily defined *de minimis* amount. Qualified stated interest, which generally must be unconditionally payable at least annually, is taxed under a holder's normal method of accounting as ordinary interest income. *De minimis* original issue discount is included in income on a *pro rata* basis as principal payments are made on the Rule 144A notes.

It is possible that interest on the Rule 144A notes that are class B notes, class M notes or class C notes (or, if treated as debt for U.S. federal income tax purposes, class D notes) could be treated as OID because such interest is subject to deferral in certain limited circumstances. A United States holder of an offered note issued with OID must include OID in income over the term of such offered note under a constant yield method that takes into account the compounding of interest. Under the Code, OID is calculated and accrued using prepayment assumptions where payments on a debt instrument may be accelerated by reason of prepayments of other obligations securing such debt instrument. Moreover, the legislative history to the provisions provides that the same prepayment assumptions used to price a debt instrument be used to calculate OID, as well as to accrue market discount and to amortise premium. Here, prepayment of the loans is not expected to alter the scheduled principal payments on the Rule 144A notes that are class B notes, class M notes or class C notes (or, if treated as debt for U.S. federal income tax purposes, class D notes) and accordingly, the issuer intends to assume that such Rule 144A notes will have their principal repaid according to the schedule for the purposes of accruing any OID. No representation is made that the loans will pay on the basis of such prepayment assumption or in accordance with any other prepayment scenario.

All of the interest payable on Rule 144A notes with a term of one year or less (**short-term obligations**), such as the money market notes, will be treated as OID. In general, United States holders who report income for U.S. federal income tax purposes under the accrual method are required to accrue OID on short-term obligations on a straight-line basis unless an election is made to accrue the OID under a constant yield method (based on daily compounding). A United States holder who is an individual or other cash method holder is not required to accrue such OID unless such holder elects to do so. If such an election is not made, any gain recognised by such holder on the sale, exchange or maturity of such short-term obligations will be ordinary income to the extent of the holder's rateable share of OID accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of the sale, exchange or maturity.

As an alternative to the above treatments, United States holders may elect to include in gross income all interest with respect to the Rule 144A notes, including stated interest, acquisition discount, OID, *de minimis* OID, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortisable bond premium or acquisition premium, using the constant yield method described above.

Interest income on the Rule 144A notes will be treated as foreign source income for U.S. federal income tax purposes, which may be relevant in calculating a United States holder's foreign tax credit limitation for U.S. federal income tax purposes. The limitation on foreign taxes eligible for the U.S. foreign tax credit is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and United States holders are encouraged to consult their own tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

### **Sales and retirement**

In general, a United States holder of a Rule 144A note will have a basis in such Rule 144A note equal to the cost of the Rule 144A note to such holder, increased by any amounts includible in income by the holder as OID, and reduced by any payments thereon other than payments of qualified stated interest. Upon a sale or exchange of the Rule 144A note, a United States holder will generally recognise gain or loss equal to the difference between the amount realised (less any accrued interest, which would be taxable as such) and the holder's tax basis in the Rule 144A note. Such gain or loss will be long-term capital gain or loss if the United States holder has held the Rule 144A note for more than one year at the time of disposition. Long-term capital gains recognised by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations.

### **Notes denominated in a non-U.S. dollar currency**

A United States holder holding notes denominated in a non-dollar currency will be subject to the U.S. federal income tax rules generally applicable to debt instruments denominated in a non-functional currency. Under those rules, interest income generally will be calculated in the non-dollar currency and converted into dollars based on an applicable exchange rate. The holder will recognise foreign currency gain or loss (which is ordinary income or loss) as interest payments are received to account for any difference between the amount of reported interest income and the dollar value of the interest payments received. Foreign currency gain or loss also may be recognised as principal payments are received, or upon a sale or exchange of the notes (limited by the overall gain or loss on sale or exchange of the notes), reflecting changes in exchange rates over the period in which the notes are held. United States holders purchasing notes denominated in a non-dollar currency should consult their own tax advisors regarding the calculation and treatment of foreign currency gain or loss.

### **Taxation of Non-United States holders of the Rule 144A notes**

Subject to the backup withholding and FATCA rules discussed below, a Non-United States holder generally should not be subject to U.S. federal income or withholding tax on any payments on a Rule 144A note and gain from the sale, redemption or other disposition of a Rule 144A note unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-United States holder of a trade or business in the United States; (ii) in the case of any gain realised on the sale or exchange of a Rule 144A note by an individual Non-United States holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the Non-United States holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates. **Non-United States holders are encouraged to consult their own tax advisers regarding the U.S. federal income and other tax consequences to them of owning Rule 144A notes.**

## Rule 144A notes as debt of Funding 1

The IRS could possibly seek to characterise the Rule 144A notes as ownership interests in the related loan tranche between the issuer and Funding 1 (the **related advance**), rather than as debt of the issuer. If the IRS were successful in such a characterisation, a United States holder of a Rule 144A note would be treated as owning (a) a *pro rata* share of the related advance, which, in the case of the class A, class B and class M Rule 144A notes, will be treated as debt for U.S. federal income tax purposes, and in the case of the class C Rule 144A notes, should be treated as debt for U.S. federal income tax purposes and (b) an interest in the related issuer dollar currency swap. U.S. Treasury regulations permit taxpayers meeting certain requirements to integrate a debt instrument and a related currency hedge and to treat them for most tax purposes as if they were a synthetic debt instrument having the terms of the debt instrument and hedge combined. Integrating the related advance and issuer dollar currency swap would create a synthetic debt instrument having the characteristics of the Rule 144A notes and hence would produce largely the same result as if the Rule 144A notes were not recharacterised as debt of Funding 1.

The integration regulations apply only if a taxpayer creates a record identifying the debt instrument and hedge on or before the close of the date the hedge is entered into. The issuer will create a record that is intended to provide such identification effective for each United States holder as of the date of acquisition of a Rule 144A note. By its acquisition of a Rule 144A note, each United States holder agrees to appoint the issuer as its agent for this purpose. The IRS could challenge the effectiveness of such an identification made on behalf of a group of taxpayers. The integration rules would not apply to a United States holder that is related to any issuer dollar currency swap provider.

If an issuer dollar currency swap terminated before the Rule 144A notes were retired, and the integration regulations applied, then a United States holder may be considered to recognise gain or loss as if the holder had sold for fair market value his interest in the related advance. Moreover, for periods following such termination, the integration rules would no longer apply to the related advance except in the discretion of the IRS.

If any issuer dollar currency swap was not integrated with the related advance, then a United States holder would calculate separately income and deductions from that issuer dollar currency swap and income from the related advance. For most holders, the tax consequences of treating an issuer dollar currency swap and the related advance separately would be similar to the treatment if they were combined, but there could be differences. For example, income from an issuer dollar currency swap may be sourced differently from income from the related advance and would always be computed under an accrual method. Individual taxpayers may be allowed deductions for payments made under issuer dollar currency swaps only as a miscellaneous itemized deduction (which is allowed for regular tax purposes only subject to limitations and is not allowed for alternative minimum tax purposes). United States holders may wish to consult their own tax advisors regarding the possible treatment of Rule 144A notes as debt of Funding 1, application of the integration rules, and the consequences of an inability to integrate an issuer dollar currency swap and the related advance.

## Alternative characterisation of the Rule 144A notes as equity

The proper characterisation of the arrangement involving the issuer and the holders of the Rule 144A notes is not clear because there is no authority on directly comparable transactions. The issuer intends to treat the Rule 144A notes as debt for all U.S. federal income tax purposes. Prospective investors are encouraged to consult their own tax advisors regarding the tax consequences to them of an alternative characterisation of the Rule 144A notes for U.S. federal income tax purposes as equity.

The IRS could also seek to recharacterise the Rule 144A notes as equity in the issuer for U.S. federal income tax purposes based on the view that the issuer lacks substantial equity. This recharacterisation is less likely for the class A, class B and class M Rule 144A notes than for other classes of Rule 144A notes. If a class of Rule 144A notes were treated as equity, United States holders of such notes would be treated as owning equity in a passive foreign investment company (**PFIC**) or, depending on the level of equity ownership by such United States holders and certain other factors, a controlled foreign corporation (**CFC**) for such United States holder. Treatment of a note as equity in a PFIC or CFC rather than a debt instrument for U.S. federal income tax purposes would have certain timing and character consequences to a United States holder and could require certain elections and disclosures that would need to be made shortly after acquisition to avoid potentially adverse U.S. tax consequences. The issuer encourages persons considering the purchase or ownership of 10 per cent. or more by vote or value of any class of Rule 144A notes (or combination of classes) that is treated as equity for U.S. federal income tax purposes to consult their own tax advisors regarding the U.S. tax consequences to them of such an acquisition under the special rules applicable to CFCs under the Code.

If a United States holder were treated as owning an equity interest in a PFIC, such holder will be subject to a special tax regime: (i) in respect of gains realised on the sale or other disposition of the relevant Rule 144A notes; and (ii) in respect of distributions on the relevant Rule 144A notes held for more than one taxable year to the extent those distributions constitute “excess distributions”. An excess distribution generally includes dividends or other distributions received from a PFIC in any taxable year to the extent the amount of such distributions exceeds 125 per cent. of the average distributions for the three preceding years (or, if shorter, the investor's holding period). Because the Rule 144A notes may pay interest at a floating rate, it is possible that a United States holder will receive excess distributions as a result of fluctuations in the relevant reference rate over the term of the Rule 144A notes. In general, under the PFIC rules, a United States holder will be required to allocate such excess distributions and any gain realised on a sale of its Rule 144A notes to each day during the United States holder's holding period for the Rule 144A notes, and such distribution or gain will be taxable at the highest rate of taxation applicable to the Rule 144A notes for the year to which the excess distribution or gain is allocable (without regard to the United States holder's other items of income and loss for such taxable year) (the **deferred tax**). The deferred tax (other than the tax on amounts allocable to the year of disposition or receipt of the distribution) will then be increased by an interest charge computed by reference to the rate generally applicable to underpayments of tax (which interest charge generally will be a non-deductible interest expense for individual taxpayers).

Generally, a United States holder treated as owning an equity interest in a PFIC can avoid the adverse tax consequences described above by making either a “QEF Election” or a “mark-to-market” election. The issuer does not intend to provide information that would enable a holder of a Rule 144A note to make a QEF election, and the mark-to-market election will only be available during any period in which the Rule 144A notes are “regularly traded” on a qualifying exchange or market.

### **Foreign Financial Asset Reporting**

Certain United States holders that own certain foreign financial assets, including debt or equity of foreign entities, with an aggregate value in excess of \$50,000 may be required to file an information report with respect to such assets with their tax returns. Failure to comply with this requirement may result in the imposition of substantial penalties. United States holders are urged to consult their tax advisors regarding the application of these reporting requirements to their ownership of the Rule 144A notes.

### **Reportable Transactions**

A United States taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS. Under the relevant rules, if the Rule 144A notes are denominated in a foreign currency, a United States holder may be required to treat a foreign currency exchange loss from the Rule 144A notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (\$50,000 in a single taxable year, if the United States holder is an individual or trust, or higher amounts for other non-individual United States holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty in the amount of \$10,000 in the case of a natural person and \$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. United States holders are urged to consult their tax advisors regarding the application of these rules.

### **Backup withholding and information reporting**

Backup withholding and information reporting requirements may apply to certain payments on the Rule 144A notes and to proceeds of the sale or redemption of the Rule 144A notes to United States holders. The issuer, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if the United States holder fails to furnish the United States holder's taxpayer identification number (usually on IRS Form W-9), to certify that such United States holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain United States holders are not subject to the backup withholding and information reporting requirements. Non-United States holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN or IRS Form W-8BEN-E) to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be refunded or credited against the holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS. **Holders of Rule 144A notes are encouraged to consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.**

## **U.S. Foreign Account Tax Compliance Act**

The IRS has issued final regulations implementing sections of the Code commonly known as “**FATCA**” and the United Kingdom has entered into an intergovernmental agreement (the **U.S. – UK IGA**) with the United States relating to FATCA. Pursuant to the U.S. – UK IGA, the issuer may be required to comply with certain reporting requirements. Noteholders may therefore be required to provide information and tax documentation regarding their identities as well as that of their direct and indirect owners and this information may be reported to the Commissioners for Her Majesty’s Revenue & Customs. Assuming the issuer complies with any applicable reporting requirements pursuant to the U.S. – UK IGA, the issuer should not be subject to FATCA withholding on payments it receives. Under the final regulations implementing FATCA, assuming the notes are treated as debt for U.S. federal income tax purposes and are not materially modified after issuance, payments on the notes will not be subject to FATCA withholding.

**FATCA is particularly complex and its application to the issuer is uncertain at this time. Each prospective noteholder should consult its own tax advisor to obtain a more detailed explanation of FATCA and to learn how FATCA might affect each noteholder in its particular circumstance.**

## ERISA CONSIDERATIONS

Certain Rule 144A notes specified in the final terms will be eligible for purchase by employee benefit plans and other plans subject to the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), or the provisions of Section 4975 of the Code and by governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) that are subject to any federal, state, local or non-U.S. law or regulation that is substantially similar to Section 406 of ERISA and/or Section 4975 of the Code (**Similar Law**), subject to consideration of the issues described in this section. ERISA imposes certain requirements on **employee benefit plans** (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, **ERISA Plans**) and on those persons who are fiduciaries with respect to ERISA Plans. The class A Rule 144A notes, the class B Rule 144A notes and the class M Rule 144A notes will be eligible for purchase by entities using assets of ERISA Plans (**ERISA-eligible notes**) unless otherwise set forth in the applicable final terms. The ERISA-eligibility of the class C Rule 144A notes, the class D Rule 144A notes and the class Z notes will be set forth in the applicable final terms. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "**Risk Factors**" and the fact that in the future there may be no market in which such fiduciary will be able to sell or otherwise dispose of the ERISA-eligible notes.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the **Plans**)) and certain persons (referred to as **parties in interest** or **disqualified persons**) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The seller, the issuer, the servicer, the mortgages trustee, Funding 1 or any other party to the transactions contemplated by the transaction documents may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of Section 406 of ERISA and/or Section 4975 of the Code may arise if any of the ERISA-eligible notes is acquired or held by a Plan with respect to which the issuer, the servicer, the mortgages trustee, Funding 1 or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any such ERISA-eligible notes and the circumstances under which such decision is made. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption (**PTCE**) 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exemptions. There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving any ERISA-eligible notes.

Each purchaser and subsequent transferee of any ERISA-eligible note (or any interest therein) will be deemed by such purchase or acquisition of any such note (or interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such note (or interest therein) through and including the date on which the purchaser or transferee disposes of such note (or interest therein), either that: (A) it is not, and is not acting on behalf of or using the assets of, a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law; or (B) its acquisition, holding and disposition of such note (or interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA and/or

Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law) for which an exemption is not available.

Each purchaser and subsequent transferee of any note that is not an ERISA-eligible note (or any interest therein) will be deemed by such purchase or acquisition of any such note (or interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such note (or interest therein) through and including the date on which the purchaser or transferee disposes of such note (or interest therein), that it is not, and is not acting on behalf of or using the assets of, a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law.

In addition, the U.S. Department of Labor has promulgated a regulation, 29 C.F.R. Section 2510.3-101, as modified by section 3(42) of ERISA (the **Plan Asset Regulation**), describing what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA, including the fiduciary responsibility provisions of Title I of ERISA, Section 406 of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an equity interest of an entity that is neither a publicly-offered security nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless one of the exceptions to such treatment described in the Plan Asset Regulation applies. Under the Plan Asset Regulation, a security which is in debt form may be considered an equity interest if it has substantial equity features. If the issuer were deemed under the Plan Asset Regulation to hold plan assets by reason of a Plan's investment in any of the ERISA-eligible notes, such plan assets would include an undivided interest in the assets held by the issuer and transactions by the issuer would be subject to the fiduciary responsibility provisions of Title I of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code. The Plan Asset Regulation provides, however, that if equity participation in any entity by "**Benefit Plan Investors**" is not significant, then the "look-through" rule will not apply to such entity. The term "Benefit Plan Investors" is defined in the Plan Asset Regulation to include: (1) any employee benefit plan (as defined in Section 3(3) of ERISA) subject to Title I of ERISA; (2) any plan described in Section 4975(e)(1) of the Code to which Section 4975 of the Code applies; and (3) any entity whose underlying assets include "plan assets" by reason of any such employee benefit plan's or plan's investment in the entity. Equity participation by Benefit Plan Investors in any entity is significant if, immediately after the most recent acquisition of any equity interest in the entity, 25 per cent. or more of the total value of any class of equity interests in the entity (excluding the value of any interests held by certain persons, other than Benefit Plan Investors, exercising control over the assets of the entity or providing investment advice to the entity for a fee or any affiliates of such persons) is held by Benefit Plan Investors.

There is little pertinent authority in this area and securities may change character from debt to equity over time due to changing circumstances. Fiduciaries of Plans considering the purchase of ERISA-eligible notes should consult their counsel in this regard. As noted above, it is expected that the class A notes, the class B notes and the class M notes, when issued, will be treated as debt for U.S. federal income tax purposes and, thus, will not constitute "equity interests" for the purposes of the Plan Asset Regulation. There is less certainty that the class C notes will be treated as debt for U.S. federal income tax purposes. As noted above, the ERISA-eligibility of the class C notes, the class D notes and the class Z notes will be as set forth in the applicable final terms.

Any insurance company proposing to purchase any of the ERISA-eligible notes using the assets of its general account should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank* and under any subsequent guidance that may become available relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60, 60 Fed. Reg. 35925 (12 July 1995), the enactment of Section 401(c) of ERISA by the Small Business Job Protection Act of 1996 (including, without limitation, the expiration of any relief granted thereunder) and the Insurance Company General Account Regulations, 65 Fed. Reg. No. 3 (5 January 2000) (codified at 29 C.F.R. pt. 2550) that became generally applicable on 5 July 2001.

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the ERISA-eligible notes should determine whether, under the documents and instruments governing the Plan, an investment in such notes is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio and liquidity needs in view of the Plan's benefit obligations. Any Plan proposing to invest in such notes (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that

such investment will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any ERISA-eligible notes to a Plan is in no respect a representation by the seller, the issuer, the servicer, the mortgages trustee, Funding 1 or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## **UNITED STATES LEGAL INVESTMENT CONSIDERATIONS**

None of the notes will constitute “mortgage related securities” under the United States Secondary Mortgage Market Enhancement Act of 1984, as amended.

No representation is made as to the proper characterisation of the notes for legal investment purposes, financial institutional regulatory purposes, or other purposes, or as to the ability of particular investors to purchase the notes under applicable legal investment restrictions. These uncertainties may adversely affect the liquidity of the notes. Accordingly, all institutions whose investment activities are subject to legal investment laws and regulations, regulatory capital requirements or review by regulatory authorities should consult with their legal advisers in determining whether and to what extent the notes constitute legal investments or are subject to investment, capital or other restrictions.

Any money market notes of the issuer (as detailed in the final terms) will be “Eligible Securities” within the meaning of Rule 2a-7 under the Investment Company Act. Money market notes designated as remarketable notes in the relevant final terms will be sold subject to **Condition 5.8 (Mandatory Transfer of Remarketable Notes)**, which provides for mandatory transfer on each note mandatory transfer date in respect of the period up to and including the first mandatory transfer date. Thereafter, if a remarketing termination event has not occurred, it is expected that the remarketable notes will be “Eligible Securities” within the meaning of Rule 2a-7 in respect of the period up to and including the next following mandatory transfer date if the eligibility requirements of Rule 2a-7 remain unchanged.

## SUBSCRIPTION AND SALE

Each of the **initial dealer**, the managers and any **other dealers** appointed from time to time (together, the **dealers**) in accordance with the programme agreement dated the closing date (as amended from time to time) have agreed with the issuer a basis upon which such dealers or any of them may from time to time agree to purchase the notes. The issuer may pay the dealers a commission and a fee from time to time in connection with the sale of any notes. In the programme agreement, the issuer has agreed to reimburse and indemnify the dealers for certain of their expenses and liabilities in connection with the establishment and any future update of the programme and the issue of the notes under the programme. The dealers are entitled to be released and discharged from their obligations in relation to any agreement to issue and purchase the notes under the programme agreement in certain circumstances prior to the payment to the issuer.

### Retail Investor Restriction

Each Manager 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 EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (1) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
- (2) a customer within the meaning of Directive (EU) 2016/97, 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 the PRIIPs Regulation for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### United Kingdom

Each dealer has represented and agreed and each further dealer appointed under the programme agreement will be required to represent and agree that:

- in relation to any notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the notes would otherwise constitute a contravention of Section 19 of the FSMA by the issuer;
- 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
- 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.

### United States

Each dealer has acknowledged, and each further dealer appointed under the programme agreement will be required to acknowledge, that the notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the notes are being offered hereby only (a)

in the United States (or to U.S. persons outside the United States) to QIBs in reliance on Rule 144A and (b) to non-U.S. persons in transactions outside the United States in reliance on Regulation S.

In connection with any Reg S notes, each dealer has agreed, and each further dealer appointed under the programme agreement will be required to agree, that except as permitted by the programme agreement, it has not offered, sold or delivered the Reg S notes and it will not offer, or sell or deliver the Reg S notes (or any beneficial interest in a Reg S global note): (a) as part of its distribution at any time; or (b) otherwise until 40 days after the later of the commencement of the offering of the Reg S notes and the closing date (the **distribution compliance period**) within the United States or to, or for the account or benefit of, U.S. persons, except in accordance with Rule 903 or 904 of Regulation S. Each dealer has further agreed, and each further dealer appointed under the programme agreement will be required to agree, that it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Reg S notes from it during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Reg S notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Reg S.

In addition, until 40 days after the completion of the distribution of all notes comprising any Tranche, any, an offer or sale of the Reg S notes within the United States by any dealer (whether or not participating in the offering), except in accordance with Regulation S or pursuant to an exemption from registration under the Securities Act, may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may arrange for the resale of notes to QIBs pursuant to Rule 144A and each such purchaser of notes is hereby notified that the dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. To permit compliance with Rule 144A in connection with any resales or other transfers of notes that are "restricted securities" within the meaning of the Securities Act, the issuer has undertaken in the note trust deed to furnish, upon the request of a holder of such notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

This base prospectus has been prepared by the issuer for use in connection with the offer and sale of the notes outside the United States pursuant to Reg S and for the sale of the notes in the United States pursuant to Rule 144A. The issuer and the dealers reserve the right to reject any offer to purchase the notes, in whole or in part, for any reason. This base prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB within the meaning of Rule 144A to whom an offer has been made directly by one of the dealers or its U.S. broker-dealer affiliate. Distribution of this base prospectus by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Each dealer has acknowledged that the Reg S notes and any Rule 144A notes that are not ERISA-eligible notes are not designed for, and may not be purchased or held by, any "employee benefit plan" as defined in Section 3(3) of ERISA, which is subject thereto, or any "plan" as defined in Section 4975 of the Code to which Section 4975 of the Code applies, any entity whose underlying assets include the assets of such an "employee benefit plan" or "plan," or any governmental, church or non-U.S. plan which is subject to any Similar Law, and each purchaser of such note (or any interest therein) will be deemed to have represented, warranted and agreed, on each day from the date on which the purchaser acquires such note (or interest therein) through and including the date on which the purchaser disposes of such note (or interest therein), that it is not, and is not acting on behalf of or using the assets of, such an "employee benefit plan", "plan," entity or governmental, church or non-U.S. plan.

Further, in connection with any notes which are offered or sold in the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Rule 144A, each dealer has represented and agreed, and each dealer appointed under the programme agreement will be required to represent and agree, that:

- (a) offers, sales, resales and other transfers of notes made in the United States made or approved by a dealer (including offers, resales or other transfers made or approved by a

dealer in connection with secondary trading) shall be effected pursuant to an exemption from the registration requirements of the Securities Act;

- (b) offers, sales, resales and other transfers of notes made in the United States will be made only in private transactions to institutional investors that are reasonably believed to qualify as QIBs;
- (c) no general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the notes in the United States;
- (d) no sale of notes in the United States to any one QIB will be for less than \$100,000 principal amount or its equivalent rounded upwards and no note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least \$100,000 principal amount of the notes; and
- (e) it may resell the Rule 144A notes in the United States only if such dealer is a registered broker-dealer in the United States or through its selling agent which is a registered broker-dealer in the United States in compliance with the Exchange Act.

## Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**). Each dealer has represented and agreed that it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## Notice to investors in the European Economic Area (EEA)

Each dealer has represented and agreed that the notes have not been and will not be offered, sold or publicly promoted or advertised by it in any Member State of the European Economic Area (**EEA**) which has implemented the Prospectus Regulation (each, a **Relevant Member State**) other than in compliance with the Prospectus Regulation or any other laws applicable in the EEA governing the issue, offering and sale of securities.

No action has been taken, or will be taken, in any Relevant Member State to permit an offer to the public of any of the notes in that Relevant Member State. Accordingly, the notes are not being (and will not be) offered and will not be allocated to any person in the EEA other than:

- (a) to qualified investors as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of a dealer for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of notes shall result in a requirement for the publication by the issuer or any dealer of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement to a base prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any notes in any Relevant Member State means the communication to persons in any form and by any means, presenting 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 to these notes, as the same may be varied in that member state by any measure implementing the Prospectus Regulation in that member state and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

## Italy

Unless it is specified within the relevant final terms that a non-exempt offer may be made in Italy, the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this base prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this base prospectus or any other document relating to the Notes in the Republic of Italy under paragraph (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**);
- (b) in compliance with Article 129 of the Italian Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

## France

Each dealer will represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, the notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the base prospectus, the relevant final terms or any other offering material relating to the notes, and that such offers, sales and distributions have been and will be made in France only to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

This base prospectus prepared in connection with the issue of notes has not been submitted to the clearance procedures of the Autorité des marchés financiers.

## Canada

The notes will not be qualified for sale under the securities laws of any province or territory of Canada. Each dealer will represent and agree, that it has not offered, sold or distributed and will not offer, sell or distribute any notes, directly or indirectly, in Canada or to or for the benefit of any resident of Canada, other than in compliance with applicable securities laws. Each dealer will also represent and agree that it has not and will not distribute or deliver the base prospectus, or any other offering material in connection with any offering of notes in Canada, other than in compliance with applicable securities laws.

## General

Except for the listing of the notes during a period of 12 months from the date of this base prospectus on the Official List, and the admission to trading of the notes on the regulated market of the London Stock Exchange, no action is being taken by the issuer or the dealers in any jurisdiction which would or is intended to permit a public offering of the notes or the possession, circulation or distribution of this base prospectus or any other material relating to the issuer or the notes in any country or jurisdiction where action for that purpose is required.

This base prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, notes

may not be offered or sold, directly or indirectly, and neither this base prospectus nor any other prospectus, form of application, advertisement or other offering material in connection with the notes may be distributed in or from or published in any country or jurisdiction except under circumstances which will result in compliance with applicable laws and regulations of any such country or jurisdiction.

The dealers have represented and agreed, and each dealer appointed under the programme agreement will be required to represent and agree, that they have complied, and will comply, with all applicable laws and regulations in force in any jurisdiction in which they purchase, offer, sell or deliver the notes or possess them or distribute this base prospectus or any part thereof, and the issuer shall have no responsibility for such activities by the dealers. Furthermore, the dealers, and each dealer appointed under the programme agreement, will not directly or indirectly offer, sell or deliver any of the notes or distribute or publish this base prospectus or any prospectus, form of application, offering document, advertisement or other offering material in connection with the notes except under circumstances that will, to the best of their knowledge and belief, result in compliance with all applicable laws and regulations, and all offers, sales and deliveries of the notes by them will be made on the same terms.

Neither the issuer nor the dealers represent that the notes may at any time lawfully be sold in compliance with any application, registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assume any responsibility for facilitating such sale. With regard to the issue of each series and class of notes, the relevant dealers will be required to comply with such other additional or modified restrictions (if any) as the issuer and the dealers shall agree.

The dealers will, unless prohibited by applicable law, furnish to each person to whom they offer or sell notes, a copy of this base prospectus as then amended or supplemented or, unless delivery of this base prospectus is required by applicable law, inform each such person that a copy will be made available upon request. The dealers are not authorised to give any information or to make any representation not contained in this base prospectus in connection with the offer and sale of notes to which this base prospectus relates.

This base prospectus and the final terms may be used by the dealers for offers and sales related to market making transactions in the notes. All or any one of the dealers may act as principal or agent in these transactions. These sales will be made at prices relating to prevailing market prices at the time of sale. None of the dealers has any obligation to make a market in the notes, and any market making may be discontinued at any time without notice.

Santander UK may purchase any of the notes from time to time as specified in the applicable final terms.

## TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

### Offers and sales by the initial purchasers

The notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an effective registration statement or in accordance with an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. Accordingly, the notes (and any interests therein) will only be offered and sold (i) in the case of the Rule 144A notes, in the United States to QIBs in transactions exempt from the registration requirements of the Securities Act pursuant to Rule 144A and in accordance with any state or local securities law and (ii) in the case of the Reg S notes, outside the United States to non-U.S. persons in compliance with Reg S.

The Reg S global notes may be transferred only to another common depository or common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg and the Rule 144A global notes may be transferred only to another custodian for DTC or DTC's nominee.

On or prior to the expiration of the distribution compliance period, ownership of interests in Reg S global notes will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg, and any sale or transfer of such interests to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A as provided below.

### Investors' representations and restrictions on resale

Each purchaser of the notes (which term for the purposes of this section will be deemed to include any purchaser of beneficial interests in the notes, including interests represented by a global note and book-entry interests) will be deemed to have represented and agreed as follows:

- (1) (A) in the case of the Rule 144A global notes, it is a QIB and is acquiring such notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) for investment purposes and not for distribution in violation of the Securities Act, it is able to bear the economic risk of an investment in the Rule 144A notes and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of purchasing the notes and it is aware, and each beneficial owner of the notes has been advised, that the sale of such notes is being made in reliance on Rule 144A; or (B) in the case of the Reg S global notes, it is not a U.S. person (within the meaning of Reg S) or an affiliate of the issuer or a person acting on behalf of such an affiliate and is acquiring such notes for its own account or as a fiduciary or agent for other non-U.S. persons in an offshore transaction (as defined in Reg S, an **offshore transaction**) pursuant to an exemption from registration provided by Reg S;
- (2) such notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act and such notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, are not fungible with any class of SEC-registered notes and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (3) unless it holds an interest in a Reg S note and either is a person located outside the United States or is not a U.S. person, if in the future it decides to offer, resell, pledge or otherwise transfer the notes or any beneficial interests in the notes, it will do so, only (a) to the issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (d) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;
- (4) it will, and will require each subsequent holder to, notify any purchaser of the notes from it of the resale restrictions referred to in paragraph (3) above, if then applicable;

- (5) each purchaser and subsequent transferee of any ERISA-eligible note (or any interest therein) will be deemed by such purchase or acquisition of any such note (or interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such note (or interest therein) through and including the date on which the purchaser or transferee disposes of such note (or interest therein), either that (A) it is not, and is not acting on behalf of or using the assets of, a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (B) its acquisition, holding and disposition of such note (or interest therein) will not constitute or result in a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan, a violation of any Similar Law) for which an exemption is not available;
- (6) each purchaser and subsequent transferee of any Reg S note or any Rule 144A note that is not an ERISA-eligible note (or any interest therein) will be deemed by such purchase or acquisition of any such note (or interest therein) to have represented, warranted and agreed, on each day from the date on which the purchaser or transferee acquires such note (or interest therein) through and including the date on which the purchaser or transferee disposes of such note (or interest therein), that it is not, and is not acting on behalf of or using the assets of, a Plan or an entity whose underlying assets include the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law;
- (7) it understands that the notes offered in reliance on Rule 144A will be represented by the Rule 144A global notes. Before any interest in the Rule 144A global note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Reg S global note, it will be required to provide a transfer agent with a written certification (in the form provided in the note trust deed) as to compliance with applicable securities laws;
- (8) it also understands that the notes offered in reliance on Reg S will be represented by the Reg S global notes. Prior to the expiration of the distribution compliance period, before any interest in the Reg S global note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A global note, it will be required to provide a transfer agent with a written certification (in the form provided in the note trust deed) as to compliance with applicable securities laws;
- (9) the purchaser understands that the issuer has not been registered under the Investment Company Act;
- (10) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the notes prior to the expiration of the distribution compliance period, it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB in compliance with Rule 144A and (b) in accordance with all applicable U.S. State securities laws, and it acknowledges that the Reg S notes will bear a legend to the following effect unless otherwise agreed to by the issuer:

“THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING DATE, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN OR INTO THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS OF THE OFFERING OF THE NOTES OUTSIDE THE UNITED STATES THAT NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR

SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED";

- (11) the notes in registered form, other than the Reg S notes, will bear a legend to the following effect unless otherwise agreed to by the issuer:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE TRANSFER RESTRICTIONS SET FORTH IN THE BASE PROSPECTUS, AS MAY BE AMENDED OR SUPPLEMENTED, RELATING TO THIS NOTE AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST CLOSING DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; (C) WITH RESPECT TO THE NOTES SPECIFIED IN THE APPLICABLE FINAL TERMS TO BE ERISA-ELIGIBLE, REPRESENTS, WARRANTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS OF THE OFFERING OF THE NOTES OUTSIDE THE UNITED STATES THAT IT WILL OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE (OR ANY INTEREST HEREIN), ONLY TO A PURCHASER WITH RESPECT TO WHOM (X) NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE (OR INTEREST HEREIN) CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**ERISA**), OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **CODE**), OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW OR REGULATION THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (**SIMILAR LAW**), OR (Y) PART OR ALL OF THE ASSETS USED TO PURCHASE THIS NOTE (OR INTEREST HEREIN) CONSTITUTE ASSETS OF AN EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN IF AND ONLY IF THE USE OF SUCH ASSETS WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA AND/OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN, A VIOLATION OF ANY SIMILAR LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE; PROVIDED THAT THE AGREEMENT OF THE HOLDER HEREOF 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. IF THE NOTE REPRESENTED HEREBY IS NOT SPECIFIED IN THE

APPLICABLE FINAL TERMS AS ERISA-ELIGIBLE, THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE (OR ANY INTEREST HEREIN), REPRESENTS, WARRANTS AND AGREES FOR THE BENEFIT OF THE ISSUER AND THE MANAGERS OF THE OFFERING OF THE NOTES THAT NO PART OF THE ASSETS USED TO PURCHASE THIS NOTE (OR INTEREST HEREIN) CONSTITUTES ASSETS OF ANY EMPLOYEE BENEFIT PLAN, OTHER PLAN OR INDIVIDUAL RETIREMENT ACCOUNT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW; AND (D) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES UNDERTAKEN OR REPRESENTED BY THE HOLDER, FOR RESALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OR RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST HEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION HEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH ANY SUCH AMENDMENT OR SUPPLEMENT IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE"; and

- (12) it understands that the issuer, the registrar, the dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any notes for the account of one or more QIBs it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the notes may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A.

**Additional representations and restrictions applicable to a class Z variable funding note**

Any holder of a class Z variable funding note may only make a transfer of the whole of its class Z variable funding note or create or grant any encumbrance in respect of such class Z variable funding note if all of the following conditions are satisfied:

- (a) the holder of such class Z variable funding note making such transfer or subjecting the class Z variable funding note to such encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such class Z variable funding note or any other person in relation to such transfer or encumbrance;
- (b) the holder of such class Z variable funding note has received the prior written consent of the issuer and (for so long as any rated notes are outstanding) the note trustee (the note trustee shall give its consent to such a transfer if the same has been sanctioned by an extraordinary resolution of the holders of the rated notes);
- (c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A of the Insolvency Act;
- (d) the transferee of such class Z variable funding note is an independent person in relation to the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and
- (e) the transferee is a Qualifying Noteholder.

*Transfer restrictions and investor representations*

The registrar shall not pay any relevant amount to the holder of a class Z variable funding note and such holder shall not be entitled to receive such relevant amounts on any interest payment date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in schedule 1 of the agency agreement and the issuer (or the cash manager on behalf of the issuer in accordance with the terms of the issuer cash management agreement) has confirmed in writing to the registrar that such Interest Amount in respect of the class Z variable funding note can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The registrar shall upon receipt of such confirmation make a note of such confirmation in the register.

*Because of the foregoing restrictions, purchasers of notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.*

## **LISTING AND GENERAL INFORMATION**

### **Legal entity identifier**

The legal entity identifier (LEI) of the issuer is: QJPKR9G6NB84N1WHW372

### **Authorisation**

The issue of each series of notes from time to time up until the date of this base prospectus has been authorised by resolutions of the board of directors of the issuer. The publication of this base prospectus has been authorised by a resolution of the board of directors of the issuer passed on 12 September 2019.

### **Listing of notes**

Application will be made to the FCA for the notes issued under the programme (other than notes which are to be unlisted or any non-LSE listed notes) during the period of 12 months from the date of this base prospectus to be admitted to the Official List. Application will also be made to the London Stock Exchange for each such class of the notes to be admitted to trading on its regulated market. Admission to the Official List together with admission to the London Stock Exchange's regulated market (being a regulated market for the purposes of the MiFID II) constitute official listing on the London Stock Exchange.

It is expected that each issue, series and class (or sub-class) of notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately, as and when issued, subject only to the issue of a global note or notes initially representing the notes of each issue, series and class (or sub-class) and to making the final terms relating to the notes available to the public in accordance with the Prospectus Regulation and the prospectus rules.

This base prospectus has been prepared in compliance with the prospectus rules.

To the best of the knowledge of the issuer the information contained in this base prospectus is in accordance with the facts and the base prospectus makes no omission likely to affect its import.

### **Clearing and settlement**

Transactions in respect of the Rule 144A notes will normally be effected for settlement in U.S. dollars and for delivery on the third working day after the date of the transaction. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules.

The Rule 144A notes have been accepted for clearance through DTC, Clearstream, Luxembourg and Euroclear. The appropriate CUSIP numbers, common codes and ISINs for each series and class of notes will be specified in the applicable final terms.

### **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer, Funding 1, Holdings or the mortgages trustee is aware) during the 12 months preceding the date of this base prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the issuer, Funding 1, Holdings or the mortgages trustee.

### **Accounts**

Statutory accounts to 31 December 2018 within the meaning of the Companies Act 2006 (as amended) have been prepared by the issuer and Funding 1.

So long as the notes are listed on the Official List and are trading on the London Stock Exchange's regulated market, the audited annual accounts for the last two financial years of the issuer and Funding 1 from time to time shall be made available for inspection (i) at the specified office of the principal paying agent in London during usual business hours, on any weekday (public holidays excepted) in hard copy and (ii) via the following website: <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. Neither the issuer nor Funding 1 publishes interim accounts.

The audited financial statements of the issuer and Funding 1 are prepared in accordance with IFRS as adopted for use in the European Union. In addition to complying with the legal obligation to comply with

IFRS as adopted in the European Union, the issuer and Funding 1 also comply with the IFRS as issued by the International Accounting Standard Board.

Since the date of its incorporation, neither the issuer nor Funding 1 has entered into any contracts or arrangements not being in the ordinary course of business.

### **Significant or material change**

Since 31 December 2018 (being the date of the issuer's most recent audited financial statements), there has been (1) no material adverse change in the financial position or prospects of the issuer and (2) no significant change in the financial position and the financial performance of the issuer.

Since 31 December 2018 (being the date of the Funding 1's most recent audited financial statements), there has been (1) no material adverse change in the prospects of Funding 1 and (2) no significant change in the financial position and the financial performance of Funding 1.

### **Investor reports and information**

Copies of monthly investor reports which will include, among other things, information on the loans and payments in arrears, loan-to-value analysis in respect of the loans and recent values on the portfolio, will be made available, from the date of this base prospectus as long as any series and class (or sub-class) of notes issued by the issuer remain outstanding (including during the period while the prospectus is valid and the notes are listed on the London Stock Exchange's Regulated Market), and can be accessed via the following website: <https://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>. The information provided in such reports will be updated monthly.

All defined terms used in the monthly investor reports have the meanings given to them in the Glossary set out in this base prospectus, unless otherwise defined in such monthly investor report.

### *Reporting under the Securitisation Regulations*

The seller will procure the publication of:

- (a) a quarterly investor report in respect of the relevant collection period as required by and in accordance with Article 7(1)(e) of the Securitisation Regulation; and
- (b) certain loan-by-loan information in relation to the portfolio in respect of the relevant collection period prior to pricing of any series of notes upon request, to the extent required by and in accordance with Article 7(1)(a) of the Securitisation Regulation,

in each case simultaneously each quarter (to the extent required under Article 7(1) of the Securitisation Regulation). The seller shall procure that such information is published by means of a securitisation repository or (where no securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation) by means of a website, which in respect of any quarterly investor report referred to in paragraph (a) above is expected to be <https://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust> and in respect of any loan-by-loan information referred to in paragraph (b) above is expected to be <https://boeportal.co.uk/SantanderUK/Account/Login.aspx>, or, in each case, any other website which may be notified by the issuer from time to time, provided that any such website shall conform to the requirements set out in Article 7(2) of the Securitisation Regulation. For the avoidance of doubt, such websites and the contents thereof do not form part of this base prospectus.

The seller will also procure:

- (a) the publication of any information required to be reported pursuant to Articles 7(1)(f) or 7(1)(g) (as applicable) of the Securitisation Regulation without delay; and
- (b) that copies of the transaction documents, this base prospectus and any supplements thereto are made available (in draft form, if applicable) prior to the pricing of any series of notes issued after 1 January 2019 (and in final form, if applicable, at least 15 days after the closing of any series of notes); and
- (c) if applicable, that each STS notification is made available prior to the pricing of any such series of notes,

in each case by means of a securitisation repository or (where no securitisation repository is registered in accordance with Article 10 of the Securitisation Regulation) by means of a website (expected to

be <https://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>) or as otherwise required by the Securitisation Regulation. For the avoidance of doubt, such websites and the contents thereof do not form part of this base prospectus.

The seller 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. Any documents provided in draft form are subject to amendment and completion without notice.

#### *Verification of data*

Prior to the issuance of any notes, the seller may cause a sample of the loans included in the portfolio (including the data disclosed in the applicable final terms in respect of the loans as at the relevant cut-off date) to be subject to external verification by one or more appropriate and independent third parties (such as a review of a representative sample of loans based on agreed upon procedures and/or a verification of the stratification tables set out in the applicable final terms) for the purposes of Article 22(2) of the Securitisation Regulation, the details of which shall be set out in the applicable final terms.

#### *Liability cashflow model*

The seller will make available a liability cashflow model, either directly or indirectly through one or more entities which provide such liability cashflow models to investors generally, 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, (i) prior to pricing of the notes, to potential investors and (ii) on an on-going basis, to investors in the notes and to potential investors in the notes upon request.

#### *Bank of England information*

In order to comply with the Bank of England's Market Notice dated 30 November 2010 in respect of its eligibility requirements for residential mortgage backed securities, the following information in respect of the programme is made available to investors, potential investors and certain other market professionals acting on their behalf via a secure website (which can be accessed at: <https://boeportal.co.uk/santanderuk>):

- pseudonymised loan-level data (provided at least quarterly);
- transaction summary listing key features of the programme;
- a link to all material transaction documents; and
- a waterfall cash flow model, representing how cash is applied through the "waterfall" given the priority of payments.

The information listed above, is, from the date of this base prospectus, for as long as any series and class (or sub-class) of notes remain outstanding (including during the period while the base prospectus is valid and the notes are listed on the London Stock Exchange's regulated market), made available to investors, potential investors and certain other market professionals acting on their behalf via a secure website (which can be accessed at: <https://boeportal.co.uk/santanderuk>). For the avoidance of doubt, such information will be made available, in each case, prior to the issue date of a series and class (or sub-class) of notes issued after the date of this base prospectus and, once made available, such information will be updated on a periodic basis. The information on this website does not form part of this base prospectus.

#### **Documents available**

Copies of the documents listed below, may, from the date of this base prospectus as long as any series and class (or sub-class) of notes remain outstanding (including during the period while the base prospectus is valid and the notes are listed on the London Stock Exchange's regulated market), when published, be (i) inspected at the registered office of the issuer and from the specified office of the principal paying agent during usual business hours, on any weekday (public holidays excepted) and (ii) accessed via the following website: <http://www.santander.co.uk/uk/about-santander-uk/investor-relations/fosse-master-trust>.

1. the memorandum and articles of association of each of the issuer, Funding 1, Holdings and the mortgages trustee;
2. a copy of the base prospectus and the related final terms;

3. any future offering circulars, prospectuses, information memoranda and final terms (as applicable) (save that a final terms relating to an unlisted series and class of notes will be available for inspection only by the dealers and managers as specified in the final terms or, upon proof satisfactory to the principal paying agent or the registrar, as the case may be, as to the identity of the person concerned, any holder of any note to which the final terms relates) to the base prospectus and any other documents incorporated therein by reference;
4. each of the following documents:
  - the cash management agreement;
  - each conditional purchase agreement;
  - the controlling beneficiary deed;
  - the corporate services agreement;
  - the Funding 1 bank account agreement;
  - the Funding 1 deed of charge (and each deed supplemental thereto);
  - each Funding 1 deed of charge deed of accession;
  - each Funding 1 start-up loan agreement;
  - the Funding 1 swap agreements;
  - the intercompany loan agreement;
  - the issuer bank account agreement;
  - the issuer cash management agreement;
  - the issuer corporate services agreement;
  - the issuer deed of charge (and each deed supplemental thereto);
  - each issuer deed of charge deed of accession;
  - the issuer master definitions and construction schedule;
  - each issuer swap agreement and any related issuer swap guarantees;
  - each loan tranche supplement;
  - the master definitions and construction schedule;
  - the mortgage sale agreement;
  - the mortgages trust deed;
  - the mortgages trustee bank account agreement;
  - the mortgages trustee corporate services agreement;
  - the note trust deed (and each deed supplemental thereto);
  - the paying agent and agent bank agreement;
  - the programme agreement;
  - each remarketing agreement;
  - each Scottish declaration of trust (redacted);
  - the secretarial services agreement;

- the servicing agreement;
- each subscription agreement; and
- any other deeds of accession or supplemental deeds relating to any such documents and any other agreement or document from time to time designated as such by the issuer and the note trustee and/or the issuer security trustee and/or the Funding 1 security trustee.

The issuer confirms that the loans backing the loan tranches outstanding under the intercompany loan agreement and the loan tranches outstanding under the intercompany loan agreement backing the notes, taken together with the other arrangements entered into by the issuer on the initial closing date and subsequent closing dates pursuant to the transaction documents, have the characteristics that demonstrate capacity to produce funds to service any payments due and payable on the notes. This confirmation is based on the information available to the issuer as at the date of this base prospectus and may be affected by the future performance of such assets backing the notes. Consequently you are advised to review carefully any disclosure in the base prospectus together with any amendments or supplements thereto.

## GLOSSARY

<b>\$, U.S. dollars and dollars</b>	the lawful currency for the time being of the United States of America
<b>€, euro and Euro</b>	the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended from time to time
<b>£, pounds and sterling</b>	the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland
<b>1970 Act</b>	the Conveyancing and Feudal Reform (Scotland) Act 1970, as amended
<b>1999 Regulations</b>	the Unfair Terms in Consumer Contracts Regulations 1999, as amended
<b>A loan tranches</b>	the loan tranches made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class M notes
<b>AA loan tranches</b>	the loan tranches made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class B notes
<b>AAA loan tranches</b>	the loan tranches made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class A notes
<b>A principal deficiency sub-ledger</b>	a sub-ledger on the principal deficiency ledger which specifically records any principal deficiency in respect of any A loan tranches
<b>AA principal deficiency sub-ledger</b>	a sub-ledger on the principal deficiency ledger which specifically records any principal deficiency in respect of any AA loan tranches
<b>AAA principal deficiency sub-ledger</b>	a sub-ledger on the principal deficiency ledger which specifically records any principal deficiency in respect of any AAA loan tranches or, where the context requires, the comparable ledger for a further Funding company
<b>account bank A</b>	the bank at which the Funding 1 transaction account is maintained from time to time, being, as at the date hereof, The Bank of New York Mellon, London Branch and thereafter such other authorised entity as Funding 1 may choose with the prior written approval of the issuer security trustee
<b>account bank B</b>	the bank at which the Funding 1 GIC account is maintained from time to time, being, as at the date hereof, Santander UK acting through its office at 21 Prescot Street, London, E1 8AD and thereafter such other authorised entity as Funding 1 may choose with the prior written approval of the issuer security trustee
<b>accrued interest</b>	in respect of a mortgage account on a given date (the <b>relevant date</b> ), the interest which has accrued but which is not yet due and payable from and including the last regular interest payment date up to (but excluding) that the relevant date
<b>adjusted general reserve fund level</b>	the sum of: <ul style="list-style-type: none"> <li>(a) the amount standing to the credit of the general reserve fund; and</li> <li>(b) the amount (if any) then to be credited in accordance with item (b) of the relevant Funding 1 pre-acceleration</li> </ul>

	principal priority of payments
<b>affected cash accumulation loan tranche</b>	the meaning given to it on page 182
<b>agent bank</b>	Citibank, N.A., London branch
<b>Alliance &amp; Leicester</b>	Alliance & Leicester Limited (previously known as Alliance & Leicester plc)
<b>annualised CPR</b>	the result of the calculation $1 - ((1 - M)^{12})$ where M is expressed as a percentage and determined as at the most recent trust calculation date as indicated in the definition of “anticipated cash accumulation period” (see “ <b>The mortgages trust – Cash management of trust property – principal receipts</b> ” above)
<b>anticipated cash accumulation period</b>	the anticipated number of months required to accumulate sufficient principal receipts to pay the relevant accumulation amount, as described further in “ <b>The mortgages trust – Cash management of trust property – principal receipts</b> ” above
<b>applicable final terms</b>	in relation to a series and class of notes, the final terms (or the relevant provisions thereof) attached to or endorsed on such notes, as described further in “ <b>Terms and conditions of the notes</b> ” above
<b>arranger</b>	Banco Santander, S.A
<b>arrears of interest</b>	in respect of a given date, interest and expenses which are due and payable and remain unpaid on that date
<b>arrears or step-up trigger event</b>	(i) when the outstanding principal balance of the loans in arrears for more than 3 times the monthly payment then due divided by the outstanding principal balance of all of the loans in the mortgages trust (expressed as a percentage) exceeds 2 per cent. or (ii) if the issuer fails to exercise its option to redeem any of its notes on the relevant step-up date as specified in the relevant final terms
<b>article 50 withdrawal agreement</b>	an agreement regarding the terms of the withdrawal of the UK from the European Union and the framework of the future relationship between the UK and the European Union currently allowed to be finalised and ratified at any time prior to 31 October 2019
<b>asset trigger event</b>	will occur when an amount is debited to the AAA principal deficiency sub-ledger of Funding 1 or any further Funding company, unless such debit is made when the sum of the amount standing to the credit of the general reserve ledger, liquidity reserve ledger (if any) and the Funding 1 revenue ledger together with amounts determined and due to be credited to the Funding 1 revenue ledger prior to the immediately following Funding 1 interest payment date after such debit is made, and the amount available under the Funding 1 liquidity facility agreement (if established) is greater than the amount necessary to pay items (a) to (f) of the Funding 1 pre-acceleration revenue priority of payments on the immediately following Funding 1 interest payment date after such debit is made
<b>authorised entity</b>	(a) any entity (i) whose unsecured, unsubordinated and unguaranteed debt obligations are rated at least A-1 short-term and A long-term (or, if such entity has no short-term rating from S&P, at least A+ long-term) by S&P, (ii) whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's, and (iii) whose short-term and long-term IDR are at least F1 and A (respectively) by Fitch or (b) any other entity approved in writing by the Funding 1

security trustee and/or the issuer security trustee, as applicable, and the rating agencies, in each case being an institution (1) incorporated in the United Kingdom or that is the United Kingdom branch of a foreign bank and (2) with a permission under Part IV of the FSMA that includes accepting deposits under the FSMA

#### **authorised investments**

- sterling gilt-edged securities provided that in all cases such investments have a maturity date of 90 days or less and mature on or before the next following interest payment date for the notes (in relation to any issuer bank account), Funding 1 interest payment date (in relation to any Funding 1 bank account) or distribution date (in relation to any mortgages trustee bank account) and having (i) a minimum sovereign long-term rating at least equal to AA- and minimum sovereign short-term rating at least equal to A-1+ by Standard & Poor's and (ii) a minimum sovereign long-term rating at least equal to A1 and minimum sovereign short-term rating at least equal to P-1 by Moody's; and
- (excluding deposits made with eligible banks pursuant to the cash management agreement and the applicable bank account agreement) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) provided that in all cases (i) such investments have a maturity date of 90 days or less and mature on or before the next following interest payment date for the notes (in relation to any issuer bank account), Funding 1 interest payment date (in relation to any Funding 1 bank account) or distribution date (in relation to any mortgages trustee bank account) (ii) the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least equal to A-1+ by Standard & Poor's and P-1 by Moody's and the short-term IDR of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are at least equal to F1+ by Fitch and the long-term IDR of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are at least equal to AA- by Fitch (or such other ratings as may be acceptable to the respective rating agencies) and (iii) in relation to any investments made from monies standing to the credit of the Funding 1 bank account or the mortgages trustee bank account, as applicable, the interest or other return payable on any such investment shall be in an amount not less than the interest that would have been earned on the Funding 1 GIC account or the mortgages trustee GIC account, as applicable, for the term of such investment,

and which, in each case, do not consist, in whole or in part, actually or potentially, of tranches of other asset-backed securities, credit-linked notes, swaps or other definitive instruments or synthetic securities which would result in the recharacterisation of the Programme, the Notes or any transaction under the Transaction Documents as a "re-securitisation" as defined in Article 4(63) of the Capital

	Requirements Regulation and Article 2(4) of the Securitisation Regulation or a "synthetic securitisation" as defined in Article 242(11) of the Capital Requirements Regulation and Article 2(10) of the Securitisation Regulation (in each case, as amended and/or supplemented from time to time)
<b>bank account agreement</b>	the Funding 1 bank account agreement, the mortgages trustee bank account agreement or the issuer bank account agreement, as the context may require
<b>base rate</b>	the Bank of England base rate
<b>base rate-linked rate</b>	a variable rate of interest that applies to the base rate loans in the portfolio that is a margin (expressed as a percentage figure) above and/or equal to and/or below the Bank of England base rate
<b>base rate loan</b>	a loan (and, for the avoidance of doubt, any further advance made under an account is to be regarded as a separate loan) where interest is linked to a variable interest rate other than the variable rates. The rate on base rate loans is currently set at a margin by reference to rates set by the Bank of England, as described further in " <b>The Loans – Characteristics of the loans</b> " above
<b>base rate loans Funding 1 swaps</b>	the meaning given to it on page 151
<b>Basel Committee</b>	the meaning given to it on page 46
<b>basic terms modification</b>	the modification of terms, including altering the amount, rate or timing of payments on the notes, the currency of payment, the priority of payments or the quorum or majority required in relation to these terms
<b>BB loan tranches</b>	the loan tranches made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class D notes
<b>BBB loan tranches</b>	the loan tranches made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series of class C notes
<b>BB principal deficiency sub-ledger</b>	a sub-ledger on the principal deficiency ledger which specifically records any principal deficiency in respect of any BB loan tranches
<b>BBB principal deficiency sub-ledger</b>	a sub-ledger on the principal deficiency ledger which specifically records any principal deficiency in respect of any BBB loan tranches
<b>beneficial owner</b>	an actual purchaser of notes held within a clearing system, as described further in " <b>Book-entry clearance procedures – Settlement and transfer of notes</b> " above
<b>beneficiaries</b>	Funding 1 and the seller (and any further Funding company) as beneficiaries of the mortgages trust
<b>booking fee</b>	a fee payable by the borrower in respect of applications for certain types of loans
<b>borrower</b>	in relation to a loan, the individual or individuals specified as such in the relevant mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay such loan or any part of it
<b>Brexit</b>	the withdrawal of the UK from the European Union, currently scheduled to occur prior to or on 31 October 2019
<b>bullet accumulation liability</b>	on any Funding 1 interest payment date prior to any payment under item (d) of the priority of payments described above in " <b>Cashflows – Distribution of Funding 1 available principal</b> "

	<b>receipts – Repayment of loan tranches before a trigger event and before intercompany loan acceleration or acceleration of all notes</b>	the aggregate of each relevant accumulation amount at that time of each bullet loan tranche which is within a cash accumulation period
<b>bullet accumulation shortfall</b>		at any time that the cash accumulation ledger amount is less than the bullet accumulation liability
<b>bullet loan tranche</b>		in respect of Funding 1 under the intercompany loan agreement, any loan tranche which is scheduled to be repaid in full on one Funding 1 interest payment date (which may occur prior to the final repayment date), namely those loan tranches designated as “bullet loan tranches” in the applicable loan tranche supplement and the accompanying final terms. The bullet loan tranches will be deemed to be pass-through loan tranches if a pass-through trigger event occurs
<b>bullet redemption date</b>		the bullet redemption date for any series and class of bullet redemption notes will be the interest payment date specified as such for such series and class of notes in the applicable final terms, subject to the terms and conditions of the notes
<b>bullet redemption notes</b>		any series and class of notes which has a single specified redemption date in addition to the final maturity date and designated as “bullet redemption” notes in the applicable final terms. The bullet redemption notes will be deemed to be pass-through notes if a pass-through trigger event occurs
<b>bullet repayment date</b>		the Funding 1 interest payment date specified as such for such loan tranche in the applicable loan tranche supplement
<b>business day</b>		a day that is a London business day, a New York business day and a TARGET business day
<b>calendar year</b>		a year from the beginning of 1 January to the end of 31 December
<b>Capital Requirements Regulation</b>		Regulation (EU) No. 575/2013 (as amended by the CRR Amendment Regulation)
<b>capitalised</b>		in respect of a fee or other amount, added to the principal balance of a loan
<b>capitalised arrears</b>		the aggregate amount of any interest which is overdue in respect of the loans which the seller has agreed to capitalise and has been capitalised and added in the accounts of the seller to the outstanding principal balance of a loan, as described further in “ <b>The mortgages trust – Funding 1 share – trust calculation date recalculation</b> ” above
<b>capitalised expenses</b>		in relation to a Loan, the amount of any expense, charge, fee, premium or payment (excluding, however, any Arrears of Interest) capitalised and added to the principal amount outstanding in respect of such Loan in accordance with the relevant Mortgage Terms (including for the avoidance of doubt, any High Loan-to-Value Fee)
<b>capitalised interest</b>		the increase in the outstanding principal balance of a flexible loan that occurs as a result of the relevant Borrower having taken a payment holiday or having made an Underpayment in respect of interest on that flexible loan, such increase to be in an amount equal to the accrued interest that was due but not paid
<b>capped loan tranches</b>		the meaning given to it on page 195
<b>cash accumulation ledger</b>		a ledger maintained by the cash manager to record the amount accumulated by Funding 1 from time to time to pay the relevant accumulation amounts

<b>cash accumulation ledger amount</b>	at any time the amount standing to the credit of the cash accumulation ledger at that time immediately prior to any drawing to be applied on that interest payment date and prior to any payment under item (h) of the priority of payments described above in <b>“Cashflows – Distribution of Funding 1 available principal receipts – Repayment of loan tranches before a trigger event and before intercompany loan acceleration or acceleration of all notes”</b>
<b>cash accumulation liability</b>	on any Funding 1 interest payment date prior to any payment under item (d) of the priority of payments described above in <b>“Cashflows – Distribution of Funding 1 available principal receipts – Repayment of loan tranches before a trigger event and before intercompany loan acceleration or acceleration of all notes”</b> , the sum of: <ul style="list-style-type: none"> <li>• the bullet accumulation liability at that time; and</li> <li>• the aggregate of each relevant accumulation amount at that time of each scheduled amortisation instalment which is within a cash accumulation period</li> </ul>
<b>cash accumulation loan tranche</b>	a bullet loan tranche and/or scheduled amortisation instalment
<b>cash accumulation period</b>	(in the case of a scheduled amortisation loan tranche) 3 months and (in the case of a bullet loan tranche) the period of time beginning on the earlier of the following two dates: <ol style="list-style-type: none"> <li>(a) the date determined after counting back in time from the relevant scheduled repayment date of the relevant accumulation amount, the number of months calculated under the definition of the Funding 1 anticipated cash accumulation period; and</li> <li>(b) the date determined after counting back in time from the relevant scheduled repayment date of the relevant accumulation amount, the number of months specified in the relevant final terms accompanying this base prospectus,</li> </ol> <p>provided that, if the beginning of a cash accumulation period as determined above would fall on a date which is not a distribution date, then the cash accumulation period shall commence on the distribution date falling immediately before that date. A cash accumulation period shall end in respect of a relevant accumulation amount when Funding 1 has accumulated an amount equal to that particular relevant accumulation amount, as described further in <b>“The mortgages trust – Cash management of trust property – principal receipts”</b> above</p>
<b>cash accumulation requirement</b>	the meaning given to it on page 94
<b>cash accumulation shortfall</b>	the cash accumulation ledger amount being less than the cash accumulation liability
<b>cash management agreement</b>	the cash management agreement entered into on the initial closing date, as amended from time to time, between the cash manager, the mortgages trustee, Funding 1 and the Funding 1 security trustee, as described further above in <b>“Description of the transaction documents – Cash management agreement”</b>
<b>cash manager</b>	Alliance & Leicester or (on and after the Part VII effective date) Santander UK acting, pursuant to the cash management agreement, as agent for the mortgages trustee, Funding 1 and the Funding 1 security trustee, among others, to manage all

			cash transactions and maintain certain ledgers on behalf of the mortgages trustee, Funding 1 and the Funding 1 security trustee
<b>cash withdrawal</b>			a cash withdrawal made by a borrower in an amount of all or part of the accrued overpayments, as described further above in <b>“The Loans – Characteristics of the loans – Flexible loans”</b>
<b>CCA</b>			the Consumer Credit Act 1974, as amended
<b>CFC</b>			a controlled foreign corporation, as described further above in <b>“United States federal income taxation – Alternative characterisation of the Rule 144A notes as equity”</b>
<b>class</b>			any of the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes
<b>class A available amount</b>	<b>subordinated</b>		the meaning given to it on page 94
<b>class A noteholders</b>			the holders of the class A notes
<b>class A notes</b>			the notes of a series designated as such (or a sub-class of such) in the applicable final terms
<b>class A required amount</b>	<b>subordinated</b>		the meaning given to it on page 94
<b>class B available amount</b>	<b>subordinated</b>		the meaning given to it on page 94
<b>class B noteholders</b>			the holders of the class B notes
<b>class B notes</b>			the notes of a series designated as such (or a sub-class of such) in the applicable final terms
<b>class B required amount</b>	<b>subordinated</b>		the meaning given to it on page 94
<b>class C available amount</b>	<b>subordinated</b>		the meaning given to it on page 95
<b>class C noteholders</b>			the holders of the class C notes
<b>class C notes</b>			the notes of a series designated as such (or a sub-class of such) in the applicable final terms
<b>class C required amount</b>	<b>subordinated</b>		the meaning given to it on page 95
<b>class D available amount</b>	<b>subordinated</b>		the meaning given to it on page 96
<b>class D noteholders</b>			the holders of the class D notes
<b>class D notes</b>			the notes of a series designated as such (or a sub-class of such) in the applicable final terms
<b>class D required amount</b>	<b>subordinated</b>		the meaning given to it on page 96
<b>class M available amount</b>	<b>subordinated</b>		the meaning given to it on page 95
<b>class M noteholders</b>			the holders of the class M notes
<b>class M notes</b>			the notes of a series designated as such (or a sub-class of such) in the applicable final terms
<b>class M required amount</b>	<b>subordinated</b>		the meaning given to it on page 95
<b>class Z noteholders</b>			the holders of the class Z notes
<b>class Z notes</b>			the notes designated as such in the applicable final terms

	(including any class Z variable funding notes)
<b>class Z variable funding noteholders</b>	Santander UK or the holders for the time being of the class Z variable funding notes
<b>class Z variable funding notes</b>	the notes designated as such in the applicable final terms
<b>clearing agency</b>	an agency registered under the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended
<b>clearing corporation</b>	a corporation within the meaning of the New York Uniform Commercial Code
<b>Clearstream, Luxembourg</b>	Clearstream Banking, société anonyme
<b>closing date</b>	the meaning given to it in the applicable final terms
<b>CMA</b>	Competitions and Markets Authority
<b>CML</b>	Council of Mortgage Lenders
<b>CML Code</b>	the Mortgage Code issued by the CML
<b>Code</b>	United States Internal Revenue Code of 1986, as amended
<b>collection accounts</b>	the collection accounts in the name of the seller which are from time to time used for the purpose of collecting, directly or indirectly, monies due in respect of the loans and/or the related security forming part of the trust property
<b>compounded daily SONIA</b>	has the meaning given to that term in <b>Condition 4.2(b)(ii)</b>
<b>common safekeeper</b>	the common safekeeper for Euroclear and Clearstream, Luxembourg
<b>common service provider</b>	the common service provider appointed by Euroclear and Clearstream, Luxembourg to service the notes held under the NSS
<b>CONSOB</b>	the Italian Securities Exchange Commission
<b>controlling beneficiary deed</b>	the controlling beneficiary deed entered into on the initial closing date, as amended from time to time, between Funding 1, the Funding 1 security trustee and the seller, to which any further Funding company and any further Funding security trustee will accede at the time that such further Funding company becomes a beneficiary of the mortgages trust
<b>corporate services agreement</b>	an agreement entered into on the initial closing date between, among others, Holdings, Funding 1, Alliance & Leicester (which has been replaced by Santander UK since the Part VII effective date), the corporate services provider and the Funding 1 security trustee, which governs the provision of corporate services by the corporate services provider to Holdings and Funding 1 (as amended, restated, varied, supplemented, replaced and/or novated from time to time)
<b>corporate services provider</b>	in respect of Funding 1 and Holdings, Intertrust Management Limited, or such other person or persons for the time being acting as corporate services provider to Funding 1 and Holdings under the corporate services agreement
<b>CRA</b>	the meaning given to it on page 342
<b>CRA III</b>	the meaning given to it on page 13
<b>CRA Regulation</b>	Regulation (EC) No 1060/2009 (as amended)
<b>CRR Amendment Regulation</b>	Regulation (EU) 2017/2401
<b>crystallise</b>	when a floating charge becomes a fixed charge
<b>current balance</b>	in relation to a loan at any given date, the aggregate (without double counting) of the outstanding principal balance, accrued interest and other amounts in arrears relating to that loan as at

	that date
<b>current weighted average LTV</b>	for the purpose of the Fitch conditions, the ratio calculated in the manner agreed with Fitch as further described on page 102
<b>custodian</b>	Citibank, N.A., London Branch
<b>data protection laws</b>	means: (a) Regulation (EU) 2016/679, and (b) any other applicable law in any relevant jurisdiction that applies to the processing of data relating to living persons, in each case as amended or replaced from time to time
<b>dealers</b>	the entities specified as such in the applicable subscription agreement
<b>deferred contribution</b>	the meaning given to it on page 162
<b>deferred purchase price</b>	the deferred purchase price paid to the seller in accordance with the provisions of the mortgage sale agreement from the proceeds of any deferred contributions
<b>deferred tax</b>	the meaning given to it on page 353
<b>detached</b>	a house not joined to another house
<b>delayed cashback</b>	means an agreement by the seller to pay an amount to the relevant borrower at a specified date following completion of the relevant loan
<b>determination date</b>	in respect of a series and class of notes, the date(s) specified as such in the applicable final terms
<b>differential rate</b>	means the applicable margin above or below, in relation to a variable rate loan, the applicable variable rate and, in relation to a base rate loan, the Bank of England base rate
<b>diligence</b>	the process (under Scots law) by which a creditor attaches the property of a debtor to implement or secure a court decree or judgment
<b>discount loan</b>	means those variable rate loans that allow the borrower to pay interest at a specified discount to the relevant variable rate for a certain period
<b>discount rate period</b>	means the period of time during which a discount loan is subject to a rate of interest at a specified discount to the applicable variable rate
<b>disqualified persons</b>	the meaning given to it on page 355
<b>distribution compliance period</b>	the meaning given to it on page 360
<b>distribution date</b>	means the eighth day of each month or, if not a London business day, the next succeeding London business day, being the date that the mortgages trustee will distribute principal receipts and revenue receipts to the beneficiaries
<b>dollar notes</b>	each series and class of notes denominated in U.S. dollars
<b>drawdown prospectus</b>	in relation to any series of notes, the drawdown prospectus issued in relation to such series of notes as a supplement to the conditions and giving details of, <i>inter alia</i> , the amount and price of such series of notes which forms a part of the base prospectus in relation to such series of notes
<b>DTC</b>	The Depository Trust Company
<b>early repayment charge</b>	any fee which a borrower is required to pay in the event that his or her loan becomes repayable for any mandatory reason or he or she repays all or any part of the relevant loan before a specified date
<b>eligible bank</b>	an authorised entity (which, for the avoidance of doubt, shall be

	an institution incorporated in the United Kingdom or that is the United Kingdom branch of a foreign bank) selected by the cash manager from a panel of banks in accordance with the panel bank guidelines, for the purposes of depositing amounts standing to the credit of the Funding 1 transaction account subject to and in accordance with the terms of the Funding 1 bank account agreement and the cash management agreement
<b>eligible bank account</b>	an account in the name of Funding 1 held with an eligible bank subject to and in accordance with the terms of the Funding 1 bank account agreement and the cash management agreement; provided, that, for the avoidance of doubt, the Funding 1 GIC account is not an eligible bank account
<b>eligible bank account agreement</b>	a bank account agreement substantially in the form attached to the cash management agreement entered into between each eligible bank and The Bank of New York Mellon, London Branch, as agent for Funding 1
<b>eligible bank ledger</b>	a ledger established and maintained by the cash manager in the books of Funding 1 for the purpose of recording amounts deposited with eligible banks from time to time
<b>eligible bank terms and conditions</b>	the terms and conditions named "Third Party Deposit Placement Services Terms and Conditions" entered into on 29 August 2013 between Funding 1, Santander UK and The Bank of New York Mellon, London Branch, as agent for Funding 1
<b>English loan</b>	a loan secured by an English mortgage
<b>English mortgage</b>	a mortgage secured over a property in England or Wales
<b>English mortgage conditions</b>	the mortgage conditions applicable to English loans
<b>ERISA</b>	the U.S. Employee Retirement Income Security Act of 1974, as amended
<b>ERISA-eligible notes</b>	the meaning given to it on page 355
<b>ERISA Plans</b>	the meaning given to it on page 355
<b>euro notes</b>	each series and class of notes denominated in euro
<b>EURIBOR</b>	the Euro-zone inter-bank offered rate as determined, with respect to any notes which are floating rate notes, by the agent bank in accordance with the conditions, the paying agent and agent bank agreement and the applicable final terms
<b>Euroclear</b>	Euroclear Bank S.A./N.V.
<b>excess swap collateral</b>	an amount equal to the value of the collateral (or the applicable part of any collateral) provided by an issuer swap provider to the issuer in respect of that issuer swap provider's obligations to transfer collateral to the issuer under the relevant issuer swap agreement which is in excess of that issuer swap provider's liability under the relevant issuer swap agreement as at the date of termination of the relevant issuer swap agreement or which it is otherwise entitled to have returned to it under the terms of the relevant issuer swap agreement
<b>Exchange Act</b>	the United States Exchange Act of 1934, as amended
<b>exchange event</b>	the meaning given to it on page 241
<b>exchange rate agent</b>	Citibank, N.A., London branch
<b>excluded further advance</b>	all loans subject of a further advance (including, for the avoidance of doubt, that further advance) that are or are to be repurchased by the seller in accordance with the mortgage sale agreement following the delivery of an excluded further advance notice that has not been revoked
<b>excluded further advance notice</b>	a notice delivered by the seller to the mortgages trustee

			pursuant to the mortgage sale agreement which would require the seller thereafter to repurchase all loans which become the subject of further advances (including, for the avoidance of doubt, the further advances) until the date on which such notice is revoked
<b>excluded product switch</b>			all loans the subject of a product switch that are or are to be repurchased by the seller in accordance with the mortgage sale agreement following the delivery of an excluded product switch notice that has not been revoked
<b>excluded product switch notice</b>			a notice delivered by the seller to the mortgages trustee pursuant to the mortgage sale agreement which would require the seller thereafter to repurchase all loans which become the subject of product switches until the date on which such notice is revoked
<b>existing notes</b>			each series and class of notes issued prior to the date of this base prospectus and any series and class of notes issued on or after the date of this base prospectus which is consolidated with and forms a single series and class with any notes issued prior to such date
<b>existing rating agency reappointment</b>			the meaning given to it on page 28
<b>existing rating agency removal</b>			the meaning given to it on page 28
<b>FATCA</b>			Sections 1471 through 1474 of the Code and any applicable intergovernmental agreement entered into in respect thereof, and any related provisions of law, court decisions, or administrative guidance, including an agreement between the Issuer and the IRS, if any, that sets forth the requirements for the Issuer to be treated as complying with Section 1471(b) of the Code
<b>FCA</b>			the Financial Conduct Authority, or any statutory successor thereto, one of two successor regulators to the Financial Services Authority
<b>final maturity date</b>			in respect of a series and class of notes, the date specified as such for such class in the final terms
<b>final repayment date</b>			in relation to a loan tranche, the date specified as such in the related loan tranche supplement and applicable final terms
<b>final terms</b>			in relation to any series of notes, the final terms issued in relation to such series of notes giving details of, <i>inter alia</i> , the amount and price of such series of notes and which forms a part of the base prospectus in relation to such series of notes
<b>Fitch</b>			Fitch Ratings Ltd. and any successor to its ratings business
<b>Fitch conditions</b>			the meaning given to it on page 102
<b>fixed rate</b>			a fixed rate of interest
<b>fixed rate loan</b>			the meaning given to it on page 228
<b>fixed rate loans Funding 1</b>			
<b>swap(s)</b>			the meaning given to it on page 151
<b>fixed rate note</b>			a note, the interest basis of which is specified in the applicable final terms as being fixed rate
<b>fixed rate period</b>			means the period of time during which a fixed rate loan is subject to a specified fixed rate of interest
<b>fixed security</b>			a form of security which means that the chargor is not allowed to deal with the assets subject to the charge without the consent of the chargee

<b>flexible draw capacity</b>	an amount equal to the maximum amount of cash withdrawal that borrowers may draw under flexible loans included in the trust property as determined as at the end of the previous trust calculation period
<b>flexible loan</b>	a type of loan product that typically incorporates features that give the borrower options to, among other things, make further drawings on the loan account and/or to overpay or underpay interest and principal in a given month
<b>flexible loan drawing</b>	means any further drawing of monies made by a Borrower under a flexible loan other than the initial advance (but including any capitalised interest)
<b>flexible plus loan</b>	means a flexible loan governed under the Flexible Plus Mortgage Conditions 2003 (edition) or the Flexible Plus Mortgage Conditions 2006 (edition) and, in each case, any subsequent amendment or replacement therefor acceptable to a reasonable, prudent mortgage lender; Flexible Plus Mortgage Conditions 2003 (edition) means the mortgage conditions booklet reference MORT 0201 MAY 03 DS and any subsequent amendment or replacement thereto acceptable to a reasonable, prudent mortgage lender; Flexible Plus Mortgage Conditions 2006 (edition) means the mortgage conditions booklet reference MORT 0201 MAR 06 F and any subsequent amendment or replacement thereto acceptable to a reasonable, prudent mortgage lender
<b>floating charge</b>	a form of charge which is not attached to specific assets but which “floats” over a class of them and which allows the chargor to deal with those assets in the everyday course of its business, up until the point that the floating security is enforced, at which point it crystallises into a fixed security
<b>floating rate note</b>	a note, the interest basis of which is specified in the applicable final terms as being floating rate
<b>foreign law notes</b>	the meaning given on page (ii)
<b>FSA</b>	the Financial Services Authority, or any statutory successor thereto
<b>FSCS limit</b>	the current applicable compensation limit for depositors established by the Financial Services Compensation Scheme
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended
<b>Funding companies</b>	Funding 1 and any further Funding company
<b>Funding company loan tranche</b>	any loan tranche made to a Funding company
<b>Funding 1</b>	Fosse Funding (No.1) Limited
<b>Funding 1 anticipated cash accumulation period</b>	the meaning given to it on page 174
<b>Funding 1 available principal receipts</b>	the meaning set out above under “ <b>Cashflows – Distribution of Funding 1 available principal receipts</b> ”
<b>Funding 1 available revenue receipts</b>	the meaning set out above under “ <b>Cashflows – Distribution of Funding 1 available principal receipts</b> ”
<b>Funding 1 bank account agreement</b>	the agreement entered into on or about the initial closing date between Santander UK in its capacity then as Funding 1 account bank, Funding 1, the cash manager and the Funding 1 security trustee as amended and restated from time to time and as further amended and restated on or about the date hereof, pursuant to which amendment and restatement The Bank of New York Mellon, London Branch, acceded as account bank A

	and Santander UK acceded to its role as account bank B which governs the operation of the Funding 1 bank accounts (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time)
<b>Funding 1 bank accounts</b>	the Funding 1 GIC account, the Funding 1 transaction account, any eligible bank account (including the Santander A-2/P-2/F2 account) and such other bank account(s) held in the name of Funding 1 with the approval of the Funding 1 security trustee from time to time
<b>Funding 1 cash accumulation period</b>	the meaning given to it on page 120
<b>Funding 1 deed of charge</b>	the deed of charge entered into on the initial closing date between (amongst others) Funding 1, the Funding 1 security trustee and the Funding 1 secured creditors on such date, as amended from time to time, including any deeds of accession or supplements thereto in connection with the issuance of a series
<b>Funding 1 GIC account</b>	the account in the name of Funding 1 held at account bank B and maintained subject to the terms of the Funding 1 bank account agreement and the Funding 1 deed of charge or such additional or replacement account as may for the time being be in place with the prior consent of the Funding 1 security trustee
<b>Funding 1 intercompany loan event of default</b>	the meaning given to it on page 120
<b>Funding 1 interest period</b>	the meaning given to it in paragraph (c) of the definition of interest period
<b>Funding 1 interest payment date</b>	in respect of a loan tranche, the quarter dates specified in the applicable final terms in each year (or if such day is not a business day, the next succeeding business day) or, following the occurrence of a pass-through trigger event, the 18th day of each calendar month in each year (or, if such day is not a business day, the next succeeding business day)
<b>Funding 1 liquidity facility agreement</b>	any agreement entered into after the initial closing date between (among others) Funding 1 and the Funding 1 liquidity facility provider in relation to the provision of a liquidity facility to Funding 1
<b>Funding 1 liquidity facility</b>	a liquidity facility entered into at any time after the initial closing date
<b>Funding 1 liquidity facility provider</b>	the provider of the Funding 1 liquidity facility
<b>Funding 1 liquidity facility principal payment</b>	the payments specified as such in the Funding 1 liquidity facility agreement (if any)
<b>Funding 1 liquidity facility subordinated amounts</b>	the amounts specified as such in the Funding 1 liquidity facility agreement (if any)
<b>Funding 1 loan</b>	all the advances made available by the Funding 1 loan provider to Funding 1 pursuant to the Funding 1 loan agreement
<b>Funding 1 loan agreement</b>	the Funding 1 loan agreement entered into on 19 August 2013 Funding 1, the Funding 1 loan provider and the Funding 1 security trustee
<b>Funding 1 loan prepayable amount</b>	the amount, determined by the cash manager on any distribution date, by which it expects the Funding 1 loan will exceed the amounts which it reasonably expects will be deposited on the Santander A-2/P-2/F2 account from time to time and which may be prepaid
<b>Funding 1 loan principal deficiency sub-ledger</b>	the sub-ledger of the losses ledger corresponding to the Funding 1 loan in order to record any losses allocated to the Funding 1 share of the trust property or the application of

	Funding 1 available principal receipts in paying interest on the Funding 1 loan and certain amounts ranking in priority thereto in accordance with the Funding 1 pre-acceleration revenue priority of payments
<b>Funding 1 loan provider</b>	Santander UK in its capacity as lender of the Funding 1 loan pursuant to the Funding 1 loan agreement
<b>Funding 1 post-acceleration priority of payments</b>	the order in which, following acceleration of the intercompany loan, the cash manager or the Funding 1 security trustee, as the case may be, will apply the amounts received following enforcement of the Funding 1 security, as set out above in “ <b>Description of the transaction documents – Funding 1 deed of charge</b> ” and “ <b>Cashflows – Distribution of Funding 1 principal receipts and Funding 1 revenue receipts following intercompany loan acceleration</b> ”
<b>Funding 1 pre-acceleration principal priority of payments</b>	the order in which, prior to acceleration of the intercompany loan, the cash manager will apply the Funding 1 available principal receipts as set out above in “ <b>Description of the transaction documents – Funding 1 deed of charge – Funding 1 pre-acceleration priority of payments</b> ” and “ <b>Cashflows – Distribution of Funding 1 available principal receipts</b> ”
<b>Funding 1 pre-acceleration revenue priority of payments</b>	the order in which, prior to enforcement of the Funding 1 security, the cash manager will apply the Funding 1 available revenue receipts as set out in “ <b>Description of the transaction documents – Funding 1 deed of charge – Funding 1 pre-acceleration priority of payments</b> ” and “ <b>Cashflows – Distribution of Funding 1 available revenue receipts before intercompany loan acceleration</b> ”
<b>Funding 1 principal funds</b>	the meaning given to it on page 195
<b>Funding 1 principal ledger</b>	a ledger maintained by the cash manager to record the amount of principal receipts received by Funding 1 from the mortgages trustee on each distribution date
<b>Funding 1 principal receipts</b>	the principal receipts paid by the mortgages trustee to Funding 1 on each distribution date
<b>Funding 1 priority of payments</b>	as the context requires, any of the Funding 1 pre-acceleration revenue priority of payments, the Funding 1 pre-acceleration principal priority of payments or the Funding 1 post-acceleration priority of payments
<b>Funding 1 revenue deficit amount</b>	the meaning given to it on page 15
<b>Funding 1 revenue deficit cure amount</b>	the meaning given to it on page 179
<b>Funding 1 revenue ledger</b>	a ledger maintained by the cash manager to record all amounts received by Funding 1 from the mortgages trustee on each distribution date other than principal receipts, together with interest received by Funding 1 on its authorised investments or pursuant to the Funding 1 bank account agreement
<b>Funding 1 secured creditors</b>	the Funding 1 security trustee, the Funding 1 swap provider, the cash manager, account bank A, account bank B, the seller, the corporate services provider, each Funding 1 start-up loan provider, the issuer and any other entity that accedes to the terms of the Funding 1 deed of charge from time to time
<b>Funding 1 security</b>	the security created under the Funding 1 deed of charge
<b>Funding 1 security trustee/s</b>	The Bank of New York Mellon, London Branch,
<b>Funding 1 share</b>	the Funding 1 share of the trust property from time to time, as calculated on each trust calculation date

<b>Funding 1 share percentage</b>	the Funding 1 share percentage of the trust property from time to time as calculated on each trust calculation date
<b>Funding 1 start-up loan agreements</b>	the Funding 1 start-up loan agreement entered into on or about the initial closing date and any other start-up loan agreement entered into in connection with the issuance of a series
<b>Funding 1 start-up loan provider</b>	Santander UK in its capacities as provider of each Funding 1 start-up loan and/or (as the context requires) any new Funding 1 start-up loan provider
<b>Funding 1 start-up loans</b>	each loan made by a Funding 1 start-up loan provider under a Funding 1 start-up loan agreement in connection with the issuance of a series
<b>Funding 1 swaps</b>	any swap that is a LIBOR Funding 1 swap or a SONIA Funding 1 swap, as the case may be, as described further in <b>“Description of the transaction documents – Swap agreements – Funding 1 swaps”</b> above
<b>Funding 1 swap agreements</b>	each of the LIBOR Funding 1 swap agreement and the SONIA Funding 1 swap agreement.
<b>Funding 1 swap excluded termination amount</b>	<p>in relation to a Funding 1 swap agreement an amount equal to:</p> <p>(a) the amount of any termination payment due and payable to the Funding 1 swap provider as a result of a Funding 1 swap provider default or following a Funding 1 swap provider downgrade termination event;</p> <p>less</p> <p>(b) the amount, if any, received by Funding 1 from a replacement swap provider upon entry by Funding 1 into an agreement with such replacement swap provider to replace the relevant Funding 1 swap agreement which has terminated as a result of such Funding 1 swap provider default or following the occurrence of such Funding 1 swap provider downgrade termination event</p>
<b>Funding 1 swap interest payment date</b>	the 18th day of each calendar month in each year (or, if such day is not a business day, the next succeeding business day)
<b>Funding 1 swap provider</b>	Santander UK, pursuant to the Funding 1 swap agreements
<b>Funding 1 swap provider default</b>	the occurrence of an event of default (as defined in the Funding 1 swap agreement) where the Funding 1 swap provider is the defaulting party (as defined in each Funding 1 swap agreement)
<b>Funding 1 swap provider downgrade termination event</b>	the occurrence of an additional termination event following the failure by the Funding 1 swap provider to comply with the requirements of the ratings downgrade provisions set out in the relevant Funding 1 swap agreement
<b>Funding 1 transaction account</b>	the account in the name of Funding 1 maintained with account bank A pursuant to the Funding 1 bank account agreement and the Funding 1 deed of charge or such additional or replacement account as may for the time being be in place
<b>funds</b>	where the context requires, the general reserve fund and the liquidity reserve fund
<b>further advance</b>	means, in relation to a loan, any advance of further money to the relevant borrower following the making of the initial advance which is secured by the same mortgage as the initial advance but does not include the amount of any retention advanced to the relevant Borrower as part of the initial advance after

	completion of the mortgage and does not include a flexible loan drawing
<b>further contribution</b>	the consideration in the form of cash payable by any beneficiary to the mortgages trustee to increase the Funding 1 share, the further Funding company share or the seller share of the trust property, as the case may be, pursuant to the terms of the mortgages trust deed, but excluding any initial contribution or deferred contribution paid by Funding 1
<b>further contribution date</b>	the date that any of the beneficiaries makes a further contribution to the mortgages trust
<b>further Funding companies</b>	funding entities (other than Funding 1) established in future by Holdings
<b>further Funding company cash accumulation period</b>	the meaning given to it on page 175
<b>further Funding company share</b>	the share of each further Funding company in the trust property, as described further in “ <b>The mortgages trust – Further Funding company's share</b> ” above
<b>further Funding company share percentage</b>	the percentage share of each further Funding company in the trust property, as described further in “ <b>The mortgages trust – Further Funding company's share</b> ” above
<b>further Funding security trustee/s</b>	any trustee in whose favour security is created pursuant to a deed of charge entered into by any further Funding company and any new issuer, where applicable
<b>general reserve fund</b>	at any time the amount standing to the credit of the general reserve ledger at that time, which may be used in certain circumstances by Funding 1 to meet any deficit in revenue or to repay amounts of principal, as described further in “ <b>Credit structure – General reserve fund</b> ” above
<b>general reserve ledger</b>	a ledger maintained by the cash manager to record the amount credited to the general reserve fund from the proceeds of a portion of each Funding 1 start-up loan, and other withdrawals and deposits or credits in respect of the general reserve fund
<b>general reserve required amount</b>	the amount specified as such in the most recent final terms
<b>global notes</b>	the notes in global form
<b>high loan-to-value fee</b>	means a fee incurred by a borrower as a result of taking out a loan with an LTV ratio in excess of a certain percentage specified in the offer
<b>Help-to-Buy loans</b>	loans which meet the criteria published by the Homes and Communities Agency from time to time
<b>Holdings</b>	Fosse (Master Issuer) Holdings Limited
<b>Issuer Default Rating or IDR</b>	issuer default ratings from Fitch
<b>IFRS</b>	International Financial Reporting Standards
<b>in arrears</b>	in respect of a mortgage account, occurs when one or more monthly payments in respect of a mortgage account have become due and unpaid by a borrower
<b>increase amount</b>	has the meaning given to that term in <b>Condition 5.9(a)(i)</b>
<b>increase date</b>	has the meaning given to that term in <b>Condition 5.9</b>
<b>industry CPR</b>	a constant repayment rate which is calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by building societies in a quarter by the quarterly balance of mortgages outstanding for building societies in the United Kingdom

<b>initial advance</b>	means, in respect of any loan, the original principal amount advanced by the seller including any retention(s) advanced to the relevant borrower after the date of the mortgage but excluding any (a) high loan-to-value fee, (b) further advance, (c) flexible loan drawing and (d) early repayment charge relating to any such loan;
<b>initial closing date</b>	28 November 2006
<b>initial contribution</b>	a contribution by way of cash payable, pursuant to the terms of the mortgages trust deed, by Funding 1 or any further Funding company in respect of any trust property sold to the mortgages trustee at the time of such sale for the purposes of enabling the mortgages trustee to fund the payment of the initial purchase price owed by the mortgages trustee to the seller, pursuant to the terms of the mortgage sale agreement, in respect of any loans and their related security sold by the seller to the mortgages trustee from time to time
<b>initial dealer</b>	Banco Santander, S.A
<b>initial loans</b>	the loans sold by the seller to the mortgages trustee on the initial closing date pursuant to the terms of the mortgage sale agreement
<b>initial purchase price</b>	that portion of the purchase price paid by the mortgages trustee to the seller on the date loans are sold to the mortgages trustee in consideration for the sale to the mortgages trustee of loans pursuant to the terms of the mortgage sale agreement
<b>Insolvency Act</b>	the Insolvency Act 1986, as amended
<b>insolvency event</b>	<p>in respect of the seller, the servicer, the cash manager or the issuer cash manager (each, for the purposes of this definition, a relevant entity) means:</p> <ul style="list-style-type: none"> <li>(a) an order is made or an effective resolution passed for the winding up of the relevant entity;</li> <li>(b) the relevant entity ceases or threatens to cease to carry on its business or stops payment or threatens to stop payment of its debts or is deemed unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (as amended) or otherwise becomes insolvent; or</li> <li>(c) proceedings (including, but not limited to, presentation of an application for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) are initiated against the relevant entity under any applicable liquidation, administration, reorganisation (other than a reorganisation where the relevant entity is solvent) or other similar laws, save where such proceedings are being contested in good faith; or an administrative or other receiver, administrator or other similar official is appointed in relation to the whole or any substantial part of the undertaking or assets of the relevant entity or the appointment of an administrator takes effect; or a distress, execution, diligence or other process is enforced upon the whole or any substantial part of the undertaking or assets of the relevant entity and in any of the foregoing cases it is not discharged within 15 London business days; or if the relevant entity initiates or consents to judicial proceedings relating to itself</li> </ul>

	under any applicable liquidation, administration, insolvency, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally or takes steps with a view to obtaining a moratorium in respect of any indebtedness
<b>intercompany loan</b>	at any time, the aggregate of all loan tranches advanced under the intercompany loan agreement
<b>intercompany loans</b>	together, the intercompany loan and any new intercompany loans
<b>intercompany loan acceleration notice</b>	where the context so requires, an acceleration notice served: <ul style="list-style-type: none"> <li>(a) by the Funding 1 security trustee on Funding 1 following an intercompany loan event of default and/or following an event of default under a new intercompany loan (where applicable); and/or</li> <li>(b) on a further Funding company following an event of default under a new intercompany loan</li> </ul>
<b>intercompany loan agreement</b>	the intercompany loan agreement entered into on the initial closing date between Funding 1, the issuer, the Funding 1 security trustee, the issuer security trustee and the agent bank
<b>intercompany loan event of default</b>	an event of default under the intercompany loan agreement
<b>intercompany loan ledger</b>	a ledger maintained by the cash manager to record payments of interest and repayments of principal made on each of the loan tranches under the intercompany loan
<b>interest commencement date</b>	in relation to a series and class of notes, the closing date of such notes or such other date as may be specified as such in the applicable final terms; and in respect of a loan tranche, the closing date of the related series and class of notes or such other date as may be specified as such in the applicable loan tranche supplement
<b>interest payment date</b>	in respect of a series and class of notes (other than monthly payment notes), the quarterly interest payment dates and (in the case of monthly payment notes) the monthly interest payment dates, subject, in each case, to the applicable final terms and, in all other cases, each set of quarter dates any one or more of which is applicable for the payment of interest and/or principal on any series and class of notes as specified in the applicable final terms (or, if such day is not a business day, the next succeeding business day)
<b>interest period</b>	<ul style="list-style-type: none"> <li>(1) in relation to a series and class of notes (i) with respect to the first interest payment date, the period from (and including) the applicable interest commencement date to (but excluding) such first interest payment date, and (ii) thereafter, with respect to each interest payment date, the period from and including the preceding interest payment date to (but excluding) that interest payment date; and</li> <li>(c) in respect of a loan tranche, (i) with respect to the first Funding 1 payment date, the period from (and including) the applicable interest commencement date to (but excluding) such first Funding 1 payment date, and (ii) thereafter, the period from and including the preceding Funding 1 payment date to (but excluding) that Funding 1 payment date</li> </ul>

<b>interim trust calculation period</b>	the meaning given to it on page 163
<b>investment plan</b>	in respect of an interest-only loan, a repayment mechanism selected by the borrower and intended to provide sufficient funds to redeem the full principal of a loan at maturity
<b>Investment Company Act</b>	the United States Investment Company Act of 1940, as amended
<b>IRS</b>	the U.S. Internal Revenue Service
<b>issuance tests</b>	the conditions and tests (including the required levels of subordination) necessary to issue a series and class of notes, as described further in <b>“The issuance of notes – Issuance”</b> above
<b>issue terms</b>	the meaning given to it on page ii
<b>issuer</b>	Fosse Master Issuer plc
<b>issuer accounts</b>	each issuer share capital account, each issuer transaction account, and additional issuer account, any issuer swap collateral account and any other account held by the issuer with the prior written approval of the issuer security trustee from time to time (including without limitation the issuer GIC account)
<b>issuer account bank</b>	Santander UK
<b>issuer bank account agreement</b>	the agreement entered into on 23 November 2009 between the issuer account bank, the issuer, the issuer cash manager and the issuer security trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time) which governs the operation of issuer transaction account and the issuer share capital account
<b>issuer cash management agreement</b>	the issuer cash management agreement entered into on the initial closing date between the issuer cash manager, the issuer and the issuer security trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time), as described further above in <b>“Description of the transaction documents – Issuer cash management agreement”</b>
<b>issuer cash manager</b>	Santander UK acting, pursuant to the issuer cash management agreement, as agent for the issuer and the issuer security trustee to manage all cash transactions and maintain certain ledgers on behalf of the issuer
<b>issuer charged assets</b>	the meaning given to it in <b>Condition 10.2</b> on page 304
<b>issuer corporate services agreement</b>	the agreement entered into on the initial closing date between, among others, the issuer, Santander UK, the issuer corporate services provider and the note trustee, which governs the provision of corporate services by the corporate services provider to the issuer (as amended, restated, varied, supplemented, replaced and/or novated from time to time)
<b>issuer corporate services provider</b>	Intertrust Management Limited or such other person or persons for the time being acting as corporate services provider to the issuer under the issuer corporate services agreement
<b>issuer currency swaps</b>	the issuer dollar currency swaps, the issuer euro currency swaps and any other currency swaps which enable the issuer to receive and pay amounts under the intercompany loan in sterling and to receive and pay amounts under the notes in any other relevant currency, as described further above in <b>“Description of the transaction documents – Swap agreements – Issuer swap agreements”</b>
<b>issuer deed of charge</b>	the deed of charge entered into on the initial closing date between, among others, the issuer and the issuer security

				trustee, under which the issuer charges the issuer security in favour of the issuer security trustee for the benefit of the issuer secured creditors, as described further above in “ <b>Description of the transaction documents – Issuer deed of charge</b> ”
<b>issuer dollar account</b>				the account of the issuer held with the issuer account bank, denominated in dollars and maintained subject to the terms of the issuer bank account agreement and the issuer deed of charge, or any additional or replacement account denominated in dollars as may for the time being be in place with the prior consent of the issuer security trustee
<b>issuer dollar currency swap agreements</b>			<b>swap</b>	in respect of a series and class of notes, the ISDA master agreements, schedules and confirmations relating to the issuer dollar currency swaps to be entered into on or before the relevant closing date in respect of such series between the issuer, the relevant issuer swap provider and the issuer security trustee (as amended, restated, varied, supplemented, replaced and/or novated from time to time)
<b>issuer dollar currency swaps</b>				the sterling-dollar currency swaps which enable the issuer to receive and pay amounts under the intercompany loan in sterling and to receive and pay amounts under the dollar notes, as described further above in “ <b>Description of the transaction documents – Swap agreements – Issuer swap agreements</b> ”
<b>issuer euro account</b>				the account of the issuer held with the issuer account bank, denominated in euro and maintained subject to the terms of the issuer bank account agreement and the issuer deed of charge, or any additional or replacement account denominated in euro as may for the time being be in place with the prior consent of the issuer security trustee
<b>issuer euro currency swap agreements</b>			<b>swap</b>	in respect of a series and class of notes, the ISDA master agreements, schedules and confirmations relating to the issuer euro currency swaps to be entered into on or before the relevant closing date between the issuer, the relevant issuer swap provider and the issuer security trustee (as amended, restated, varied, supplemented, replaced and/or novated from time to time)
<b>issuer euro currency swaps</b>				the sterling-euro currency swaps which enable the issuer to receive and pay amounts under the intercompany loan in sterling and to receive and pay amounts under the euro notes, as described further above in “ <b>Description of the transaction documents – Swap agreements– Issuer swap agreements</b> ”
<b>issuer GIC account</b>				the account to be established with the issuer account bank as a condition precedent to the issue of notes with quarterly interest payment dates which do not correspond to the quarterly interest payment dates of notes (other than monthly payment notes) issued on the initial closing date
<b>issuer interest rate swap agreements</b>			<b>swap</b>	the ISDA master agreements, schedules and confirmations relating to the issuer interest rate swaps entered into on or before the relevant closing date between the issuer, the relevant issuer swap provider and the issuer security trustee (as amended, restated, varied, supplemented, replaced and/or novated from time to time)
<b>issuer interest rate swaps</b>				the issuer interest rate swaps which enable the issuer to hedge its exposure to potential mismatches between the floating rate of interest payable under the intercompany loan and to the fixed rate of interest payable by the issuer under certain sterling notes, as described further above in “ <b>Description of the transaction documents – Swap agreements – Issuer swap agreements</b> ”

<b>issuer post-acceleration principal priority of payments</b>	the order in which, following the service of a note acceleration notice but prior to the service of an intercompany loan acceleration notice, the issuer cash manager or the issuer security trustee, as the case may be, will apply the issuer principal receipts on each interest payment date or such other day, as set out above in <b>"Cashflows – Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration"</b>
<b>issuer post-acceleration revenue priority of payments</b>	the order in which, following the service of a note acceleration notice but prior to the service of an intercompany loan acceleration notice, the issuer cash manager or the issuer security trustee, as the case may be, will apply the issuer revenue receipts on each interest payment date or such other day, as set out above in <b>"Cashflows – Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration"</b>
<b>issuer pre-acceleration principal priority of payments</b>	the order in which, prior to enforcement of the issuer security, the issuer or the issuer cash manager will apply the issuer principal receipts on each interest payment date, as set out above in <b>"Cashflows – Distribution of issuer principal receipts before note acceleration"</b>
<b>issuer pre-acceleration revenue priority of payments</b>	the order in which, prior to enforcement of the issuer security, the issuer cash manager will apply the issuer revenue receipts on each interest payment date, as set out above in <b>"Cashflows – Distribution of issuer revenue receipts after note acceleration but before intercompany loan acceleration"</b>
<b>issuer principal receipts</b>	an amount equal to the sum of all principal amounts repaid by Funding 1 to the issuer under the intercompany loan
<b>issuer priority of payments</b>	the issuer pre-acceleration revenue priority of payments, the issuer pre-acceleration principal priority of payments, the issuer post-acceleration principal priority of payments or the issuer priority of payments following an intercompany loan acceleration notice, as the case may be
<b>issuer priority of payments following an intercompany loan acceleration notice</b>	the order in which, following the service of an intercompany loan acceleration notice, the issuer cash manager or the issuer security trustee, as the case may be, will apply the amounts received following enforcement of the issuer security, as set out above in <b>"Description of the transaction documents – Issuer deed of charge"</b> and <b>"Cashflows – Distribution of issuer principal receipts and issuer revenue receipts following intercompany loan acceleration"</b>
<b>issuer revenue ledger</b>	the ledger on which the issuer cash manager records issuer revenue receipts received and paid out by the issuer
<b>issuer revenue receipts</b>	an amount equal to the sum of: <ul style="list-style-type: none"> <li>(a) interest paid by Funding 1 on the relevant Funding 1 interest payment date in respect of the loan tranches under the intercompany loan;</li> <li>(b) interest previously paid by Funding 1 on a previous Funding 1 interest payment date and required to be held in the issuer GIC account until such interest payment date;</li> <li>(c) fees to be paid by Funding 1 on the relevant date under the terms of the intercompany loan agreement;</li> <li>(d) interest payable on issuer bank accounts and authorised investments which will be received on or</li> </ul>

before the relevant date;

- (e) other net income of the issuer including amounts received or to be received under the issuer swap agreements on or before the relevant interest payment date (other than any early termination amount received by the issuer under any issuer swap agreement to the extent used to enter into a replacement issuer swap agreement) and including any amounts received by the issuer in consideration of it entering into a replacement issuer swap agreement (which amounts shall be deemed to be received by the issuer in respect of the loan tranche corresponding to the series and class of notes to which the replaced issuer swap agreement relates) but excluding (i) the return or transfer of any excess swap collateral as set out under any of the issuer swap agreements and (ii) in respect of each issuer swap provider, prior to the designation of an early termination date under the relevant issuer swap agreement and the resulting application of the collateral by way of netting or set-off, an amount equal to the value of all collateral (other than excess swap collateral) provided by such issuer swap provider to the issuer pursuant to the relevant issuer swap agreement (and any interest or distributions in respect thereof); and
- (f) any additional amount the issuer receives from any taxing authority on account of amounts paid to that taxing authority for and on account of tax by an issuer swap provider under an issuer swap agreement

**issuer secured creditors**

the issuer security trustee, noteholders, the issuer swap providers, the note trustee, the issuer account bank, the paying agents, the registrar, the transfer agent, the agent bank, the exchange rate agent, the issuer corporate services provider under the issuer corporate services agreement, the issuer cash manager and any new issuer secured creditor who accedes to the issuer deed of charge from time to time under a deed of accession or a supplemental deed

**issuers**

together, the issuer and any new issuer(s)

**issuer security**

security created by the issuer pursuant to the issuer deed of charge in favour of the issuer secured creditors

**issuer security trustee**

The Bank of New York Mellon, London Branch, in whose favour security is created pursuant to the issuer deed of charge

**issuer security trustees**

the issuer security trustee and each security trustee in whose favour security is created pursuant to a deed of charge entered into by the issuer and/or any new issuer which enters into a new loan agreement with Funding 1

**issuer share capital account**

the bank account of the issuer held with the issuer account bank pursuant to the terms of the issuer bank account agreement into which the share capital of the issuer is deposited

**issuer sterling account**

the account of the issuer held with the issuer account bank, denominated in sterling and maintained subject to the terms of the issuer bank account agreement and the issuer deed of charge, or any additional or replacement account denominated in sterling as may for the time being be in place with the prior consent of the issuer security trustee

**issuer swap**

in respect of a series and class of notes, the issuer currency swap or the issuer interest rate swap, as the case may be

<b>issuer swaps</b>	the issuer currency swaps and issuer interest rate swaps
<b>issuer swap agreements</b>	the issuer dollar currency swap agreements, the issuer euro currency swap agreements and the issuer currency swap agreements entered into from time to time in respect of any other currencies and any issuer interest rate swap agreements
<b>issuer swap excluded termination amount</b>	in relation to any issuer swap agreement an amount equal to: <ul style="list-style-type: none"> <li>(a) the amount of any termination payment due and payable to the relevant issuer swap provider as a result of an issuer swap provider default or following an issuer swap provider downgrade termination event; less</li> <li>(b) the amount, if any, received by the issuer from a replacement swap provider upon entry by the issuer into an agreement with such replacement swap provider to replace such issuer swap agreement which has been terminated as a result of such issuer swap provider default or following the occurrence of such issuer swap provider downgrade termination event</li> </ul>
<b>issuer swap guarantees</b>	if applicable, the guarantee of the obligations of an issuer swap provider under an issuer swap agreement
<b>issuer swap provider</b>	in respect of a series and class of notes, the issuer swap provider identified in the relevant drawdown prospectus
<b>issuer swap provider default</b>	as the context may require, the occurrence of an event of default (as defined in the relevant issuer swap agreement) where the relevant issuer swap provider is the defaulting party (as defined in the relevant issuer swap agreement)
<b>issuer swap provider downgrade termination event</b>	the occurrence of an additional termination event following the failure by an issuer swap provider to comply with the requirements of the ratings downgrade provisions set out in the relevant issuer swap agreement
<b>issuer transaction account</b>	the issuer dollar account, the issuer euro account and the issuer sterling account
<b>issuance tests</b>	the tests set out above in “ <b>The issuance of notes</b> ”
<b>law</b>	includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, statute, treaty or other legislative measure in any jurisdiction and any present or future directive, regulation, guideline, practice, concession, request or requirement whether or not having the force of law issued by any governmental body, agency or department or any central bank or other fiscal, monetary, taxation, regulatory, self-regulatory or other authority or agency
<b>LCR Regulation</b>	Regulation (EU) 575/2013 of the European Parliament and the Council with regard to the liquidity coverage requirement for Credit Institutions as supplemented by the European Commission adopted text of the Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing (or, if different, the equivalent provisions in such approved version of such Commission Delegated Regulation)
<b>lending criteria</b>	the criteria applicable to the granting of an offer of a mortgage to a borrower, as may be amended from time to time and as further described above in “ <b>The Loans – Lending criteria</b> ”
<b>LIBOR</b>	the London inter-bank offered rate for deposits, in the relevant currency

<b>LIBOR Funding 1 swap (BBR) 1</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to (i) in the case of the base rate loans with reset dates, such base rate loans which have a remaining period up to their reset dates of 3 years or less; or (ii) in the case of the base rate loans without reset dates, such base rate loans which have a remaining maturity of 3 years or less, with such LIBOR Funding 1 swap commencing on the day on which the reset dates or maturity dates are determined
<b>LIBOR Funding 1 swap (BBR) 2</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to (i) in the case of the base rate loans with reset dates, such base rate loans which have a remaining period up to their reset dates of greater than 3 years but less than or equal to 5 years; or (ii) in the case of the base rate loans without reset dates, such base rate loans which have a remaining maturity of greater than 3 years but less than or equal to 5 years, with such LIBOR Funding 1 swap commencing on the day on which the reset dates or maturity dates are determined
<b>LIBOR Funding 1 swap (BBR) 3</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to (i) in the case of the base rate loans with reset dates, such base rate loans which have a remaining period up to their reset dates of greater than 5 years but less than or equal to 10 years; or (ii) in the case of the base rate loans without reset dates, such base rate loans which have a remaining maturity of greater than 5 years but less than or equal to 10 years, with such LIBOR Funding 1 swap commencing on the day on which the reset dates or maturity dates are determined
<b>LIBOR Funding 1 swap (BBR) 4</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to (i) in the case of the base rate loans with reset dates, such base rate loans which have a remaining period up to their reset dates of greater than 10 years but less than or equal to 15 years; or (ii) in the case of the base rate loans without reset dates, such base rate loans which have a remaining maturity of greater than 10 years but less than or equal to 15 years, with such LIBOR Funding 1 swap commencing on the day on which the reset dates or maturity dates are determined
<b>LIBOR Funding 1 swap (BBR) 5</b>	the Funding 1 swap between the LIBOR Funding 1 swap provider and Funding 1 with respect to (i) in the case of the base rate loans with reset dates, such base rate loans which have a remaining period up to their reset dates of greater than 15 years; or (ii) in the case of the base rate loans without reset dates, such base rate loans which have a remaining maturity of greater than 15 years, with such LIBOR Funding 1 swap commencing on the day on which the reset dates or maturity dates are determined
<b>LIBOR Funding 1 swap (Fixed) 1</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the fixed rate loans which have a remaining period of 3 years or less up to the earlier of their reset dates and their maturity dates, with such LIBOR Funding 1 swap commencing on the day on which the reset dates are determined
<b>LIBOR Funding 1 swap (Fixed) 2</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the fixed rate loans which have a remaining period of greater than 3 years but less than or equal to 5 years up to the earlier of their reset dates and their maturity dates, with such LIBOR Funding 1 swap commencing on the day on which the reset dates are

	determined
<b>LIBOR Funding 1 swap (Fixed) 3</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the fixed rate loans which have a remaining period of greater than 5 years but less than or equal to 10 years up to the earlier of their reset dates and their maturity dates, with such LIBOR Funding 1 swap commencing on the day on which the reset dates are determined
<b>LIBOR Funding 1 swap (Fixed) 4</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the fixed rate loans which have a remaining period of greater than 10 years but less than or equal to 15 years up to the earlier of their reset dates and their maturity dates, with such LIBOR Funding 1 swap commencing on the day on which the reset dates are determined
<b>LIBOR Funding 1 swap (Fixed) 5</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the fixed rate loans which have a remaining period of greater than 15 years up to the earlier of their reset dates and their maturity dates, with such LIBOR Funding 1 swap commencing on the day on which the reset dates are determined
<b>LIBOR Funding 1 swap (SVR) 1</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the variable rate loans which have a remaining maturity of 3 years or less, with such LIBOR Funding 1 swap commencing on the day on which the maturity dates are determined
<b>LIBOR Funding 1 swap (SVR) 2</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the variable rate loans which have a remaining maturity of greater than 3 years but less than or equal to 5 years, with such LIBOR Funding 1 swap commencing on the day on which the maturity dates are determined
<b>LIBOR Funding 1 swap (SVR) 3</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the variable rate loans which have a remaining maturity of greater than 5 years but less than or equal to 10 years, with such LIBOR Funding 1 swap commencing on the day on which the maturity dates are determined
<b>LIBOR Funding 1 swap (SVR) 4</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the variable rate loans which have a remaining maturity of greater than 10 years but less than or equal to 15 years, with such LIBOR Funding 1 swap commencing on the day on which the maturity dates are determined
<b>LIBOR Funding 1 swap (SVR) 5</b>	the LIBOR Funding 1 swap between the Funding 1 swap provider and Funding 1 with respect to the variable rate loans which have a remaining maturity of greater than 15 years, with such LIBOR Funding 1 swap commencing on the day on which the maturity dates are determined
<b>LIBOR Funding 1 swap agreement</b>	the 1992 ISDA Master Agreement (Multicurrency-Cross Border) and schedule and credit support annex thereto entered into on the Initial Closing Date between Funding 1 and the Funding 1 swap provider and any confirmation documented thereunder from time to time between Funding 1 and the Funding 1 swap provider (as each of the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time) in respect of LIBOR Funding 1 swaps;
<b>LIBOR Funding 1 swaps</b>	any swap documented under the LIBOR Funding 1 swap

	agreement which enables Funding 1 to hedge exposure in relation to LIBOR-linked intercompany loans arising from the possible variance between the rates of interest payable on the variable rate loans, the fixed rates of interest payable on the fixed rate loans and the rates of interest payable on the base rate loans (as applicable) and a sterling LIBOR based rate for three-month sterling deposits.
<b>LIBOR-linked intercompany loan</b>	any intercompany loan between Funding 1, an issuer, and the Funding 1 Security Trustee that pays a rate of interest that is based on LIBOR.
<b>liquidity reserve fund</b>	a liquidity reserve fund established on the occurrence of certain ratings downgrades of the seller to meet interest and principal shortfalls (in limited circumstances) on certain of the loan tranches
<b>liquidity reserve fund rating event</b>	where there are class A notes and/or class B notes then outstanding, the seller's long-term, unsecured, unsubordinated and unguaranteed debt obligations are rated below A3 by Moody's or A- by Fitch (unless Moody's or Fitch, as applicable, confirms that the then current ratings of the notes (and any new notes, where applicable) will not be adversely affected by the ratings downgrade).  For such purposes, Fitch has indicated that it no longer employs a liquidity reserve in its ratings methodology such that it would not regard any downgrade of the seller as warranting the establishment of a liquidity reserve
<b>liquidity reserve fund required amount</b>	on any Funding 1 interest payment date, an amount equal to the excess (if any) of 3 per cent. of the aggregate outstanding balance of the notes on that date over the aggregate of amounts standing to the credit of the general reserve fund on that Funding 1 interest payment date
<b>liquidity reserve ledger</b>	a ledger maintained by the cash manager to record the withdrawals and deposits in respect of the liquidity reserve fund
<b>liquidity reserve principal payment</b>	the meaning given to it on page 208
<b>listed notes</b>	the meaning given to it on page ii
<b>loan</b>	each loan referenced by its loan identifier number and comprising the aggregate of all principal sums, interest, costs, charges, expenses and other monies (including all further advances) due or owing with respect to that loan under the relevant mortgage conditions by a borrower on the security of a mortgage from time to time outstanding or, as the context may require, the borrower's obligations in respect of the same
<b>loan tranche payment date</b>	in respect of (i) a bullet loan tranche, the bullet repayment date, (ii) a scheduled amortisation loan tranche, the scheduled repayment dates specified in the applicable final terms and each Funding 1 interest payment date following the last such specified scheduled repayment date, and (iii) a pass-through loan tranche, the Funding 1 interest payment dates, in each case specified in the applicable loan tranche supplement or, following the occurrence of a pass-through trigger event, the dates corresponding to the interest payment dates for the corresponding notes;
<b>loan tranche ratings</b>	the meaning given to it on page 117
<b>loan tranche supplement</b>	in relation to any loan tranche, the document between, amongst others, Funding 1 and the issuer recording the principal terms of such loan tranche; and in relation to any new loan tranche made available to Funding 1 and/or a further Funding company, the document between, amongst others, Funding 1, the

	relevant further Funding company and the new issuer recording the principal terms of such new loan tranche
<b>loan tranches</b>	the AAA loan tranches, the AA loan tranches, the A loan tranches, the BBB loan tranches, the BB loan tranches and the NR loan tranches, advanced by the issuer or any new issuer to Funding 1 pursuant to the intercompany loan agreement or any new intercompany loan agreement, respectively and funded from proceeds received by the issuer or such new issuer respectively from the issue of a series and class of notes, or any increase amount under any class Z variable funding notes, respectively
<b>London business day</b>	a day (other than a Saturday or Sunday) on which banks are generally open for business in London
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>losses</b>	the realised losses experienced on the loans in the portfolio
<b>losses ledger</b>	the ledger of such name created and maintained by the cash manager pursuant to the cash management agreement to record the losses on loans in the portfolio
<b>LTV, LTV ratio or loan-to-value ratio</b>	the ratio of the outstanding balance of a loan to the value of the mortgaged property securing that loan
<b>managers</b>	the institutions named as such in the applicable final terms
<b>master definitions and construction schedule</b>	the master definitions and construction schedule, as amended from time to time, containing definitions used in the transaction documents
<b>maximum loan maturity date</b>	the later of: <ul style="list-style-type: none"> <li>(a) October 2052; and</li> <li>(b) the month which falls two years prior to the earliest final maturity date of any outstanding notes (other than any money market notes for the purposes of Rule 2a-7 under the Investment Company Act)</li> </ul>
<b>MCOB</b>	the Mortgages and Home Finance: Conduct of Business sourcebook under the FSMA
<b>MH/CP documentation</b>	an affidavit, declaration, consent or renunciation granted in terms of the Matrimonial Homes (Family Protection) (Scotland) Act 1981 or (as applicable) the Civil Partnership Act 2004 in connection with a Scottish mortgage or the property secured thereby
<b>MiFID II</b>	the Markets in Financial Instruments Directive 2014/65/EU
<b>minimum required ratings</b>	with respect to the Funding 1 bank account agreement (i) short-term, unsubordinated, unguaranteed and unsecured debt obligations rated at least P-1 by Moody's, (ii) unsubordinated, unguaranteed and unsecured debt obligations rated at least A-1 short-term and A long-term (or, if the related institution has no short-term rating from S&P, at least A+ long-term) by S&P, and (iii) short-term and long-term IDR of least F-1 and A, respectively, by Fitch
<b>minimum seller share</b>	an amount included in the current seller share which is calculated in accordance with the mortgages trust deed as further described under " <b>The mortgages trust</b> " above
<b>minimum yield</b>	Compounded Daily SONIA plus 0.75 per cent (calculated in accordance with clause 7.2(e) of the Master Intercompany Loan Agreement) (or any higher percentage specified in the most recent final terms)

<b>money market notes</b>	the meaning given to it under “ <b>Description of the notes – Money market notes</b> ” above
<b>monthly CPR</b>	the meaning given to it on page 175
<b>monthly dates</b>	the 18th day of each calendar month in each year (or, if such day is not a business day, the next succeeding business day)
<b>monthly interest payment date</b>	in respect of any monthly payment notes, the monthly dates specified in the applicable final terms for the payment of interest and/or principal, subject, in each case, to the appropriate business day convention, if any, specified in the applicable final terms
<b>monthly payment notes</b>	either money market notes or any other notes in respect of which monthly interest payment dates are specified in the applicable final terms
<b>monthly payments</b>	the amount (including interest and principal) which the relevant mortgage terms require a borrower to pay on each interest payment date in respect of that borrower’s loan
<b>Moody’s</b>	Moody’s Investors Service Ltd. and any successor to its ratings business
<b>Moody’s portfolio variation test</b>	the calculation methodology provided by Moody’s to the servicer from time to time for the purpose of calculating the Moody’s portfolio variation test value
<b>Moody’s portfolio variation test value</b>	a certain percentage resulting from the application of the Moody’s portfolio variation test
<b>mortgage</b>	the legal charge or standard security securing a loan
<b>mortgage account</b>	a loan secured on a property will be incorporated in a single mortgage account
<b>mortgage conditions</b>	the terms and conditions applicable to the loans as contained in the seller’s Mortgage Conditions booklets for England and Wales or Scotland applicable from time to time
<b>mortgage related securities</b>	as defined in the U.S. Secondary Mortgage Markets Enhancement Act 1984, as amended
<b>mortgage sale agreement</b>	the mortgage sale agreement entered into on the initial closing date, as amended, restated and/or supplemented from time to time, among the seller, the mortgages trustee, Funding 1 and the Funding 1 security trustee in relation to the sale of loans to the mortgages trustee from time to time, as further described in “ <b>Description of the transaction documents – The mortgage sale agreement</b> ” above
<b>mortgage terms</b>	all the terms and conditions applicable to a loan, including without limitation the applicable mortgage conditions and offer conditions
<b>mortgages trust</b>	the bare trust of the trust property held by the mortgages trustee as to both capital and income on trust absolutely for Funding 1 (as to the Funding 1 share), for each further Funding company (as to its respective further Funding company share) and the seller (as to the seller share), so that each has an undivided beneficial interest in the trust property
<b>mortgages trust available principal receipts</b>	the amount standing to the credit of the principal ledger on the relevant trust calculation date
<b>mortgages trust available revenue receipts</b>	an amount equal to: <ul style="list-style-type: none"> <li>(a) revenue receipts on the loans (but excluding principal</li> </ul>

	receipts);
	(b) plus interest payable to the mortgages trustee on the mortgages trustee GIC account;
	(c) less third party amounts,
	as described further above in “ <b>The mortgages trust</b> ”
<b>mortgages trust deed</b>	the mortgages trust deed entered into on the initial closing date, as amended from time to time, between (among others) the mortgages trustee, Funding 1 and the seller, as further described above in “ <b>The mortgages trust</b> ”
<b>mortgages trust principal priority of payments</b>	the meaning given to it on page 177
<b>mortgages trust revenue priority of payments</b>	the order in which the cash manager applies mortgages trust available revenue receipts on each distribution date, as described further above in “ <b>The mortgages trust – Mortgages trust calculation of revenue receipts</b> ”
<b>mortgages trustee</b>	on and from 29 April 2016, and as of the date of this prospectus, Fosse Trustee (UK) Limited and, prior to 29 April 2016, Fosse Trustee Limited
<b>mortgages trustee account bank</b>	Santander UK
<b>mortgages trustee bank account agreement</b>	the agreement entered into on 23 November 2009, as amended from time to time, between, among others, the mortgages trustee account bank and the mortgages trustee, which governs the operations of the mortgages trustee GIC account
<b>mortgages trustee corporate services agreement</b>	the agreement entered into on or about 29 April 2016 between, <i>inter alios</i> , Intertrust Management Limited, the mortgages trustee and the Funding 1 Security Trustee, which governs the provision of corporate services by the mortgages trustee corporate services provider to the mortgages trustee
<b>mortgages trustee corporate services provider</b>	Intertrust Management Limited or such other person or persons for the time being acting as corporate services provider to the mortgages trustee under the mortgages trustee corporate services agreement
<b>mortgages trustee GIC account</b>	the account in the name of the mortgages trustee maintained with Santander UK pursuant to the terms of the mortgages trustee bank account agreement or such additional or replacement account as may for the time being be in place
<b>mortgages trustee variable rate</b>	the variable rates which apply to the variable rate loans in the portfolio as set, other than in limited circumstances, by the servicer, as described further above in “ <b>Description of the transaction documents – Servicing agreement</b> ”
<b>Net Stable Funding Ratio or NSFR</b>	the meaning given to it on page 46
<b>new Funding 1 start-up loan provider</b>	any entity other than Santander UK that provides a Funding 1 start-up loan in the future
<b>new intercompany loans</b>	loans made by any new issuer to Funding 1 and/or any further Funding company (where applicable) using proceeds of new notes issued by that new issuer
<b>new issuers</b>	any company other than the issuer which issues new notes where all or part of the proceeds of the issue of such new notes will be on-lent to Funding 1 and/or any further Funding company
<b>new loan tranches</b>	any advances made by new issuers to Funding 1 and/or any further Funding company under a new intercompany loan

<b>new loan type</b>	on any date, a type of loan which is materially different from the types of loans comprised in the portfolio
<b>new loans</b>	loans which the seller may sell, from time to time after the closing date, to the mortgages trustee pursuant to the terms of the mortgage sale agreement
<b>new noteholders</b>	holders of new notes
<b>new notes</b>	notes issued by new issuers
<b>new rated notes</b>	rated notes issued by new issuers
<b>new trust property</b>	the meaning given to it on page 164
<b>New York business day</b>	a day (other than a Saturday or a Sunday) on which banks are generally open in the city of New York
<b>N(M)</b>	31 October 2004, being the date on which mortgage lending in the United Kingdom became a regulated activity under FSMA
<b>non-asset trigger event</b>	on a trust calculation date (a) the occurrence of an insolvency event in relation to the seller on or before that trust calculation date, (b) the seller's role as servicer is terminated and a new servicer is not appointed within 60 days, (c) the current seller share of the trust property is less than the minimum seller share on two consecutive trust calculation dates (in each case by reference to the most recent trust calculation date) or (d) as at the trust calculation date immediately preceding the relevant trust calculation date, the aggregate outstanding principal balance of loans comprising the trust property is less than the required loan balance amount specified in the most recent final terms and this has not been remedied by the relevant trust calculation date
<b>non bullet Funding 1 principal amounts</b>	all mortgages trust available principal receipts distributed to Funding 1 on each distribution date under the mortgages trust deed (other than amounts allocated to the general reserve fund or the liquidity reserve fund in accordance with the mortgages trust deed and excluding the bullet accumulation liability due in respect of any bullet loan tranche which is within a cash accumulation period)
<b>non-compliant LCR loan</b>	the meaning given to it on page 115
<b>non-LSE listed notes</b>	the meaning given to it on page ii
<b>non-United States holder</b>	a beneficial owner of the Rule 144A notes who is not a United States holder
<b>note acceleration notice</b>	an acceleration notice served by the note trustee in relation to the enforcement of the issuer security following a note event of default
<b>note event of default</b>	an event of default under the provisions of <b>Condition 9</b> of the notes where the issuer is the defaulting party
<b>note principal payment</b>	the amount of each principal payment payable on each note
<b>note trust deed</b>	the principal agreement entered into on the initial closing date governing the notes
<b>note trustee</b>	The Bank of New York Mellon, London Branch, in whose favour certain rights are vested pursuant to the note trust deed
<b>note trustees</b>	the note trustee and each trustee who has each entered into a note trust deed with any new issuer which enters into a new loan with Funding 1 and/or any other funding company
<b>noteholders</b>	the holders of the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes of any series

<b>notes</b>	the class A notes, the class B notes, the class M notes, the class C notes, the class D notes and the class Z notes (including the class Z variable funding notes)
<b>notional amount of the Funding 1 swap(s)</b>	the meaning given to it on page 151
<b>NR loan tranches</b>	the loan tranches made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of any series and class of class Z notes, on in the case of NR VFN loan tranche, from the proceeds of issue of, and increase amounts under, a class Z variable funding note
<b>NR VFN loan tranche</b>	a loan tranche made by the issuer to Funding 1 under the intercompany loan agreement from the proceeds of issue of and increase amounts under any class Z variable funding note
<b>NR principal deficiency sub-ledger</b>	a sub-ledger on the principal deficiency ledger which specifically records any principal deficiency in respect of any NR loan tranches
<b>NSS</b>	the new safekeeping structure for registered notes which are intended to constitute eligible collateral for Eurosystem monetary policy operations
<b>OBFR</b>	the Overnight Bank Funding Rate that appears on the Federal Reserve's website at 5:00 p.m. (New York time) on an interest payment date for trades made on the related interest determination date
<b>offer conditions</b>	the terms and conditions applicable to a specific loan as set out in the relevant offer letter to the borrower
<b>Official List</b>	the official list maintained by the FCA
<b>offshore transaction</b>	as defined in Reg S
<b>OFT</b>	Office of Fair Trading
<b>OID</b>	original issue discount, as described further above in " <b>United States federal income taxation – Taxation of United States holders of the notes</b> "
<b>OID Regulations</b>	U.S. Treasury regulations relating to original issue discount
<b>original bullet loan tranche</b>	in respect of Funding 1 under the intercompany loan agreement, a loan tranche which at any time has been a bullet loan tranche (even if such bullet loan tranche has subsequently become a pass-through loan tranche)
<b>original LTV</b>	for the purpose of the Fitch conditions, the ratio calculated in the manner agreed with Fitch as further described on page 102
<b>original scheduled amortisation instalment</b>	in respect of Funding 1 under the intercompany loan agreement, that part of a loan tranche which at any time has been a scheduled amortisation instalment (even if that part of that loan tranche has subsequently become a pass-through loan tranche)
<b>original scheduled amortisation loan tranche</b>	a loan tranche which at any time has been a scheduled amortisation loan tranche (even if such loan tranche has subsequently become a pass-through loan tranche)
<b>original weighted average LTV</b>	for the purpose of the Fitch conditions, the ratio calculated in the manner agreed with Fitch as further described on page 102
<b>other dealers</b>	any dealers (other than the initial dealer) appointed by the issuer under the programme agreement
<b>outstanding principal amount</b>	in relation to any intercompany loan or loan tranche or new loan tranche (other than an NR VFN loan tranche), the original principal amount thereof on the date that it is made to the

	relevant Funding company less any payments of principal in respect thereof and, in relation to an NR VFN loan tranche, the original principal amount thereof on the date that it is made to Funding 1 plus each increase amount less any payments of principal in respect thereof
<b>outstanding principal balance</b>	<p>in relation to a loan at any date (in this definition, the determination date), means the aggregate principal balance of the loan at such date, including (but avoiding double counting):</p> <ul style="list-style-type: none"> <li>(a) the initial advance;</li> <li>(b) capitalised expenses;</li> <li>(c) capitalised arrears; and</li> <li>(d) further advances and/or flexible loan drawings,</li> </ul> <p>in each case less any prepayment (including any decrease in the principal amount due under that loan due to the borrower making overpayments), repayment or payment of the foregoing made on or prior to the determination date</p>
<b>overpayment</b>	a payment made by a borrower in an amount greater than the monthly payment then due on the loan
<b>panel bank guidelines</b>	guidelines set out from time to time by the cash manager for the purpose of depositing amounts standing to the credit of the Funding 1 transaction account with eligible banks subject to and in accordance with the terms of the cash management agreement and which are described under “ <b>Description of the transaction documents – Cash management agreement – Deposits with eligible banks in accordance with panel bank guidelines</b> “
<b>Part VII effective date</b>	means 28 May 2010 being the date on which the Part VII order was implemented
<b>Part VII order</b>	means the order published on 13 May 2010 by the High Court sanctioning a banking business transfer scheme under Part VII of the FSMA pursuant to which the entire business of Alliance & Leicester plc, and all related assets and liabilities, were to be transferred to, and vested in or become liabilities of (as applicable) Santander UK
<b>participants</b>	in relation to Euroclear and Clearstream, Luxembourg, the direct and indirect participants as described further above in “ <b>Book-entry clearance procedures – Euroclear, Clearstream, Luxembourg and DTC</b> “
<b>parties in interest</b>	the meaning given to it on page 355
<b>pass-through loan tranche</b>	in respect of Funding 1 under the intercompany loan agreement, a loan tranche which has no scheduled repayment date other than the final repayment date, namely those loan tranches designated as “pass-through” loan tranches in the applicable loan tranche supplement and the accompanying final terms. In addition, on the occurrence of a pass-through trigger event, each bullet loan tranche and scheduled amortisation loan tranche will be deemed to be pass-through loan tranches
<b>pass-through notes</b>	any series and class of notes which has no specified redemption dates other than the final maturity date, namely those series and class of notes designated as “pass-through notes” in the applicable final terms. In addition, on the occurrence of a pass-through trigger event, all bullet redemption notes and scheduled redemption notes will be deemed to be pass-through notes

<b>pass-through trigger event</b>	if (a) a trigger event occurs; (b) a note acceleration notice is served by the note trustee on the issuer, or (c) an intercompany loan acceleration notice is served by the Funding 1 security trustee on Funding 1
<b>paying agent and agent bank agreement</b>	the agreement entered into on the initial closing date which sets out the appointment of the paying agents, the registrar, the transfer agent, the exchange rate agent and the agent bank for the notes (as amended, restated, varied, supplemented, replaced and/or novated from time to time)
<b>paying agents</b>	the principal paying agent and the U.S. paying agent
<b>payment holiday</b>	a period during which a borrower may suspend payments under a loan without penalty
<b>permitted product switch</b>	<p>a variation in the financial terms and conditions of a loan in which a borrower exchanges its then current loan product for a different loan product offered by the seller, provided that:</p> <ul style="list-style-type: none"> <li>• the relevant borrower has made at least one monthly payment on its then current loan product;</li> <li>• the new loan for which the prior loan is to be exchanged is a permitted replacement loan;</li> <li>• each of the conditions for the assignment of new loans and their related security (other than conditions (e) and (h)) as set forth under “<b>Description of the transaction documents – The mortgage sale agreement – Conditions for sale of initial loans and new loans</b>” above are satisfied, provided that conditions (i), (j) and (l) in that section will only be required to have been satisfied on the date of the most recent assignment of loans to the mortgages trustee;</li> <li>• the interest-only mortgages level test is satisfied if, as calculated on the most recent trust calculation date:  <math>A/B \times 100 \leq C</math> </li> </ul> <p>where</p> <p>A = the current balance of all interest-only loans (which, for the avoidance of doubt includes interest-only components of combination repayment and interest-only loans) comprised in the trust property as at the relevant trust calculation date; B = the current balance of all loans comprising the trust property as at the relevant trust calculation date; and C = the number specified in the most recent final terms; and</p> <ul style="list-style-type: none"> <li>• the product switch is not a variation or arrangement agreed with a borrower made pursuant to the Homeowner Mortgage Support Scheme as set out by HM Treasury in a press notice on 10 December 2008 and as set out in further detail by the Department for Communities and Local Government in a press notice on 21 April 2009 (or a comparable scheme operated by the seller)</li> </ul>
<b>permitted redemption dates</b>	in respect of a series and class of notes, the interest payment date specified in the applicable final terms on which those notes may be redeemed by the issuer, subject to the terms and conditions of the notes
<b>permitted replacement loan</b>	<p>a loan:</p> <ul style="list-style-type: none"> <li>• that is subject to either a fixed rate, a variable rate or a</li> </ul>

	base rate-linked rate of interest;
	<ul style="list-style-type: none"> <li>• that has a maturity date prior to the maximum loan maturity date; and</li> <li>• to which the repurchase obligations of the seller set forth under <b>“Description of the transaction documents – The mortgage sale agreement – Mandatory Repurchase Of Loans Under A Mortgage Account”</b> above shall not apply</li> </ul>
<b>PFIC</b>	a passive foreign investment company, as described further above in <b>“United States federal income taxation – Alternative characterisation of the Rule 144A notes as equity”</b>
<b>Plan Asset Regulation</b>	regulation 29 C.F.R. Section 2510.3-101 promulgated by the U.S. Department of Labor as modified by Section 3(42) of ERISA
<b>Plans</b>	the meaning given to it on page 355
<b>portable loan</b>	a loan (other than a variable rate loan) that incorporates a portability facility, which allows the borrower to transfer the loan balance at the same interest rate and subject to all the existing terms and conditions to a new property during any applicable discount rate period, fixed rate period or premium rate period
<b>portfolio</b>	at any time the loans and their related security sold to the mortgages trustee and held by the mortgages trustee on trust for the beneficiaries
<b>post-perfection SVR-LIBOR margin</b>	the percentage specified as such in the most recent final terms
<b>potential seller principal distribution amount</b>	the amount, determined by the cash manager, of mortgages trust available principal receipts that (absent any distributions of mortgages trust available principal receipts to be made in respect of the Funding 1 loan) are available to be distributed to the seller
<b>PRA</b>	the Prudential Regulation Authority
<b>pre-agreed further advance</b>	(other than in respect of a flexible loan) an advance made following a request from an existing borrower for a further amount to be lent to him or her under his or her mortgage, where the seller has an obligation to accept that request
<b>premium rate period</b>	means the period of time during which a base rate loan is subject to the base rate-linked rate
<b>previous seller</b>	Alliance & Leicester
<b>principal deficiency ledger</b>	the ledger of such name maintained by the cash manager, on the date hereof comprising on the closing date seven sub-ledgers, the AAA principal deficiency sub-ledger, the AA principal deficiency sub-ledger, the A principal deficiency sub-ledger, the BBB principal deficiency sub-ledger, the BB principal deficiency sub-ledger, the NR principal deficiency sub-ledger and the Funding 1 loan principal deficiency sub-ledger and which records any deficiency of principal (following a loss on a loan or the application of principal receipts to meet any deficiency in Funding 1 available revenue receipts) in respect of payments due under the intercompany loan and, if the context requires, the comparable ledger for a further Funding company
<b>principal deficiency sub-ledger</b>	the AAA principal deficiency sub-ledger, the AA principal deficiency sub-ledger, the A principal deficiency sub-ledger, the BBB principal deficiency sub-ledger, the BB principal deficiency sub-ledger, the NR principal deficiency sub-ledger or the Funding 1 loan principal deficiency sub-ledger, and/or such

	additional principal deficiency sub-ledgers that may be established from time to time after the initial closing date, as the case may be
<b>principal ledger</b>	the ledger of such name maintained by the cash manager on behalf of the mortgages trustee pursuant to the cash management agreement to record principal receipts on the loans and payments of principal from the mortgages trustee GIC account to Funding 1, each further Funding company and the seller on each distribution date. Together the principal ledger and the revenue ledger reflect the aggregate of all amounts of cash standing to the credit of the mortgages trustee GIC account
<b>principal paying agent</b>	Citibank, N.A., London branch
<b>principal prepayment rate</b>	a constant rate per annum of unscheduled principal receipts assumed to have been produced by the loans included in the portfolio, due to the full or partial prepayment of any loans included in the portfolio prior to the relevant repayment dates or (as the case may be) maturity dates applicable to those loans
<b>principal receipts</b>	all principal amounts received from borrowers in respect of the loans or otherwise paid or recovered in respect of the loans and their related security representing monthly repayments of principal, prepayments of principal, redemption proceeds and amounts recovered on enforcement representing principal and prepayments on the loans made by borrowers (but excluding principal received or treated as received in respect of a loan subsequent to the completion of enforcement procedures)
<b>product switch</b>	<p>a variation to the financial terms and conditions of a loan other than:</p> <ul style="list-style-type: none"> <li>• any variation agreed with a borrower to control or manage arrears on the loan;</li> <li>• any variation of the maturity date of the loan unless, while the intercompany loan is outstanding, it is extended beyond the maximum loan maturity date;</li> <li>• any variation imposed by statute (excluding any variation or arrangement agreed with a borrower made pursuant to the Homeowner Mortgage Support Scheme or a comparable scheme operated by the seller);</li> <li>• any variation of the rate of interest payable in respect of the loan where that rate is offered to the borrowers of more than 10 per cent. by current balance of loans in the trust property as calculated on the next trust calculation date as at the end of the immediately preceding trust calculation period (except where such variation would cause the yield of the loans comprising the trust property to be less than the minimum yield (after taking into account the average yield on the loans which are variable rate loans, base rate loans and fixed rate loans and the margins on the Funding 1 swaps (and the relevant swaps of any further Funding companies, where applicable))); or</li> <li>• any variation in the frequency with which the interest payable in respect of the loan is charged</li> </ul>
<b>programme</b>	the meaning given to it on page i
<b>programme agreement</b>	the agreement entered into on or about the initial closing date, as amended from time to time, between, amongst others, the

	issuer, Funding 1 and the dealers named therein (or deemed named therein)
<b>Prospectus Regulation</b>	Regulation (EU) 2017/1129
<b>prospectus rules</b>	the meaning given to it on page ii
<b>PTCE</b>	Prohibited Transaction Class Exemption, as described further above in “ <b>ERISA considerations</b> ”
<b>QIB</b>	the meaning given to it on page i
<b>quarter dates</b>	the 18th day of any of the following months (or any one of such dates occurring annually or two of such dates occurring semi-annually) as specified in the applicable final terms for payment of interest and/or principal on the notes and any corresponding loan tranche: <ul style="list-style-type: none"> <li>(a) January, April, July and October; or</li> <li>(b) February, May, August and November; or</li> <li>(c) March, June, September and December</li> </ul>
<b>quarterly CPR</b>	on any date means the average of the three most recent CPRs, where CPR is, on any trust calculation date, the annualised principal repayment rate of all the loans comprised in the trust property during the previous trust calculation period calculated as follows: $1 - ((1 - R) ^ 12)$ <p>where R equals the result (expressed as a percentage) of the total principal receipts received during the period of one month ending on that trust calculation date divided by the aggregate outstanding principal balance of the loans comprised in the trust property as at the first day of that period</p>
<b>quarterly interest payment date</b>	in respect of a series and class of notes (other than monthly payment notes), the quarter dates specified in the final terms for the payment of interest and/or principal, until the occurrence of a pass-through trigger event and, following such occurrence, the monthly dates subject, in each case, to the appropriate business day convention, if any, specified in the applicable final terms
<b>rated notes</b>	the meaning given to it on page 73
<b>rating</b>	rating assigned by the relevant rating agencies to the current rated notes or new rated notes, where applicable
<b>rating agencies</b>	in respect of any rated notes, two or more of Moody’s, Standard & Poor’s and/or Fitch (in each case, as specified in the applicable final terms and only if they have provided a rating in respect of those rated notes). Each of the rating agencies is established in the European Union and is registered under the CRA Regulation and is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation
<b>rating agency excess spread</b>	the meaning given to it on page 96
<b>ratings modification event</b>	the meaning given to it on page 13
<b>reasonable, prudent mortgage lender</b>	a reasonably prudent prime residential mortgage lender lending to borrowers in England, Wales and Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital
<b>receiver</b>	a receiver appointed by the relevant security trustee pursuant to the issuer deed of charge and/or the Funding 1 deed of

	charge
<b>reference banks</b>	at the date of this base prospectus, the London office of each of the following banks: The Royal Bank of Scotland N.V., Citibank, N.A. and The Royal Bank of Scotland plc
<b>refinancing contribution</b>	the meaning given to it on page 162
<b>refinancing distribution</b>	the meaning given to it on page 181
<b>required loan balance amount</b>	(notwithstanding any references to the definition of “non-asset trigger event” in the final terms relating to any notes) zero
<b>Reg S</b>	Regulation S under the United States Securities Act of 1933, as amended
<b>Reg S global notes</b>	the note certificates representing the Reg S notes while in global form
<b>Reg S notes</b>	each series and class of notes that are sold outside the United States to non-U.S. persons in reliance on Reg S
<b>Regulated Activities Order</b>	the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001
<b>Registers of Scotland</b>	the Land Register of Scotland and/or the General Register of Sasines
<b>registrar</b>	Citibank, N.A., London branch
<b>regulated mortgage contract</b>	a mortgage contract which falls within the definition of "regulated mortgage contract", under the Regulated Activities Order (as applicable at the relevant time)
<b>regulation effective date</b>	the date on which FSMA rules relating to the regulation of mortgages came into effect, namely 31 October 2004
<b>reinstatement</b>	in relation to a property that has been damaged, repairing or rebuilding that property to the condition that it was in prior to the occurrence of the damage
<b>related security</b>	in relation to a loan, the security for the repayment of that loan including the relevant mortgage and all other matters applicable thereto acquired as part of the portfolio sold to the mortgages trustee
<b>relevant accumulation amount</b>	the amount of funds to be accumulated over a cash accumulation period in order to repay a bullet loan tranche or a scheduled amortisation instalment on its scheduled repayment date whether or not actually repaid on that scheduled repayment date
<b>relevant closing date</b>	in respect of a series and class of notes, the closing date specified in the relevant final terms
<b>relevant distribution date</b>	the meaning given to it on page 177
<b>relevant trust calculation date</b>	the meaning given to it on page 163
<b>removed rating agency</b>	the meaning given to it on page 13
<b>repayment requirement</b>	the meaning given to it on page 176
<b>repayment tests</b>	Rules 1 and 2 under “ <b>Cashflows – Distribution of Funding 1 available principal receipts</b> ”
<b>required note issuance ratings</b>	the meaning given to it on page 73
<b>reserve principal payment</b>	the meaning given to it on page 206
<b>revenue ledger</b>	the ledger(s) of such name created and maintained by the cash manager on behalf of the mortgages trustee pursuant to the cash management agreement to record revenue receipts on the loans and interest from the mortgages trustee GIC account and payments of revenue receipts from the mortgages trustee

	GIC account to Funding 1 and the seller on each distribution date. The revenue ledger and the principal ledger together reflect the aggregate of all amounts of cash standing to the credit of the mortgages trustee GIC account
<b>revenue receipts</b>	amounts received by the mortgages trustee in the mortgages trustee GIC account in respect of the loans other than principal receipts and third party amounts
<b>reward cashback</b>	means an amount that the seller has agreed to pay to a borrower under a reward loan at periodic intervals whilst such reward loan is outstanding
<b>reward loan</b>	means a loan which includes a reward cashback
<b>Rule 144A</b>	Rule 144A under the Securities Act
<b>Rule 144A global notes</b>	the note certificates representing the Rule 144A Notes while in global form
<b>Rule 144A notes</b>	each series and class of notes which are sold in the United States only to qualified institutional buyers within the meaning of Rule 144A under the United States Securities Act of 1933, as amended
<b>sale date</b>	the date on which any new loans are sold to the mortgages trustee in accordance with clause 4 of the mortgage sale agreement
<b>Santander UK</b>	Santander UK plc (formerly Abbey National plc)
<b>Santander A-2/P-2/F2 account</b>	a bank account held at and maintained with Santander UK whilst it maintains its current FSMA authorisations to accept deposits and: <ul style="list-style-type: none"> <li>(a) its short-term, unsubordinated, unguaranteed and unsecured debt obligation ratings of account bank B is below P-1 but at least P-2 by Moody's; and</li> <li>(b) its short-term and long-term IDR are below F1+ and AA- but at least F2 and BBB+ respectively by Fitch; and</li> <li>(c) its unsubordinated, unguaranteed and unsecured debt obligation ratings are below A-1+ short-term and AA long-term but at least A-2 short-term and BBB+ long-term by S&amp;P</li> </ul>
<b>scheduled amortisation instalment</b>	in respect of each loan tranche that is a scheduled redemption loan tranche and in respect of the corresponding series and class of scheduled redemption notes, the instalment amounts specified as applying to such loan tranche and related series and class of notes in the relevant final terms and, following the last such scheduled repayment date specified in the relevant final terms, the outstanding principal amount of such loan tranche payable on each Funding 1 interest payment date thereafter
<b>scheduled amortisation loan tranche</b>	in respect of Funding 1 under the intercompany loan agreement, any loan tranche that is scheduled to be repaid in instalments on one or more Funding 1 interest payment dates (the last of which may occur prior to the final repayment date) and which is designated as a "scheduled amortisation" loan tranche in the applicable loan tranche supplement and the accompanying final terms. The scheduled amortisation loan tranches will be deemed to be pass-through loan tranches if a pass-through trigger event occurs
<b>scheduled amortisation repayment</b>	the meaning given to it on page 194

<b>restrictions</b>	
<b>scheduled redemption dates</b>	in respect of a series and class of notes, the interest payment date, if any, specified in the applicable final terms, for the payment of principal, subject to the terms and conditions of the notes
<b>scheduled redemption notes</b>	any series and class of notes which has two or more specified redemption dates in addition to the final maturity date and which are designated as "scheduled redemption" notes in the applicable final terms. The scheduled redemption notes will be deemed to be pass-through notes if a pass-through trigger event occurs
<b>scheduled repayment dates</b>	in respect of a loan tranche, the date(s) specified in the final terms, for the repayment of principal
<b>Scottish declaration of trust</b>	each declaration of trust granted or to be granted by the seller in favour of the mortgages trustee pursuant to the mortgage sale agreement transferring the beneficial interest in Scottish loans and their related security to the mortgages trustee
<b>Scottish loan</b>	a loan secured by a Scottish mortgage
<b>Scottish mortgage</b>	a mortgage secured over a property in Scotland
<b>Scottish mortgage conditions</b>	the mortgage conditions applicable to Scottish loans
<b>Scottish Sasine transfer</b>	the meaning given to it on page 51
<b>secretarial services agreement</b>	the agreement entered into on the initial closing date pursuant to which Alliance & Leicester (which has been replaced by Santander UK since the Part VII effective date) agrees to provide secretarial services to each of the issuer, Funding 1 and Holdings
<b>Securities Act</b>	the United States Securities Act of 1933, as amended
<b>Securitisation Regulation</b>	Regulation (EU) 2017/2402 together with any relevant regulatory and/or implementing technical standards adopted by the European Commission in relation thereto, any relevant regulatory and/or implementing technical standards applicable in relation thereto pursuant to any transitional arrangements made pursuant to Regulation (EU) 2017/2402, and, in each case, any relevant guidance published by the European Banking Authority, the European Securities and Markets Authority (or, in either case, any predecessor authority), the European Commission and by the Financial Conduct Authority
<b>seller</b>	Santander UK
<b>seller accrued interest amounts</b>	amounts of accrued interest on the loans up to and excluding their sale into the mortgages trust
<b>seller contribution</b>	the meaning given to it on page 162
<b>seller's policy</b>	the originating, underwriting, administration, arrears and enforcement policy applied by the seller from time to time to loans and their related security owned solely by the seller
<b>seller share</b>	the seller share of the trust property from time to time, as calculated on each trust calculation date
<b>seller share percentage</b>	the seller share percentage of the trust property from time to time, as calculated on each trust calculation date
<b>semi-detached</b>	a house joined to another house on one side only
<b>senior expenses</b>	amounts ranking in priority to interest due on the loan tranches
<b>servicer</b>	Santander UK or such other person as may from time to time be appointed as servicer of the portfolio pursuant to the servicing agreement

<b>servicer termination event</b>	the meaning given to it on page 125
<b>servicing agreement</b>	the agreement entered into on the initial closing date (as amended, restated, varied, supplemented, replaced and/or novated from time to time) between the servicer, the mortgages trustee, the seller, the Funding 1 security trustee and Funding 1 under which the servicer agrees to administer the loans and their related security comprised in the portfolio, as described further above in “ <b>Description of the transaction documents – Servicing agreement</b> ”
<b>shortfall</b>	the deficiency of Funding 1 available revenue receipts on a Funding 1 interest payment date over the amounts due by Funding 1 under the Funding 1 pre-acceleration revenue priority of payments
<b>SONIA Funding 1 swap agreement</b>	the 1992 ISDA Master Agreement (Multicurrency-Cross Border) and schedule and credit support annex thereto entered into on or about the date of this base prospectus between Funding 1 and the Funding 1 swap provider and any confirmation documented thereunder from time to time between Funding 1 and the Funding 1 swap provider (as each of the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time) in respect of the SONIA Funding 1 swaps
<b>SONIA Funding 1 swap (BBR) 1</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the base rate loans
<b>SONIA Funding 1 swap (Fixed) 1</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the fixed rate loans which have a remaining period of 1 year or less up to the earlier of their reset dates and their maturity dates
<b>SONIA Funding 1 swap (Fixed) 2</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the fixed rate loans which have a remaining period of greater than 1 year but less than or equal to 2 years up to the earlier of their reset dates and their maturity dates
<b>SONIA Funding 1 swap (Fixed) 3</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the fixed rate loans which have a remaining period up to the earlier of their reset dates of greater than 2 years but less than or equal to 3 years and their maturity dates
<b>SONIA Funding 1 swap (Fixed) 4</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the fixed rate loans which have a remaining period of greater than 3 years but less than or equal to 5 years up to the earlier of their reset dates and their maturity dates
<b>SONIA Funding 1 swap (Fixed) 5</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the fixed rate loans which have a remaining period of greater than 5 years but less than or equal to 10 years up to the earlier of their reset dates and their maturity dates
<b>SONIA Funding 1 swap (Fixed) 6</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the fixed rate loans which have a remaining period of greater than 10 years up to the earlier of their reset dates and their maturity dates
<b>SONIA Funding 1 swap (SVR) 1</b>	the SONIA Funding 1 swap between the Funding 1 swap provider and Funding with respect to the variable rate loans
<b>SONIA Funding 1 swaps</b>	any swap documented under the SONIA Funding 1 swap agreement which enables Funding to hedge exposure in relation to SONIA-linked intercompany loans arising the

	possible variance between the rates of interest payable on the variable rate loans, the fixed rates of interest payable on the fixed rate loans and the rates of interest payable on the base rate loans (as applicable) and a compounded daily SONIA rate
<b>SONIA-linked intercompany loan</b>	any intercompany loan between Funding 1, an issuer, and the Funding 1 Security Trustee that pays a rate of interest that is based on SONIA
<b>special distribution</b>	the meaning given to it on page 181
<b>specified minimum rate</b>	the rate specified in the offer conditions
<b>SONIA</b>	the Sterling Overnight Index Average benchmark risk-free rate administered by the Bank of England
<b>sponsor</b>	Santander UK
<b>Standard &amp; Poor's or S&amp;P</b>	Standard & Poor's Rating Services, a division of Standard & Poor's Credit Market Services Europe Limited, and any successor to its ratings business
<b>step-up date</b>	(i) in relation to a loan tranche, the Funding 1 interest payment date on which the interest rate on the relevant loan tranche under the intercompany loan increases by a pre-determined amount and (ii) in relation to the notes, the interest payment date on which the interest rate on the relevant notes increases by a pre-determined amount as specified in the applicable final terms
<b>sterling notes</b>	each series and class of notes denominated in sterling
<b>STS requirements</b>	the requirements of Articles 19 to 22 of the Securitisation Regulation and Article 243 of the Capital Requirements Regulation
<b>subscription agreement</b>	an agreement supplemental to the programme agreement in or substantially in the form set out in the programme agreement or such other form as may be agreed between the issuer, managers and the dealers
<b>swap agreements</b>	the Funding 1 swap agreements and the issuer swap agreements and swap agreement means any one of them
<b>swap early termination event</b>	a circumstance in which a swap agreement can be terminated prior to its scheduled termination date
<b>swap providers</b>	the Funding 1 swap provider and the issuer swap providers and swap provider means any one of them
<b>TARGET business day</b>	a day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET2) System which was launched on 19 November 2007 is open
<b>terraced</b>	a house in a row of houses built in one block in a uniform style
<b>third party amounts</b>	includes: <ul style="list-style-type: none"> <li>(a) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup that amount itself from its customer's account;</li> <li>(b) payments by borrowers of any fees and other charges which are due to the seller; or</li> <li>(c) recoveries in respect of amounts deducted from loans as described above in paragraphs (a) to (d) in "<b>The mortgages trust – Adjustments to trust property</b>", which shall belong to and be paid to the seller as described therein</li> </ul>
<b>transaction documents</b>	the documents listed in paragraph 4 in " <b>Listing and General</b>

	<b>Information</b> ” above and any additional documents entered into in connection therewith
<b>transfer agent</b>	Citibank, N.A., London branch
<b>trigger event</b>	an asset trigger event and/or a non-asset trigger event
<b>trust calculation date</b>	the initial closing date, the London business day following the last day of each month and the day on which the mortgages trust is terminated
<b>trust calculation period</b>	the period from (and including) the first day of each calendar month (or, as applicable, the initial closing date) to (and including) the last day of that calendar month or, as applicable, the date of termination of the mortgages trust
<b>trust property</b>	includes: <ul style="list-style-type: none"> <li>(a) the sum of £100 settled by Sanne Trustee Services Limited on trust on the initial closing date;</li> <li>(b) the portfolio of loans and their related security sold to the mortgages trustee by the seller on the initial closing date;</li> <li>(c) any new loans and their related security sold to the mortgages trustee by the seller after the initial closing date;</li> <li>(d) any increase in the outstanding principal balance of a loan due to a borrower taking payment holidays or making underpayments under a loan or making drawings under any flexible loan or the seller making a further advance under a loan or the capitalisation of arrears in respect of any loan;</li> <li>(e) any revenue receipts and principal receipts on the loans in the portfolio;</li> <li>(f) any contribution paid by Funding 1, any further Funding company or the seller to the mortgages trustee, for application in accordance with the terms of the mortgages trust deed, but only until such contributions have ceased to be trust property having been applied by the mortgages trustee in accordance with the terms of the mortgages trust deed;</li> <li>(g) any other amounts received under or in respect of the loans and their related security on or after the relevant sale date (excluding third party amounts), including the proceeds of any sale of the loans and their related security and any other proceeds of sale of any other trust property;</li> <li>(h) any authorised investments made by or on behalf of the mortgages trustee;</li> <li>(i) rights under the insurance policies that are assigned to the mortgages trustee or which the mortgages trustee has the benefit of; and</li> <li>(j) amounts on deposit (and interest earned on those amounts) in the mortgages trustee GIC account;</li> </ul> less <ul style="list-style-type: none"> <li>(k) any actual losses in relation to the loans and any actual</li> </ul>

	reductions occurring in respect of the loans as described above in paragraph (a) in “ <b>The mortgages trust – Adjustments to trust property</b> ” above;
	(l) distributions of revenue receipts and principal receipts made from time to time to the beneficiaries of the mortgages trust; and
	(m) refinancing distributions and/or special distributions made from time to time to the beneficiaries of the mortgages trust
<b>UCTA</b>	the meaning given to it on page 13
<b>UK share trustee</b>	Intertrust Corporate Services Limited
<b>underpayment</b>	the meaning given to it in “ <b>The Loans – Characteristics of the loans – Flexible loans</b> ” above
<b>Unfair Practices Directive</b>	Directive (2005/29/EC) on unfair business-to-consumer commercial practices adopted by the European Parliament and the Council on 11 May 2005
<b>United States holder</b>	a beneficial owner of Rule 144A notes who is for U.S. federal income tax purposes: <ul style="list-style-type: none"> <li>(a) a citizen or resident of the United States;</li> <li>(b) a corporation (or other entity treated as a corporation) or partnership created or organised in or under the laws of the United States or any state thereof (including the District of Columbia);</li> <li>(c) any estate, the income of which is subject to U.S. federal income tax regardless of the source of its income; or</li> <li>(d) any trust if: (i) a court within the United States is able to exercise primary supervision over the administration of the trust; and (ii) one or more U.S. persons have the authority to control all substantial decisions of the trust</li> </ul>
<b>U.S. paying agent</b>	Citibank, N.A., New York branch
<b>USD-LIBOR</b>	the London inter-bank offered rate for dollar deposits
<b>UTCCR</b>	the Unfair Terms in Consumer Contracts Regulations 1994 and 1999, as amended
<b>valuation</b>	a methodology for determining the value of a property which would meet the standards of a reasonable, prudent mortgage lender (as referred to under “ <b>Description of the transaction documents – Servicing agreement – Undertakings by the servicer</b> ” above)
<b>valuation fee</b>	a fee incurred by borrowers as a result of the seller or servicer obtaining a valuation of the property
<b>variable mortgage rate</b>	the rate of interest which determines the amount of interest payable each month on a variable rate loan
<b>variable rate loan</b>	a loan (and, for the avoidance of doubt, any further advance made under an account is to be regarded as a separate loan) where the interest rate payable by the borrower varies in accordance with a specified variable mortgage rate and in accordance with the relevant mortgage terms (and shall for the avoidance of doubt, exclude loans during the period that they are fixed rate loans and base rate loans)
<b>variable rate loans Funding 1</b>	the meaning given to it on page 151

<b>swap(s)</b>	
<b>variable rates</b>	the seller's variable rate or the mortgages trustee's variable rate, as applicable
<b>VAT</b>	value added tax
<b>Volcker Rule</b>	the meaning given to it on page i
<b>WAFF</b>	weighted average foreclosure frequency
<b>WALS</b>	weighted average loss severity
<b>weighted average Funding 1 share percentage</b>	the meaning given to it on page 166
<b>weighted average Funding 1 share (losses) percentage</b>	the meaning given to it on page 167
<b>weighted average Funding 1 share (principal) percentage</b>	the meaning given to it on page 167
<b>weighted average Funding 1 share (revenue) percentage</b>	the meaning given to it on page 166
<b>weighted average further Funding company share percentage</b>	the meaning given to it on page 167
<b>weighted average further Funding company share (losses) percentage</b>	the meaning given to it on page 168
<b>weighted average further Funding company share (principal) percentage</b>	the meaning given to it on page 167
<b>weighted average further Funding company share (revenue) percentage</b>	the meaning given to it on page 167
<b>weighted average income multiple</b>	for the purpose of the Fitch conditions, the multiple calculated in the manner agreed with Fitch as further described on page 102
<b>weighted average seller share percentage</b>	the meaning given to it on page 168
<b>weighted average seller share (losses) percentage</b>	the meaning given to it on page 169
<b>weighted average seller share (principal) percentage</b>	the meaning given to it on page 168
<b>weighted average seller share (revenue) percentage</b>	the meaning given to it on page 168
<b>withholding tax</b>	a tax levied under UK law, as further described above in "United Kingdom taxation"

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