

IMPORTANT NOTICE

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

IMPORTANT: You must read the following before continuing. The following applies to the prospectus (the **Prospectus**) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the attached Prospectus. In accessing the attached 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 BRASS NO.5 PLC (THE **ISSUER**). THE FOLLOWING PROSPECTUS AND ITS CONTENTS ARE CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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

THE NOTES ARE NOT INTENDED TO BE SOLD AND SHOULD NOT BE SOLD TO RETAIL INVESTORS. PROSPECTIVE INVESTORS ARE REFERRED TO THE SECTION HEADED "SUBSCRIPTION AND SALE—RETAIL INVESTOR RESTRICTION" ON PAGE 217 BELOW FOR FURTHER INFORMATION.

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

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer (as defined below), YBS (as defined below), Barclays Bank PLC, Lloyds Bank plc nor U.S. Bank Trustees Limited (nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference

between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, Barclays Bank PLC and/or Lloyds Bank plc.

BRASS NO.5 PLC

(Incorporated in England and Wales with limited liability, registered number 09728202)

Class of Notes	Initial Principal Amount	Issue Price	Interest Rate	Relevant Margin	Step-Up Date	Ratings (Fitch/Moody's)	Final Maturity Date
Class A Notes	£2,300,000,000	100%	3 month GBP LIBOR plus the Relevant Margin (together subject to a floor of zero)	Prior to the Step-Up Date 0.50% per annum and on and after the Step-Up Date 1.00% per annum	The Interest Payment Date falling on 16 November 2021	AAA sf/ Aaa (sf)	The Interest Payment Date falling on 16 August 2054
Class Z VFN	£500,000,000 (of which £251,510,000sh all be subscribed for as at the Closing Date)	100%	3 month GBP LIBOR plus the Relevant Margin (together subject to a floor of zero)	0.00%	N/A	Not rated	The Interest Payment Date falling on 16 August 2054

Issue Date The Issuer will issue the Notes in the classes set out above on 18 November 2016 (the **Closing Date**).

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

Credit Enhancement and Liquidity Support

-
- In respect of the Class A Notes only, subordination by way of the Class Z VFN.
- In respect of the Class A Notes, the availability of the General Reserve Fund, as funded by the Class Z VFN on the Closing Date.
- Upon Yorkshire Building Society (**YBS** or the **Society**) ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2, the availability of the Liquidity Reserve Fund (in relation to the Class A Notes only), as funded by Available Principal Receipts.
- Excess Available Revenue Receipts.
- In respect of the Class A Notes only, the application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts.
- The reallocation of any SVR Contractual Difference Amounts from Available Principal Receipts to Available Revenue Receipts.

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

Redemption Provisions Information on any optional and mandatory redemption of the Notes is summarised on page 61 (*Transaction Overview - Overview of the Terms and Conditions of the Notes*) and set out in full in Condition 7 (*Redemption*).

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

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

paragraph.

Ratings	Ratings are expected to be assigned to the Class A Notes as set out above on the Closing Date. The Class Z VFN will not be rated. The assignment of ratings to the Notes is not a recommendation to invest in the Notes or to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Any credit rating assigned to the Notes may be revised or withdrawn at any time.
Listing	This Prospectus comprises a prospectus for the purposes of Directive 2003/71/EC (as amended) (the Prospectus Directive). This Prospectus has been approved by the Central Bank of Ireland (the Central Bank) as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Class A Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive) and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to Irish Stock Exchange plc (the Irish Stock Exchange) for the Class A Notes to be admitted to the official list (the Official List) and trading on its regulated market (the Main Securities Market). The Irish Stock Exchange's Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive. The Class Z VFN will not be admitted to the Official List nor will it be admitted to trading on the Main Securities Market.
Obligations	The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Notes will not be obligations of Accord, its affiliates or any other party named in the Prospectus other than the Issuer.
The Volcker Rule	<p>The Issuer is not, and solely after giving effect to any offering and sale of notes and the application of the proceeds thereof will not be, a "covered fund" for purposes of regulations adopted under Section 13 of the Bank Holding Company Act of 1956, as amended (commonly known as the Volcker Rule). In reaching this conclusion, although other statutory or regulatory exclusions and/or exemptions under the Investment Company Act of 1940, as amended (the Investment Company Act) and under the Volcker Rule and its related regulations may be available, the Issuer has relied on the determination that it would satisfy all of the elements of the exemption from the definition of "investment company" under the Investment Company Act provided by Section 3(c)(5)(C) thereunder.</p> <p>Please refer to the risk factor entitled "<i>Effects of the Volcker Rule on the Issuer</i>" for more details.</p>
Retention Undertaking	Accord will undertake to the Issuer and the Note Trustee, on behalf of the Noteholders, that it will retain, as originator, a material net economic interest of at least 5 per cent. in accordance with the text of each of Article 405(1) of Regulation (EU) No. 575/2013, referred to as the Capital Requirements Regulation (the CRR) and Article 51(1) of Regulation (EU) No 231/2013, referred to as the Alternative Investment Fund Managers Regulation (AIFMR) and Article 254 of Regulation (EU) 2015/35 (the Solvency II Regulation) (which, in each case, does not take into account any relevant national measures). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche, in this case the Class Z VFN, as required by the text of each of paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFMR and paragraph (d) of Article 254(2) of the Solvency II Regulation.
Significant Investor	YBS will on the Closing Date purchase and retain the Class A Notes in an aggregate amount equal to £2,000,000,000.

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

Arranger
Barclays Bank PLC

Joint Lead Managers
Barclays Bank PLC **Lloyds Bank plc**

The date of this Prospectus is 16 November 2016

IMPORTANT NOTICE

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

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

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

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

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Seller, any Interest Rate Swap Provider, the Note Trustee, the Security Trustee, the Arranger, the Joint Lead Managers, the Servicer, the Cash Manager, the Account Bank, the Swap Collateral Account Bank, the Principal Paying Agent, the Agent Bank, the Class Z VFN Registrar, the Corporate Services Provider or the Back-Up Servicer Facilitator that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any

applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been or will be taken by the Issuer, the Seller, the Note Trustee, the Security Trustee, the Arranger or the Joint Lead Managers, which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published, in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Arranger and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

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

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

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

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

Accord accepts responsibility for the information set out in the sections headed "*Accord Mortgages Limited*", "*The Loans*", "*Characteristics of the Cut-Off Date Portfolio*", "*Risk Retention Requirements*" and "*Characteristics Of The United Kingdom Residential Mortgage Market*". To the best of the knowledge and belief of Accord (having taken all reasonable care to ensure that such is the case), the information contained in the sections referred to in this paragraph is in accordance with the facts and does not omit anything likely to affect the import of such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Accord as to the accuracy or completeness of any information contained in this Prospectus (other than in the sections referred to above) or any other information supplied in connection with the Notes or their distribution.

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

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger or the Joint Lead Managers or any of their affiliates, advisers, directors or group companies as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with the Notes or their distribution.

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

This Prospectus does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Seller, the Joint Lead Managers or the Arranger or any of them to subscribe for or purchase any of the Notes in any jurisdiction where such action would be unlawful and neither this Prospectus, nor any part thereof, may be used for or in connection with any offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer or Paying Agents or any other person being obliged to pay additional amounts to compensate Noteholders for the lesser amounts the Noteholders will receive as a result of any such withholding.

In this Prospectus all references to **pounds, sterling, GBP** and **£** are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland (the **United Kingdom** or **UK**).

In this Prospectus all references to the **Financial Conduct Authority** or **FCA** are to the United Kingdom Financial Conduct Authority which (together with the Prudential Regulation Authority (or **PRA**)) was known as the **Financial Services Authority** or **FSA** before 1 April 2013.

Forward-Looking Statements

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgements by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. 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. Neither the Arranger nor either of the Joint Lead Managers has attempted to verify any such statements, nor do they make any representations, express or implied, with respect thereto. Prospective purchasers should therefore not place undue reliance on any of these forward-looking statements. None of the Issuer, the Arranger nor either Joint Lead Manager assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

The Notes may not be a suitable investment for all investors

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

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

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

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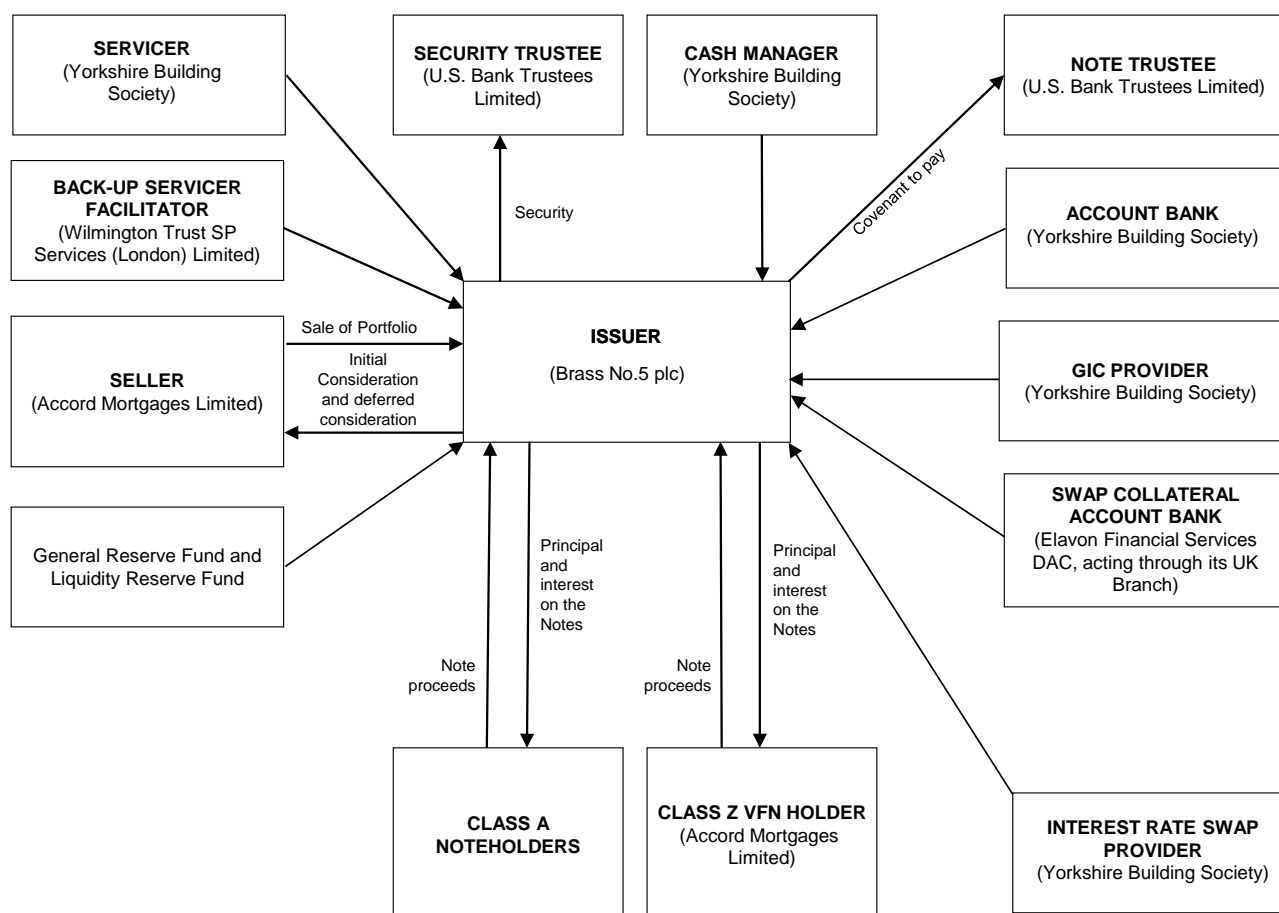
TRANSACTION OVERVIEW - STRUCTURE DIAGRAMS AND TRANSACTION PARTIES ON THE CLOSING DATE

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION

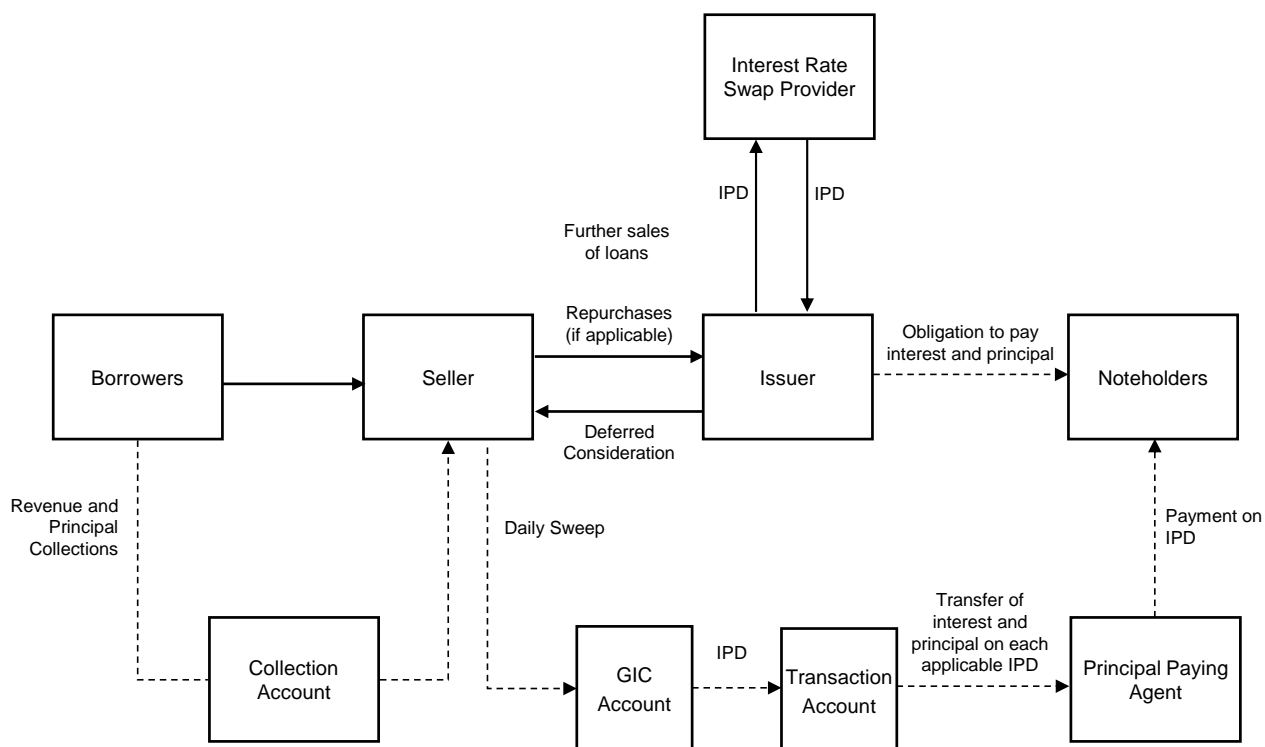
The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

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

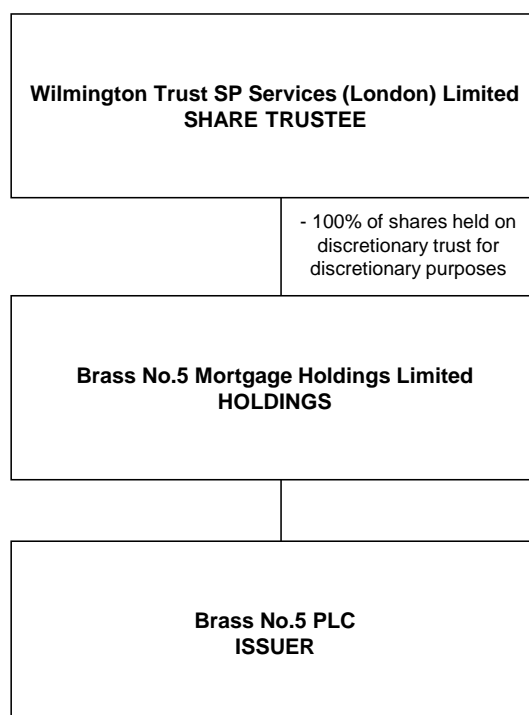
Capitalised terms used, but not defined, in certain sections of this Prospectus, including this overview, may be found in other sections of this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.



DIAGRAMMATIC OVERVIEW OF ON-GOING CASH FLOWS



OWNERSHIP STRUCTURE DIAGRAM OF THE ISSUER



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

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

TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed/Further Information
Issuer	Brass No.5 PLC	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	See the section entitled " <i>The Issuer</i> " for further information.
Holdings	Brass No.5 Mortgage Holdings Limited	c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF	See the section entitled " <i>Holdings</i> " for further information.
Seller	Accord Mortgages Limited	Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ	See the section entitled " <i>Accord Mortgages Limited</i> " for further information.
Servicer	Yorkshire Building Society	Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ	Servicing Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " and " <i>Yorkshire Building Society</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Back-Up Servicer Facilitator	Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Servicing Agreement by the Issuer and the Security Trustee. See the section entitled " <i>Summary of the Key Transaction Documents – Servicing Agreement</i> " and " <i>The Corporate Services Provider</i> " for further information.
Cash Manager	Yorkshire Building Society	Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ	Cash Management Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Cash Management Agreement</i> " and " <i>Yorkshire Building Society</i> " for further information.
Class Z VFN Holder	Accord Mortgages Limited	Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ	See the section entitled " <i>Accord Mortgages Limited</i> " for further information.
Interest Rate Swap Provider	Yorkshire Building Society	Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ	Interest Rate Swap Agreement by the Issuer. See the section entitled " <i>Credit Structure – Interest Rate Risk for the Notes – Fixed Interest Rate Swap</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Account Bank	Yorkshire Building Society	Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ	The Bank Account Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Bank Account Agreement</i> " for further information.
GIC Provider	Yorkshire Building Society	Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ	The Bank Account Agreement and the Guaranteed Investment Contract by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Bank Account Agreement</i> " for further information.
Swap Collateral Account Bank	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	The Swap Collateral Account Bank Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Swap Collateral Account Bank Agreement</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Security Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Deed of Charge. See the sections entitled " <i>Transaction Overview – Overview of the Terms and Conditions of the Notes – Security</i> ", " <i>Summary of the Key Transaction Documents – Deed of Charge</i> ", " <i>The Note Trustee and the Security Trustee</i> " and the Conditions for further information.
Note Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Trust Deed. See the sections entitled " <i>Summary of the Key Transaction Documents – Trust Deed</i> ", " <i>The Note Trustee and the Security Trustee</i> " and the Conditions for further information.
Principal Paying Agent and Agent Bank	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR	Agency Agreement by the Issuer. See the <i>Conditions</i> and the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Common Safekeeper	Elavon Financial Services DAC	Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland	Agency Agreement by the Issuer. See the Conditions and the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.
Common Service Provider	Elavon Financial Services DAC	Block E, Cherrywood Business Park, Loughlinstown, Dublin, Ireland	Agency Agreement by the Issuer. See the Conditions and the section entitled " <i>Summary of the Key Transaction Documents – Agency Agreement</i> " for further information.
Class Z VFN Registrar	Yorkshire Building Society	Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ	See the section entitled " <i>Yorkshire Building Society</i> " and the Conditions for further information.
Corporate Services Provider	Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London, EC2R 7AF	Corporate Services Agreement by the Issuer. See the section entitled " <i>Summary of the Key Transaction Documents – Corporate Services Agreement</i> " and " <i>The Corporate Services Provider</i> " for further information.

Party	Name	Address	Document under which appointed/Further Information
Arranger and Joint Lead Manager	Barclays Bank PLC	5 The North Colonnade, Canary Wharf, London E14 4BB	See the section entitled " <i>Subscription and Sale</i> " for more information.
Joint Lead Manager	Lloyds Bank plc	25 Gresham Street, London EC2V 7HN	See the section entitled " <i>Subscription and Sale</i> " for more information.

RISK FACTORS

The following is a description of the principal risks associated with an investment in the Notes. These risk factors are material to an investment in the Notes and in the Issuer. Most of these factors are contingencies which may or may not occur, and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. Prospective Noteholders should carefully read and consider all the information contained in this Prospectus, including the risk factors set out in this section, prior to making any investment decision.

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

Liabilities Under the Notes

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

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

The yield to maturity of the Class A Notes will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Class A Notes. The amount of funds available to the Issuer to repay principal amounts on the Notes will be dependent on (i) whether there is a Revenue Deficiency in the Available Revenue Receipts; (ii) whether the Liquidity Reserve Fund has been established; and (iii) whether any SVR Contractual Difference Amounts have occurred in relation to any of the Loans (see further "*Considerations Relating to the Annual Interest Rate Review Process*"). Prepayments on the Loans may result from refinancing, sales of Properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under the insurance policies.

The yield to maturity of the Class A Notes may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans. The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition, if the Seller is required, per the terms of the Mortgage Sale Agreement, to repurchase a Loan or Loans under a Mortgage Account and their Related Security from the Issuer because, for example, one of the Loans does not comply with the Loan Warranties, then the payment received by the Issuer will have the same effect as a prepayment of all the Loans under that Mortgage Account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (see "Cashflows" below) (to the extent not used to credit the Liquidity Reserve Fund, if established) or used to fund a Revenue Deficiency.

At any time on or after the Interest Payment Date (i) falling in November 2021 or (ii) on which the aggregate Principal Amount Outstanding of the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date, the Issuer may, subject to certain conditions, redeem all of the Class A Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer (in the case of the Class A Notes or an Interest Rate Swap Agreement) or the Interest Rate Swap Provider (in the case of an Interest Rate Swap Agreement) being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Class A Notes.

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

Considerations Relating to the Annual Interest Rate Review Process

In respect of SVR Loans in the Portfolio, the terms and conditions of the Loans provide that a Borrower's monthly payments will remain fixed (the **Fixed Monthly Amount**) for a period of 12 months (each a **Fixed Payment Period**) irrespective of any interest rate changes during such period. The amount of a Borrower's Fixed Monthly Amount will only vary on an annual basis in accordance with the terms of an annual interest rate review which takes place once a year (the **Annual Review**) (although a Borrower may opt out of the Annual Review).

During any Fixed Payment Period, although a Borrower's monthly payments remain fixed, the Loan will continue to accrue interest at the **Accrual Rate** (being the actual rate of interest chargeable on a Loan as determined on a daily basis). The difference between the amounts calculated using the Accrual Rate (the **Monthly Accrual Amount**) and the Fixed Monthly Amount will be taken into account during the Annual Review in recalculating the Fixed Monthly Amounts due by a Borrower during the subsequent Fixed Payment Periods.

The effect of the Annual Review on the Fixed Monthly Amounts payable by Borrowers will mean that if the Accrual Rate falls on the Loans, a larger proportion of the Fixed Monthly Amount will be used to repay principal on the Loans. In such circumstances, the amount of Principal Receipts received by the Issuer will increase which will result in increased principal payments in respect of the Notes. If the Accrual Rate falls more than anticipated as at the Closing Date, Noteholders could therefore receive redemptions earlier than would otherwise be anticipated.

Conversely, if the Accrual Rate rises on the Loans, a larger proportion of the Fixed Monthly Amount (where the Borrower repays interest and principal) will be applied towards payment of interest amounts due on the Loans. Where the rate of interest has risen such that the Monthly Accrual Amount is greater than the Fixed Monthly Amount (the **Contractual Difference**), the Contractual Difference will be capitalised and added to the outstanding balance of the Loan. A Borrower will not be in default under their Loan if a Contractual Difference occurs during a Fixed Payment Period. If a Contractual Difference occurs in respect of a Loan, principal payments received by the Issuer will be reduced. Noteholders could therefore receive redemptions on the Notes later than would otherwise be expected and the weighted average life of the Notes may be extended.

In relation to SVR Loans in the Portfolio, amounts equal to the aggregate of any SVR Contractual Difference Amounts will be reallocated from Available Principal Receipts and applied as Available Revenue Receipts. Should any SVR Contractual Difference Amounts be significant in size, Noteholders could receive

redemptions on the Notes later than would otherwise be expected and the weighted average life of the Notes may be extended.

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

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

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

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

Characteristics of the Cut-Off Date Portfolio

The information in the section headed "*Characteristics of the Cut-Off Date Portfolio*" has been extracted from the systems of the Seller as at the Cut-Off Date. The Portfolio will be randomly selected from the Cut-Off Date Portfolio. The Cut-Off Date Portfolio comprises 14,910 Loans with a Current Balance of £2,947,170,029. The characteristics of the Portfolio as at the Closing Date will vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments and redemptions of loans prior to the Closing Date. Neither the Seller nor the Servicer has provided any assurance that there will be no material change in the characteristics of the Cut-Off Date Portfolio and the Portfolio, or the characteristics of the Cut-Off Date Portfolio between the Cut-Off Date and the Closing Date.

Geographic Concentration Risks

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

Limited Secondary Market for Loans

The ability of the Issuer to redeem all of the Notes in full, including following the occurrence of an Event of Default (as defined in the Conditions) in relation to the Notes while any of the Loans are still outstanding,

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

Subordination

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

Deferral of Interest Payments on the Class Z VFN

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

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

Lack of liquidity in the secondary market may adversely affect the market value of the Class A Notes

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

The secondary market for mortgage-backed securities has experienced disruptions as a result of economic conditions in the Eurozone (please see further below under "*General market volatility and post-UK referendum uncertainty*"). 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 similar to the Class A Notes experiencing limited liquidity. In the future, limited liquidity in the secondary market may have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, the Sterling Monetary Framework, the Funding for Lending Scheme, the Term Funding Scheme and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future under

such facilities are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities for the purpose of such facilities.

It should also be noted that the market for the Class A Notes may be affected by any restructurings of sovereign debt by countries in the Eurozone. In particular, at the date of this Prospectus, certain governments are in discussions with other countries in the Eurozone and the International Monetary Fund and are in the process of establishing and implementing austerity programmes. It is unclear what the outcome of these discussions will be. This uncertainty may have implications for the liquidity of the Class A Notes in the secondary market.

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. Furthermore, where the reversionary rate is the current Standard Variable Rate, in the Seller's mortgage terms, the reversionary rate for Borrowers reaching the end of their fixed periods may be lower than prevailing market rates. This would mean that it is less likely that they will refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment speeds and higher losses which could have an adverse effect on the Issuer's ability to make payments under the Notes.

Risks relating to the Banking Act 2009

The Banking Act 2009 (the **Banking Act**) includes provision for a special resolution regime pursuant to which specified UK authorities have extended tools to deal with the failure (or likely failure) of certain UK incorporated entities, including among others authorised deposit-taking institutions and investment firms, and powers to recognise and give effect to certain resolution actions in respect of third country institutions. In addition, powers may be used in certain circumstances in respect of UK established banking group companies, where such companies are in the same group as a relevant UK or third country institution or in the same group as an EEA credit institution or investment firm. Relevant transaction parties for these purposes include Yorkshire Building Society in its various capacities and the Seller.

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

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

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

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

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

If the bail-in powers were used in respect of a building society (such as YBS), then pursuant to section 84D of the Banking Act, a banking group company is defined for the purposes of such powers to be a "subsidiary" of the relevant building society (or any successor company where demutualisation has taken place). The term "subsidiary" is not defined for these purposes. As a result, it is not clear whether or not the Issuer would be regarded to be a subsidiary and, as a result, whether the bail-in powers could be used in respect of any unsecured liabilities of it. However, we would note that membership, control and/or voting rights are common features of a parent-subsidiary relationship, and neither YBS nor the Seller is a member of the Issuer and they do not hold or control any voting rights in the Issuer. As a result the Notes would not be eligible liabilities in respect of which the bail-in tool may be used if the security is sufficient to secure the Notes at the relevant time.

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

Lastly, as a result of Directive 2014/59/EU, which provides for the establishment of an EEA-wide framework for the recovery and resolution of credit institutions and investment firms and any other relevant national implementing measures, it is possible that an institution with its head office located in an EEA state other than the UK and/or certain banking group companies (such as the Swap Collateral Account Bank) could be

subject to certain resolution actions in that other state. Once again, any such action may affect the ability of any relevant entity to satisfy its obligations under the Transaction Documents and there can be no assurance that Noteholders will not be adversely affected as a result.

Ratings of the Class A Notes and confirmation of ratings

The ratings assigned to the Class A Notes by each Rating Agency are based, amongst other things, on the terms of the Transaction Documents and other relevant structural features of this transaction, including (but not limited to) the short-term and/or long-term unsecured, unguaranteed and unsubordinated debt ratings or issuer default ratings of the Interest Rate Swap Provider, the Servicer, the GIC Provider, the Account Bank, and the Swap Collateral Account Bank, a credit assessment of the Loans, and reflect only the views of the Rating Agencies. The ratings address the expected loss posed to investors by the Final Maturity Date and consider the likelihood of timely payment to the Class A Noteholders of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of the Class A Notes.

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

There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Class A Notes.

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

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

Rating Agency confirmations

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

deemed to be modified as a result of a Non-Responsive Rating Agency not having responded to the relevant request from the Issuer within 30 days, there remains a risk that such Non-Responsive Rating Agency may subsequently downgrade, qualify or withdraw the then current ratings of the Class A Notes as a result of the action or step. Such a downgrade, qualification or withdrawal to the then current ratings of the Class A Notes may have an adverse effect on the value of the Class A Notes.

The Note Trustee and the Security Trustee shall be entitled to rely without liability to any person on any certificate delivered to it in connection with a Non-Responsive Rating Agency pursuant to Condition 18 (Non-Responsive Rating Agency). The Note Trustee and the Security Trustee shall not be required to investigate any action taken by the Issuer or such Non-Responsive Rating Agency and shall treat the applicable condition or requirement to receive a Ratings Confirmation or response from each Rating Agency as having been modified with the consent of all Noteholders and all parties to the relevant Transaction Documents so that there shall be no requirement for such Ratings Confirmation or response from the Non-Responsive Rating Agency.

Conflict between Noteholders

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

If, in the Note Trustee's opinion, however, there is or may be a conflict between the interests of the holders of one Class of Notes and the holders of another Class of Notes, the Note Trustee will be required to have regard only to the holders of the Class A Notes and will not have regard to any lower ranking Class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds in accordance with the relevant Priority of Payments.

Conflict Between Noteholders and other Secured Creditors

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Creditors, subject to the provisions of the Trust Deed and Condition 12 (*Meetings of Noteholders, Modification, Waiver*).

YBS will purchase £2,000,000,000 of the Class A Notes and Accord will purchase all of the Class Z VFN (see "*Subscription and Sale*" below). However, pursuant to the terms of the Trust Deed, the Notes held or controlled for or by any of YBS, Accord, the Issuer or any of their holding companies or subsidiaries (or subsidiaries of such holding companies), will not be taken into account by the Note Trustee (except, in the case of the Seller or YBS, any holding company of the Seller or YBS or any other Subsidiary of such holding company (the **Relevant Persons**) where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Class of Notes (the **Relevant Class of Notes**) shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding) for the purposes of: (i) the right to attend and vote at any meeting of the Noteholders of any Class or any written resolution, (ii) the determination of how many and which Notes are outstanding for the purposes of action, proceedings and indemnification by the Note Trustee, meetings of the Noteholders, events of default and enforcement, (iii) any discretion, power or authority which the Security Trustee and/or the Note Trustee is required to exercise by reference to the interests of the Noteholders of any Class and (iv) the determination by the Note Trustee of whether, in its opinion, something is materially prejudicial to the interests of the Noteholders or any Class thereof, unless such parties hold all of the relevant class of Notes and there are no *pari passu* or junior classes of Notes which they do not also hold in their entirety. YBS also

acts in various capacities in the transaction, including as Servicer, Cash Manager, Account Bank, GIC Provider, Interest Rate Swap Provider and Class Z VFN Registrar.

Certain material interests

The Arranger, the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the YBS Group. Other parties to the transaction may also perform multiple roles, including YBS, who will act as Servicer, Cash Manager, Account Bank, GIC Provider, Interest Rate Swap Provider and Class Z VFN Registrar.

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

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

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

Meetings of Noteholders, Modification and Waivers

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

The Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document), to (i) (other than in respect of a Basic Terms Modification) any modification of, or the waiver or authorisation of, any breach or proposed breach of, the Conditions of the 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 or (ii) any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error. In certain circumstances, a failure by the Issuer to obtain the prior written consent of the Interest Rate Swap Provider in respect of amendments to the Transaction Documents may result in the termination of the Interest Rate Swap Agreement. The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to any specified conditions, be treated as such. See "*Terms and Conditions of the Notes – Condition 12 (Meetings of Noteholders, Modification, Waiver)*" below.

The Note Trustee and/or the Security Trustee (as the case may be) shall be obliged, without any consent or sanction of the Noteholders, or, subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or whose ranking in any Priority of Payments is affected, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a

Basic Terms Modification) to the Conditions and/or any other Transaction Document to which it is a party or in relation to which it holds security or enter into any new, supplemental or additional documents that the Issuer considers necessary in order to enable the Issuer to comply with any requirements which apply to it under Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators (the **European Market Infrastructure Regulation** or **EMIR**), subject to receipt by the Note Trustee and the Security Trustee of a certificate issued by (i) the Issuer or (ii) the Cash Manager on behalf of the Issuer certifying to the Note Trustee and the Security Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and have been drafted solely to that effect.

Further, the Note Trustee and/or the Security Trustee (as the case may be) may also be obliged, in certain circumstances, to agree to amendments to the Conditions and/or the Transaction Documents for the purpose of (i) complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, (ii) complying with certain risk retention legislation, regulations or official guidance in relation thereto, (iii) enabling the Class A Notes to be (or to remain) listed on the Irish Stock Exchange, (iv) enabling the Issuer or any of the other Transaction Parties to comply with sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto (**FATCA**) and (v) complying with any changes in the requirements of the CRA Regulation after the Closing Date (each a **Proposed Amendment**), without the consent of Noteholders pursuant to and in accordance with the detailed provisions of Condition 12.5 (*Additional Right of Modification*).

In relation to any such Proposed Amendment, the Issuer is required to give at least 30 calendar days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 22 (Notices) and by publication on Bloomberg on the "Company News" screen relating to the Notes. However, Noteholders should be aware that, in relation to each Proposed Amendment, unless Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification, the modification will be passed without Noteholder consent.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have notified the Issuer or the Principal Paying Agent in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver and substitution*).

The full requirements in relation to the modifications discussed above are set out in Condition 12.5 (*Additional Right of Modification*).

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

Upon the occurrence of an Event of Default, the Note Trustee in its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give a Note Acceleration Notice to the Issuer that all Classes of the Notes are immediately due

and repayable at their respective Principal Amount Outstanding, together with Accrued Interest as provided in the Trust Deed.

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

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

- (a) it shall have been directed to do so by an Extraordinary Resolution of the Class A Noteholders or (for so long as no Class A Notes remain outstanding) it has been directed to do so by the Class Z VFN Holder or in writing by the holders of at least 25 per cent. in Principal Amount Outstanding of the Class A Notes then outstanding; and
- (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction,

provided that the Note Trustee or the Security Trustee shall not, and shall not be bound to, act at the direction of the Class Z VFN Holder as aforesaid so long as any Class A Notes are outstanding. If neither the Note Trustee nor the Security Trustee use their discretion where they have not been directed as described above, it may adversely affect the ability of the Issuer to make payments on the Notes following the service of a Note Acceleration Notice.

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

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

Book-Entry Interests

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

The Class A Notes will be represented by Global Notes delivered to a common safekeeper for Clearstream, Luxembourg and Euroclear, and will not be held by the beneficial owners or their nominees. The Global Notes will not be registered in the names of the beneficial owners or their nominees. As a result, unless and until Class A Notes in definitive form are issued, beneficial owners will not be recognised by the Issuer or the Note Trustee as Noteholders, as that term is used in the Trust Deed. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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

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

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

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

Interest Rate Risk

The Loans in the Portfolio are subject to variable and fixed interest rates while the Issuer's liabilities under the Notes are based on Three-Month Sterling LIBOR.

To hedge its interest rate exposure in respect of the Fixed Rate Loans in the Portfolio and the amounts payable under the Notes, the Issuer will on the Closing Date enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider (see "*Credit Structure — Interest Rate Risk for the Notes*" below). The Issuer will not enter into a swap agreement to hedge its interest rate exposure in relation to the SVR Loans in the Portfolio and the amounts payable under the Notes.

A failure by the Interest Rate Swap Provider to make timely payments of amounts due under the Interest Rate Swap Agreement will constitute a default thereunder. The Interest Rate Swap Agreement provides that the Sterling amounts owed by the Interest Rate Swap Provider on any payment date under the Fixed Interest Rate Swap (which corresponds to an Interest Payment Date) may be netted against the Sterling amounts

owed by the Issuer on the same payment date. Accordingly, if the amounts owed by the Issuer to the Interest Rate Swap Provider on a payment date are greater than the amounts owed by the Interest Rate Swap Provider to the Issuer on the same payment date, then the Issuer will pay the difference to the Interest Rate Swap Provider on such payment date; if the amounts owed by the Interest Rate Swap Provider to the Issuer on a payment date are greater than the amounts owed by the Issuer to the Interest Rate Swap Provider on the same payment date, then the Interest Rate Swap Provider will pay the difference to the Issuer on such payment date; and if the amounts owed by both parties are equal on a payment date, neither party will make a payment to the other on such payment date. To the extent that the Interest Rate Swap Provider defaults on its obligations under the Interest Rate Swap Agreement to make payments to the Issuer in Sterling, on any payment date under the Fixed Interest Rate Swap (which corresponds to an Interest Payment Date), the Issuer will be exposed to the possible variance between the fixed rates payable on the Fixed Rate Loans in the Portfolio and Three-Month Sterling LIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes. As noted above, the Issuer will not enter into a swap transaction to hedge its interest rate exposure to the possible variance between the standard variable rates payable on the SVR Loans in the Portfolio and Three-Month Sterling LIBOR.

The Fixed Rate Notional Amount is subject to a specified maximum amount, as set out in the Fixed Interest Rate Swap. As such, if Three-Month Sterling LIBOR increases significantly, the interest rates payable in respect of the Notes will also increase accordingly and the amounts paid by the Interest Rate Swap Provider to the Issuer may be insufficient for the Issuer to meet its obligations under the Notes.

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

The Fixed Interest Rate Swap is scheduled to terminate on the earlier of (i) 31 May 2027, (ii) the date on which all of the Class A Notes are redeemed in full, and (iii) the date on which the Security Trustee has enforced the security over the Class A Notes and distributed the proceeds thereof in full. Accordingly, if any of the Notes remain outstanding after such date, the Issuer will be subject to the potential variation between the rates of interest payable in respect of Loans in the Portfolio and Three-Month Sterling LIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes after that date.

The rate payable by the Issuer under the Fixed Interest Rate Swap is not intended to be an exact match of the interest rates that the Issuer receives in respect of the Fixed Rate Loans in the Portfolio. As such, there may be circumstances in which the rate payable by the Issuer under the Fixed Interest Rate Swap exceeds the amount that the Issuer receives in respect of the Loans in the Portfolio. The Issuer will not enter into a swap transaction to hedge its exposure in relation to the interest rates it receives in respect of the SVR Loans in the Portfolio.

Termination payments under Fixed Interest Rate Swap

Subject to the following, the Interest Rate Swap Agreement will provide that, upon the occurrence of certain events, the Fixed Interest Rate Swap may terminate and a termination payment by either the Issuer or the Interest Rate Swap Provider may be payable, depending on, among other things, the terms of the Fixed

Interest Rate Swap and the cost of entering into a replacement transaction at the time. Any termination payment due by the Issuer (other than an Interest Rate Swap Excluded Termination Amount and to the extent not satisfied by any applicable Replacement Swap Premium or, in certain circumstances and/or to a limited extent, any excess collateral amounts standing to the credit of the Swap Collateral Account, which shall in each case be paid directly by the Issuer to the Interest Rate Swap Provider) will rank prior to payments in respect of the Notes. If any termination amount is payable by the Issuer, payment of such termination amounts may affect amounts available to pay interest and principal on all of the Notes.

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

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

Insolvency of the Interest Rate Swap Provider

In the event of the insolvency of the Interest Rate Swap Provider, the Issuer will be treated as a general creditor of the Interest Rate Swap Provider. Consequently, the Issuer is subject to the credit risk of the Interest Rate Swap Provider. To mitigate this risk, under the terms of the Interest Rate Swap Agreement, in the event that the ratings of the Interest Rate Swap Provider fail to meet the relevant required ratings, the Interest Rate Swap Provider will, in accordance with the terms of the Interest Rate Swap Agreement, be required to elect to take certain remedial measures within the applicable time frame stipulated in the Interest Rate Swap Agreement (at its own cost) which may include providing Swap Collateral for its obligations under the Interest Rate Swap Agreement, arranging for its obligations under the Interest Rate Swap Agreement to be transferred to an entity with the relevant required ratings, procuring another entity with the relevant required ratings to become guarantor or co-obligor, as applicable, in respect of its obligations under the Interest Rate Swap Agreement or taking other action (which may include inaction) as may be necessary so that the rating of the Class A Notes following such action or inaction will be rated no lower than the Class A Notes would be rated but for such downgrade. However, no assurance can be given that, at the time that such actions are required, sufficient collateral will be available to the Interest Rate Swap Provider or that another entity with the relevant required ratings will be available to become a replacement swap provider or guarantor or co-obligor, as applicable.

European Market Infrastructure Regulation

EMIR and the regulations made under it impose certain obligations on parties to "over the counter" (**OTC**) derivative contracts according to whether they are "financial counterparties", such as European investment firms, alternative investment funds, credit institutions and insurance companies, or other entities which are "non-financial counterparties" or third country entities equivalent to "financial counterparties" or "non-financial counterparties".

Financial counterparties (as defined in EMIR) will, depending on the identity of their counterparty, be subject to a general obligation (the **clearing obligation**) to clear all "eligible" OTC derivative contracts through a duly authorised or recognised central counterparty. They must also report the details of all derivative contracts to a trade repository (the **reporting obligation**) and in general undertake certain risk-mitigation techniques in respect of OTC derivative contracts which are not cleared by a central counterparty, including to comply with requirements related to timely confirmation of terms, portfolio reconciliation, dispute resolution, daily valuation and the exchange of margin (the **margin obligation** and, together with the other risk mitigation requirements, the **risk mitigation techniques**).

Non-financial counterparties are subject to the reporting obligation and certain of the risk mitigation techniques. However, they are not subject to the clearing obligation or the margin obligation unless the gross notional value of all derivative contracts entered into by the non-financial counterparty and other non-financial entities in its "group", excluding eligible hedging transactions, exceed certain thresholds (the **clearing threshold**) and its counterparty is also subject to the clearing obligation or the margin obligation, as applicable.

If the Issuer is considered to be a member of such "group" and if the aggregate notional value of OTC derivative contracts entered into by the Issuer and any non-financial counterparties within such group exceeds the clearing threshold, the Issuer would be subject to the clearing obligation in respect of any eligible OTC derivative contracts required to be cleared or, if the relevant OTC derivative contract is not a type required to be cleared, it may be subject to enhanced risk mitigation obligations, including the margin obligation (in each case, as and when such obligations become applicable for that particular counterparty pair).

The reporting obligation and the risk mitigation techniques other than the margin obligation are currently in force. The margin obligations are currently expected to be phased in from the first quarter of 2017. The regulatory technical standards relating to the collateralisation obligations in respect of OTC derivatives contracts which are not cleared (the **RTS**) were adopted by the European Commission on 4 October 2016. Subject to any objection from the European Parliament or Council, publication in the Official Journal is expected to occur in late November with the RTS entering into force 20 days later.

The regulatory technical standards governing the mandatory clearing obligation for certain classes of OTC derivative contracts which entered into force on 21 December 2015 specify that the clearing obligation in respect of interest rate OTC derivative contracts that are (i) basis swaps and fixed-to floating swaps denominated in Euro, GBP, USD and Japanese Yen and (ii) forward rate agreements and overnight swaps denominated in Euro, GBP and USD, in each case, will take effect (or has taken effect) on dates ranging from 21 June 2016 (for major market participants grouped under "Category 1") to 21 December 2018 (for non-financial counterparties that are not alternative investment funds grouped under "Category 4"). Key details as to how the clearing obligation may apply to other classes of OTC derivatives remain to be clarified via corresponding technical standards.

If the Issuer becomes subject to the clearing obligation or the margin obligation, it is unlikely that it would be able to comply with such requirements, which would adversely affect the Issuer's ability to enter into the Fixed Interest Rate Swap or significantly increase the cost thereof, negatively affecting the Issuer's ability to acquire non-Euro obligations and/or hedge its interest rate risk. As a result of such increased costs, additional regulatory requirements and limitations on ability of the Issuer to hedge interest rate and currency risk, the amounts payable to Noteholders may be negatively affected.

Definitive Notes and denominations in integral multiples

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

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

Issuer Reliance on Other Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Interest Rate Swap Provider has agreed to provide hedging to the Issuer pursuant to the Interest Rate Swap Agreement, the Account Bank has agreed to provide the GIC Account and the Transaction Account to the Issuer pursuant to the Bank Account Agreement, the Swap Collateral Account Bank has agreed to provide the Swap Collateral Account to the Issuer pursuant to the Swap Collateral Account Bank Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, the Back-Up Servicer Facilitator has agreed to assist in appointing a back-up servicer pursuant to the Servicing Agreement and the Paying Agents, the Class Z VFN Registrar and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

Ability to appoint a substitute Servicer

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. Such risk is mitigated by the provisions of the Servicing Agreement pursuant to which the Back-Up Servicer Facilitator, in certain circumstances, is required to assist the Issuer in appointing a substitute servicer.

YBS has been appointed by the Issuer as Servicer to service the Loans. If the Servicer breaches the terms of the Servicing Agreement, then (prior to the delivery of a Note Acceleration Notice and with the prior written consent of the Security Trustee (acting on the instructions of the Note Trustee)) the Issuer or (after delivery of a Note Acceleration Notice) the Security Trustee (acting on the instructions of the Note Trustee) will be entitled to terminate the appointment of the Servicer in accordance with the terms of the Servicing Agreement and the Issuer and the Seller shall use their reasonable endeavours to appoint a new servicer in its place whose appointment is approved by the Security Trustee.

There can be no assurance that a substitute servicer with sufficient experience of servicing the Loans would be found who would be willing and able to service the Loans on the terms of the Servicing Agreement. In addition, as described below, any substitute servicer will be required, *inter alia*, to be authorised under the Financial Services and Markets Act 2000 (the **FSMA**) in order to service the Loans. The ability of a substitute servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

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

Withholding Tax Under the Notes

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

Although, as of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Class A Notes, provided that the Class A 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, there can be no assurance that the law will not change. The Irish Stock Exchange is a recognised stock exchange for such purposes and the Class A Notes will be treated as listed on the Irish Stock Exchange if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Main Market of the Irish Stock Exchange. The applicability of any withholding or deduction for or on account of United Kingdom taxes is discussed further under "*Taxation – United Kingdom Taxation*" below.

Searches, Investigations and Warranties in Relation to the Loans

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security sold to the Issuer on the Closing Date and will give similar warranties to each of the Issuer and the Security Trustee regarding any Further Advances, Product Switches and Tested Underpayment Options, at the last day of the Monthly Period in which such Further Advance, Product Switch and Tested Underpayment Option occurs (see "*Summary of Key Transaction Documents — Mortgage Sale Agreement*" below for a summary of these).

Neither the Note Trustee, the Security Trustee, the Arranger, the Joint Lead Managers nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date or on the last day of the Monthly Period in which the Further Advance, Product Switch or Tested Underpayment Option (as applicable) was made, which breach is not remedied within 90 days after receiving written notice of such breach, is that the Seller shall be required to repurchase the relevant Loan and its Related Security in accordance with the repurchase provisions in the Mortgage Sale Agreement. In addition, YBS will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement, YBS will procure that it or one of its subsidiaries repurchases such Loan. However, there can be no assurance that the Seller (or, as applicable, YBS or one of its subsidiaries) will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

It should also be noted that any warranties made by the Seller in relation to Further Advances, Product Switches and/or Tested Underpayment Options may be amended from time to time and differ from the warranties made by the Seller at the Closing Date without the consent of the Noteholders, provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee may, but is not obliged to, have regard to any Ratings Confirmation in respect of those amendments. Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Seller to Initially Retain Legal Title to the Loans and risks relating to set-off

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

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

Further, prior to the insolvency of the Seller, unless notice of the assignment was given to a Borrower who is a creditor of the Seller, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the Seller under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower, however, some rights of set-off (being those rights that are not connected with or related to the relevant Loan) may not arise after the date notice is given.

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

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

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

For so long as the Issuer does not have legal title, the Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the relevant Loans and their Related Security.

Further Advances, Product Switches and Underpayment Options

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, a Further Advance, Product Switch or Underpayment Option from time to time. Any Loan which has been the subject of a Further Advance, Underpayment Option or a Product Switch following an application by the Borrower will remain in the Portfolio. If the Issuer subsequently determines that any Further Advance, Product Switch or Tested Underpayment Option does not satisfy an Asset Condition, as at such Advance Date, Option Date or Switch Date (where applicable), and such default is not remedied in accordance with the Mortgage Sale Agreement, the Seller (or, as applicable, YBS or one of its subsidiaries) will be required to repurchase the relevant Loan and its Related Security. See further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by the Seller*".

It should be noted that any Loan Warranty made by the Seller in relation to a Further Advance, Product Switch and/or a Tested Underpayment Option may be amended from time to time and such changes will be notified to the Rating Agencies. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has given its prior consent to such amendment (and for such purpose, the

Security Trustee may, but is not obliged to, have regard to any Ratings Confirmation in respect of those amendments). Where the Seller (or, as applicable, YBS or one of its subsidiaries) is required to repurchase because the warranties are not true, there can be no assurance that the Seller (or, as applicable, YBS or one of its subsidiaries) will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Class A Notes.

The number of Further Advance, Product Switch and Underpayment Options requests received by the Seller and/or the Servicer will affect the timing of principal amounts received by the Issuer and hence payments of principal and (in the event of a shortfall) interest on the Notes.

Further, there may be circumstances in which a Borrower might seek to argue that any Loan, Further Advance, Product Switch or Underpayment Option is wholly or partly unenforceable by virtue of non-compliance with the FSMA or the Consumer Credit Act 1974 (as amended) (the **CCA**) as further discussed below.

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

Delinquencies or Default by Borrowers in paying amounts due on their Loans

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

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

Change of Counterparties

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

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

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

Insurance Policies

The policies of the Seller in relation to buildings insurance are described under "*The Loans — Insurance Policies*" below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts. This could adversely affect the Issuer's ability to redeem the Notes.

Financial Services Compensation Scheme not applicable

Any investment in the Notes does not have the status of a bank deposit in England and Wales and is not within the scope of the UK Financial Services Compensation Scheme and accordingly, the Notes will not confer any entitlement to compensation under that scheme. As such, the Notes are obligations of the Issuer only and any potential investors should be aware that they will not be able to have recourse to the UK Financial Services Compensation Scheme in relation to an investment in the Notes.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Class A Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation), administrative practice or tax treatment after the date of this Prospectus nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

Certain Regulatory Considerations

Regulated Mortgage Contracts

In the United Kingdom, regulation of residential mortgage business under the Financial Services and Markets Act 2000 (**FSMA**) came into force on 31 October 2004 (the **Regulation Effective Date**). Residential mortgage lending under the FSMA is regulated by the FCA. Subject to certain exemptions, each of the following are regulated activities under the FSMA and the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) (as amended) (the **RAO**) requiring authorisation and permission from the FCA: (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 interest rates, mortgage payments or other matters which the contract requires the borrower to be notified of

and/or collecting payments due under the mortgage loan); (c) advising in respect of Regulated Mortgage Contracts; and (d) arranging Regulated Mortgage Contracts. Agreeing to carry on any of these activities is also a regulated activity.

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, it will be a Regulated Mortgage Contract under the RAO if: (i) the lender provides credit to an individual or to trustees; and (ii) the obligation of the borrower to repay is secured by a first legal mortgage on land (other than timeshare accommodation) in the United Kingdom, at least 40% of which is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in the case of credit provided to trustees) by an individual who is a beneficiary of the trust, or by a related person. 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: (a) the borrower is an individual or trustee; and (b) the obligation of the borrower to repay is secured by a mortgage on land in the EEA, at least 40% of which is used, or is intended to be used, in the case of credit provided to an individual, as or in connection with a dwelling; or (in the case of credit provided to a trustee who is not an individual), as or in connection with a dwelling by an individual who is a beneficiary of the trust, or by a related person (broadly the person's spouse, near relative or a person with whom the borrower has a relationship which is characteristic of a spouse).

Credit agreements which were originated before 21 March 2016, which were regulated by the CCA, and that would have been regulated mortgage contracts had they been entered into on or after 21 March 2016 will be 'consumer credit back book mortgage contracts' and will also therefore be Regulated Mortgage Contracts (see "Regulation of residential secured lending (other than Regulated Mortgage Contracts)").

If requirements as to the authorisation of lenders and brokers are not complied with, a Regulated Mortgage Contract will be unenforceable against the borrower except with the approval of a court and the unauthorised person may commit a criminal offence. An unauthorised person who carries on the regulated mortgage activity of administering a Regulated Mortgage Contract that has been validly entered into may commit an offence, although this will not render the contract unenforceable against the borrower.

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

The Issuer will only hold beneficial title to the Loans. In the event that legal title is transferred to the Issuer upon the occurrence of a Perfection Event the Issuer must arrange for a servicer to administer these Loans and is not expected to enter into any new Regulated Mortgage Contracts as lender under article 61(1) of the RAO. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract, then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity.

The regime under the FSMA regulating financial promotions covers the content and manner of the promotion of agreements relating to qualifying credit and by whom such promotions can be issued or approved. In this respect, the FSMA regime not only covers financial promotions of Regulated Mortgage Contracts but also promotions of certain other types of secured credit agreements under which the lender is a person (such as the Seller) who carries on the regulated activity of entering into a Regulated Mortgage Contract. Failure to comply with the financial promotion regime (as regards who can issue or approve financial promotions) is a criminal offence and will render the Regulated Mortgage Contract or other secured credit agreement in question unenforceable against the borrower except with the approval of a court. Failure by the Seller to comply with the financial promotion regime may render the Loans unenforceable and adversely affect the Issuer's ability to make payments on the Notes.

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

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

Regulation of residential secured lending (other than Regulated Mortgage Contracts)

The UK government had a policy commitment to move second charge lending into the regulatory regime for mortgage lending rather than the regime for consumer credit under which second charge lending fell. The UK government thought that there was a strong case for regulating lending secured on a borrower's home consistently, regardless of whether it is a first or subsequent charge. The European Mortgage Credit Directive (2014/17/EU) (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 concluded that it made sense to implement the 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. The policy of regulating lending secured on a borrower's home consistently also meant that the UK government decided to change the regulatory regime of 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. In November 2015, the UK government made legislation which meant that the administration of and other activities relating to those pre-October 2004 first charge mortgages which were regulated by the CCA will become regulated mortgage activities from 21 March 2017, although firms can adopt the new rules from 21 March 2016 if they wish. The move of CCA regulated mortgages to the FSMA regime was implemented by the Mortgage Credit Directive Order 2015 on 21 March 2016 (Mortgage Credit Directive Order). The government has put in place transitional provisions for existing loans so that some of the CCA protections in place when the loans were originally taken out are 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 would also therefore be 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 was 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 NOSIA), once the consumer credit back book mortgage contract is 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 ceases 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 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 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 Issuer in the Mortgage Sale Agreement that, among other things, each Loan and its Related Security is enforceable (subject to exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default cannot be or is not cured within 90 days, then the Seller will, upon receipt of notice from the Issuer, be required to repurchase all of the relevant Loans secured on the same Property (together, forming one Mortgage Account) and their Related Security from the Issuer. In addition, YBS will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement, YBS will procure that it or one of its subsidiaries repurchases such Loan.

To the extent that there are any pre-2004 CCA regulated first charge loans in the pool, these will continue to be regulated by the CCA until the earlier of (i) treatment by the firm as regulated mortgage contracts or (ii) 21 March 2017.

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.

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

In December 2011, the FSA published a consultation paper that consolidates proposals arising out of its wide-ranging mortgage market review, which was launched in October 2009 to consider strengthening rules and guidance on, inter alia, affordability assessments, product regulation, arrears charges and responsible lending. The FSA's aim was to ensure the continued provision of mortgage credit for the majority of borrowers who can afford the financial commitment of a mortgage, while preventing a re-emergence of poor lending practices as the supply of mortgage credit in the market recovers. In October 2012, the FSA published a feedback statement and final rules that generally came into force on 26 April 2014 with transitional arrangements where, among other things, the borrower does not take on additional borrowing. These rules have, for example, imposed more stringent requirements on lenders to assess the affordability of a loan made to a borrower and to verify the income of a borrower.

The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013 and: i) recently published a report following a thematic review concerning the quality and suitability of mortgage advice provided by firms; and ii) it began a further thematic review on responsible lending in April 2015, on which it reported in May 2016. This is in addition to regulatory reforms being made as a result of the implementation of the Mortgage Credit Directive from 21 March 2016 (see "Mortgage Credit

Directive"). It is possible that further changes may be made to the FCA's MCOB rules as a result of these reviews and regulatory reforms. To the extent that the new rules do apply to any of the 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.

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

Mortgage Credit Directive

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

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

On 25 March 2015, the Mortgage Credit Directive Order was passed in order to make the necessary legislative changes to implement the Mortgage Credit Directive. Whilst certain provisions of the Mortgage Credit Directive Order came into force before 21 March 2016, the Mortgage Credit Directive Order took effect for most purposes on 21 March 2016. The FCA has also made amendments to its handbook in order to give effect to the Mortgage Credit Directive, including the amendment to make the consumer buy to let mortgage business subject to the FCA's dispute resolution rules and within the Financial Ombudsman Service's jurisdiction. As discussed above, although the Mortgage Credit Directive generally only applies to credit agreements entered into on or after 21 March 2016, as discussed above, the UK's implementation of the Mortgage Credit Directive will also operate retrospectively to regulate consumer credit back book mortgage contracts.

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

Until the Mortgage Credit Directive has been fully implemented into UK law for some time, it is not possible to tell what effect the Mortgage Credit Directive and the implementation of the directive into UK law will have on the Loans, the Seller, the Issuer and/or the Servicer and their respective businesses and operations. However, the UK's approach to implementation has been to minimise the impact of the Mortgage Credit Directive on the UK mortgage market by building on the existing UK regulatory regime (rather than copy out the directive into UK legislation).

Automatic capitalisation

On 19 October 2016, the FCA issued a consultation relating to issues arising from automatic capitalisation, in particular cases where lenders both add arrears to an account balance and keep a separate record of the borrower's arrears and seek separate (and additional) payment of those. In the consultation, the FCA state that they expect FCA authorised firms to ensure this practice ceases and to carry out remediation.

The FCA have proposed a framework for remediation upon which they are consulting but in broad terms the FCA expect borrowers to be compensated for any incorrectly charged fees and interest (plus simple interest of 8% p.a.) and simple interest of 8% on any "overpayments", i.e. any actual payments of monthly payments in excess of those which would have been required to pay off the arrears had there been no automatic capitalisation. The framework is subject to consultation by the FCA and will not be binding on borrowers.

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

Distance Marketing

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

If the borrower cancels the credit agreement under these regulations, then: (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement within 30 days beginning with the day of the borrower sending notice of cancellation or, if later, the lender receiving notice of cancellation; (b) the borrower is liable to pay interest or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and (c) any security is to be treated as never having had effect for the cancelled agreement. If a significant portion of the Loans are characterised as being cancellable under these regulations, then there could be an adverse effect on the Issuer's receipts in respect of the Loans, affecting the Issuer's ability to make payments in full on the Notes when due.

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

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the **1999 Regulations**), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the **UTCCR**), apply to agreements made on or after 1 July 1995 and before 1 October 2015 and affect all of the Loans originated during this period. The Consumer Rights Act 2015 (the "**CRA**") amended the UTCCR unfair contract terms regime by partly repealing the UTCCR and applies to all Mortgage Loans originated on or after 1 October 2015. The UTCCR continues to apply to contracts which were entered into before 1 October 2015.

As discussed in more detail below, the substantive amendments introduced by the CRA primarily concern the scope of the unfair contract terms protections, rather than their substance, and also codify certain case law developments concerning unfair contract terms.

The UTCCR provide that:

- a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the agreement itself continues to bind the parties if it is capable of continuing in existence without the unfair term); and
- the lead enforcement body and any qualifying body for the UTCCR (such as the FCA) may seek to enjoin a business from relying on unfair terms.

Any assessment of fairness of a term under the UTCCR may not relate to the definition of the main subject matter of the contract, such as the borrower's obligation to repay the initial interest or principal or the adequacy of the price, (provided that these terms are written in plain and intelligible language). All other terms can be assessed for fairness including terms such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

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

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; and (iii) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012.

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

The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into between 1 October 1999 and 30 September 2015 is found to be unfair for

the purpose of the UTCCR, this may reduce the amounts available to meet the payments due in respect of the Notes.

The guidance issued by the FSA (and, as of 1 April 2013, the FCA), the OFT and the CMA has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the 1999 Regulations, or reform of the 1999 Regulations, or 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 ability of the Issuer to make payments in full on the Notes 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:

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

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015 and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015 (the **CMA Guidance**). The CMA indicated in the CMA Guidance that the fairness and transparency provisions of the CRA are regarded to be "effectively the same as those of the UTCCR". The document further notes that "the extent of continuity in unfair terms legislation means that existing case law generally, and that of the Court of Justice of the European Union particularly, is for the most part as relevant to the Act as it was the UTCCRs". In general, there is little reported case law on the UTCCR and/or the CRA and the interpretation of each is open to some doubt. The extremely broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the CRA may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans entered into on or after 1 October 2015 is found to be unfair for the purpose of the CRA, this may reduce the amounts available to meet the payments due in respect of the Notes. No assurance can be given that any changes in legislation, guidance or case law on unfair terms will not have a material adverse effect on the Seller, the Issuer and/or the Servicer and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Loans.

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

Under the FSMA, the Financial Ombudsman Service (the **Ombudsman**) is required to make decisions on certain complaints relating to the activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account law and guidance. Complaints properly brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be 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, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May 2005, the European Parliament and the Council adopted a Directive on unfair business-to-consumer commercial practices (the **Unfair Practices Directive**). Generally the Unfair Practices Directive applies full harmonisation, which means that Member States may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, the Unfair Practices Directive permits Member States to impose more stringent provisions in the fields of financial services and immovable property, such as mortgage loans.

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

The Unfair Practices Directive is implemented in the UK by the Consumer Protection from Unfair Trading Regulations 2008 (the **CPUTR**), which came into force on 26 May 2008. The CPUTR prohibit certain practices which are deemed "unfair" within the terms of the CPUTR. Breach of the CPUTR does not (of itself) render an agreement void or unenforceable, but the possible liabilities for misrepresentation or breach of contract in relation to the underlying credit agreement may result in irrecoverable losses on amounts to which such agreements apply. Breach of certain CPUTR provisions is a criminal offence. Further, the Consumer Protection (Amendment) Regulations 2014 amended the CPR with effect from 1 October 2014 so as to give consumers a right to redress for prohibited practices, including a right to unwind agreements

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

The Unfair Practices Directive provided for a transitional period until 12 June 2013 for the application of full harmonisation in the fields to which it applies. In March 2013, the European Commission published a report on the application of the Unfair Practices Directive, which indicated (among other things) that there is no case for further harmonisation in the fields of financial services and immovable property. No assurance can be given that the implementation of the Unfair Practices Directive into UK law and any further harmonisation will not have a material adverse effect on the Loans or the manner in which they are serviced and accordingly on the ability of the Issuer to make payments to Noteholders.

Mortgage repossession

In June 2010, the FSA made changes to MCOB which effectively converted previous guidance on the policies and procedures to be applied by authorised firms (such as the Seller) with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under these rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (among other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA indicated that it did not expect each forbearance option referred to in these rules to be explored at every stage of interaction with the borrower, it is clear that these rules impose mandatory obligations on firms

without regard to any relevant contractual obligations or restrictions which the relevant loan may be subject to as a result, inter alia, of such loan being contained within a securitisation transaction. As a result, the rules may operate in certain circumstances to require the Servicer to take certain forbearance-related actions (which may not have been contemplated as at the date of this Prospectus or the Transaction Documents) in respect of one or more Loans and their Related Security. No assurance can be made that any such actions will not impact on the Issuer's ability to make payments in full when due on the Notes, although the impact of this will depend on the number of Loans that involve a Borrower who experiences payment difficulties.

A protocol for mortgage repossession cases in England and Wales came into force on 19 November 2008, which sets out the steps that judges will expect any lender to take before starting a claim. A number of mortgage lenders, including the Seller, have confirmed that they will delay the initiation of repossession action for at least three months after a borrower who is an owner-occupier is in arrears. The application of such moratorium may be subject to the wishes of the relevant borrower and may not apply in cases of fraud. The Mortgage Repossessions (Protection of Tenants etc.) Act 2010 came into force on 1 October 2010. This Act gives courts in England and Wales the same power to postpone and suspend repossession for up to two months on application by an unauthorised tenant (i.e. a tenant in possession without the lender's consent) as generally exists on application by an authorised tenant. The lender has to serve notice at the property before enforcing a possession order.

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

General

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

UK Taxation Position of the Issuer

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

U.S. Foreign Account Tax Compliance Act (FATCA) withholding may affect payments on the Notes

FATCA imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

While the Class A Notes are in global form and held within the Clearing Systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the Clearing Systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Class A Notes are discharged once it has made payment to, or to the order of, the common safekeeper for the Clearing Systems (as bearer or registered holder of the Class A Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the Clearing Systems and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an **IGA**) are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance Act.*"

The proposed financial transactions tax (FTT)

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

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

The FTT may give rise to tax liabilities for the Issuer with respect to certain transactions (including concluding any swap transactions and/or purchases or sales of securities (such as authorised investments)) if the conditions for a charge arise and 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 the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate.

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

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

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

In particular, investors should note that the Basel Committee on Banking Supervision (**BCBS**) has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as "Basel III"), including certain revisions to the securitisation framework. Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio (**LCR**) and the Net Stable Funding Ratio (**NSFR**)). BCBS member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the LCR requirements refer to implementation starting in 2015, with full implementation by January 2019, and the NSFR requirements refer to implementation from January 2018). 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 (e.g. as LCR eligible assets or not), may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements are coming for insurance and reinsurance undertakings through national initiatives, such as the Solvency II framework in Europe.

In addition, 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 and UCITS funds. Amongst other things, such 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.

The risk retention and due diligence requirements described above apply, or are expected to apply, in respect of the Notes. With respect to the commitment of the Seller to retain a material net economic interest in the securitisation and with respect to the information to be made available by the Issuer or another relevant party (or, after the Closing Date, by YBS in its capacity as the Servicer or the Cash Manager on the Issuer's behalf), please see the statements set out in the section of this Prospectus headed "*Risk Retention Requirements*". Relevant investors are required to independently assess and determine the sufficiency of the information described above for the purposes of complying with any relevant requirements and none of the Issuer, the Seller, YBS (in its capacity as the Servicer or the Cash Manager), the Arranger, the Joint

Lead Managers or any other party to the transaction makes any representation that the information described above is sufficient in all circumstances for such purposes.

It should be noted that the European Commission has published legislative proposals for two new regulations related to securitisation. Amongst other things, the proposals include provisions intended to implement the revised securitisation framework developed by BCBS and provisions intended to harmonise and replace the risk retention and due diligence requirements (including the corresponding guidance provided through technical standards) applicable to certain EU regulated investors. There are material differences between the legislative proposals and the current requirements including with respect to application approach under the retention requirements and the originator entities eligible to retain the required interest. It is not clear whether, and in what form, the legislative proposals (and any corresponding technical standards) will be adopted. In addition, the compliance position under any adopted revised requirements of transactions entered into, and of activities undertaken by a party (including an investor), prior to adoption is uncertain.

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.

Effects of the Volcker Rule on the Issuer

The Issuer is relying on an exclusion or exemption under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7). The Issuer was structured so as not to constitute a "covered fund" for the purposes of the Volcker Rule. The Volcker Rule generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund" and (iii) entering into certain relationships with such funds. The Volcker Rule became effective on 1 April 2014, but was subject to a conformance period for certain funds which concluded on 21 July 2015. Under the Volcker Rule, unless otherwise jointly determined otherwise by specified federal regulators, a "covered fund" does not include an issuer that may rely on an exclusion or exemption from the definition of "investment company" under the Investment Company Act other than the exclusions contained in Section 3(c)(1) and Section 3(c)(7) of the Investment Company Act. The general effects of the Volcker Rule remain uncertain. Any prospective investor in the Notes or Certificates, including a U.S. or foreign bank or a subsidiary or other affiliate thereof, should consult its own legal advisers regarding such matters and other effects of the Volcker Rule.

General market volatility and post-UK referendum uncertainty

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

In particular, prospective investors should note that, pursuant to a referendum held in June 2016, the UK has voted to leave the European Union. As a result, there are a number of areas of uncertainty in connection with the future of the UK and its relationship with the European Union. Negotiation of the UK's exit terms and related matters may take several years. Given this uncertainty and the range of potential outcomes, it is not currently possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on general economic conditions in the UK, including the performance of the UK housing market, or the impact across the wider European economy. It is also not possible to determine the impact that these matters will have on the business of the Issuer (including the performance of the underlying loans), any other party to the transaction documents and/or any borrower in respect of the underlying loans, or on the regulatory position of any such entity or of the transactions contemplated by the transaction documents under EU regulation or more generally. No assurance can be given that such matters would not adversely affect the rights of the Noteholders, the market value of the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

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

English law security and insolvency considerations

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

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

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital market. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and
- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State for Business, Innovation & Skills may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by

the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

Fixed charges may take effect under English law as floating charges

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

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

Liquidation expenses

On 6 April 2008, a provision in the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Leyland Daf* in 2004. Accordingly, it is now the case that the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in rules 4.218A to 4.218E of the Insolvency Rules 1986 and rules 4.228A to 4.228E of the Insolvency Rules (Northern Ireland) 1991. In general, the reversal of the *Leyland Daf* case applies in respect of all liquidations commenced on or after 6 April 2008.

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

Insolvency proceedings and subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which, based on contractual (such as the contractual Priority of Payments as contemplated in this transaction) and/or trust principles, subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, cases have focused on provisions involving the subordination of a swap counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such

counterparty (so called "flip clauses"). Such provisions are similar in effect to the terms included in the Transaction Documents relating to the subordination of Interest Rate Swap Excluded Termination Amounts payable in respect of the Interest Rate Swap Agreement (or any replacement interest rate swap agreement).

The English Supreme Court has held that a flip clause as described above is valid under English law. Contrary to this, however, the US Bankruptcy Court has held that such a subordination provision is unenforceable under U.S. bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment remain unresolved, particularly as several subsequent challenges to the U.S. decision have been settled and certain other actions which raise similar issues are pending but have not progressed for some time.

If a creditor of the Issuer or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the U.S.), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Priority of Payment which refers to the ranking of a swap provider's payment rights in respect of Interest Rate Swap Excluded Termination Amounts). In particular, based on the decision of the U.S. Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under U.S. bankruptcy laws. Such laws may be relevant in certain circumstances with respect to any replacement swap counterparty, depending on certain matters in respect of that entity.

In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect the rights of the Class A Noteholders, the market value of the Class A Notes and/or the ability of the Issuer to satisfy its obligations under the Class A Notes.

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

Limited Source of Funds and Limited recourse

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal and interest from the Borrowers under the Loans and their Related Security in the Portfolio, (b) payments (if any) due from the Interest Rate Swap Provider (other than amounts received by way of Swap Collateral which are to be refunded to the Interest Rate Swap Provider pursuant to the Interest Rate Swap Agreement), (c) interest income on the Bank Accounts and any Authorised Investments, (d) funds available in the Liquidity Reserve Fund (if established); and (e) funds available in the General Reserve Fund. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Creditors, subject to the applicable Priority of Payments. Upon enforcement of the Security by the Security Trustee, if:

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

- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal and interest),

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

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

Pensions Act 2004

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

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

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

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

CRA Regulations

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), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-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).

TRANSACTION OVERVIEW - PORTFOLIO AND SERVICING

Please refer to the sections entitled "**Characteristics of the Cut-Off Date Portfolio**", "**Summary of the Key Transaction Documents – Mortgage Sale Agreement**" and "**Summary of the Key Transaction Documents– Servicing Agreement**" for further detail in respect of the characteristics of the Cut-Off Date Portfolio and the sale and the servicing arrangements in respect of the Portfolio.

Sale of Portfolio:

The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Portfolio to the Issuer on the Closing Date. The sale by the Seller to the Issuer of each Loan in the Portfolio which is secured by a Mortgage over a Property located in England or Wales will be given effect by an equitable assignment. The terms **sale**, **sell** and **sold** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such creation of an equitable interest.

Prior to the occurrence of a Perfection Event as set out below, notice of the sale of the Portfolio will not be given to the relevant individual or individuals specified as borrowers in the relevant loan and related mortgage together with the individual or individuals (if any) from time to time assuming an obligation to repay a relevant Loan or any part of it (the **Borrowers**) under those Loans transferred and the Issuer will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable or beneficial interest in the Mortgages.

The Loans

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

The term **Loans** when used in this Prospectus means the residential mortgage loans, secured by Mortgages and Related Security, in the Portfolio to be sold to the Issuer by the Seller on the Closing Date together with, where the context so requires, each Further Advance (as defined in "**Summary of the Key Transaction Documents — Mortgage Sale Agreement**") sold to the Issuer by the Seller after the Closing Date and any alteration to a Loan by the Seller pursuant to a Product Switch but excluding (for the avoidance of doubt) each Loan and its Related Security which is repurchased by the Seller (or YBS or any of its subsidiaries) pursuant to the Mortgage Sale Agreement or otherwise sold by the Issuer in accordance with the terms of the Transaction Documents and no longer beneficially owned by the Issuer.

The term **Loan** when used in this Prospectus means a Loan secured by a Mortgage (as defined below) and other Related Security.

When used in this Prospectus:

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

Calculation Date means the 9th of February, May, August and

November of each year or if such day is not a Business Day, the next following Business Day.

Collection Period means the quarterly period commencing on and including the Collection Period Start Date and ending on but excluding the immediately following Collection Period Start Date except that the first Collection Period will commence on (and include) the Closing Date and end on but exclude the Collection Period Start Date falling in February 2017.

Collection Period Start Date means the 1st of February, May, August and November of each year.

Land Registry means the body responsible for recording details of land in England and Wales.

Monthly Period means the monthly period commencing on and including the first calendar day of each month and ending on and including the last calendar day of each month except that the first Monthly Period will commence on the Closing Date and end on the last calendar day of January 2017.

Monthly Pool Date means the 16th of each month.

Monthly Test Date means the 9th of each month.

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

Property means a freehold, leasehold or commonhold property which is, in each case, subject to a Mortgage.

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

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

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

amounts secured or intended to be secured by the related Mortgage; and

- (c) any other amount (including, for the avoidance of doubt, Accrued Interest and Arrears of Interest) on or before the given date which is due or accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with the relevant Mortgage Conditions or with the relevant Borrower's consent but which is secured or intended to be secured by the related Mortgage,

less any prepayment, repayment or payment of any of the foregoing made on or before that given date and excluding any retentions made but not released and any Further Advances committed to be made but not made by that given date.

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

- (a) discretionary rates of interest set by the Seller based on general interest rates and competitive forces in the UK mortgage market from time to time; and
- (b) fixed rates of interest or series of rates set for a fixed period or periods.

See "*The Loans*" for a full description of the Loans.

If a Borrower ports a Loan comprised in the Portfolio, such Loan will be treated as a redemption and the principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the next Interest Payment Date.

Features of the Loans comprising the Cut-Off Date Portfolio

The following is a summary of certain features of the Loans comprising the Cut-Off Date Portfolio as at 31 July 2016 (the **Cut-Off Date**) and Noteholders should refer to, and carefully consider, further details in respect of the Loans set out in "*Characteristics of the Cut-Off Date Portfolio*".

Type of Borrower	Prime
Type of mortgage	Repayment
Self-certified Loans	No
Buy to Let Loans	No
New Build Loans	No
Offset Loans	No
Right to Buy Loans	No

Number of Loans		14,910		
Current Balance:		£2,947,170,029		
		Weighted average	Minimum	Maximum
Current Balance (£)		197,664*	50,008	1,970,461
Indexed LTV		66.36%	5.26%	89.99%
LTV at origination		74.16%	8.67%	90.00%
Seasoning (months)		11.9	1.2	120.0
Remaining (years)	Term	25.1	4.1	34.9

* *Calculated on a simple average basis*

Consideration:

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

Representations and Warranties:

The Seller will make the Loan Warranties regarding the Loans and Related Security to the Issuer on the Closing Date and on the last day of the Monthly Period in which each Further Advance, Product Switch and/or Tested Underpayment Option takes place.

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

- First ranking security in respect of properties located in England and Wales (subject in certain cases to the completion of application for registration or recording);
- No Loan is one or more months in arrears;
- No Loan is a Self-certified Loan, a Buy to Let Loan, a New Build Loan, an Offset Loan, an Interest-Only Loan or a Right to Buy Loan;
- No Loan has a maturity date falling later than three years earlier than the Final Maturity Date;

- To the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestered or had a county court judgment or court decree entered or awarded against him on or prior to the date they executed the relevant Mortgage; and
- To the best of the Seller's knowledge, no Borrower had been in arrears with another mortgage lender at any point during the 12 months prior to the date of such Borrower's Initial Advance under its Loan.

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

Repurchase of the Loans and Related Security:

The Issuer shall offer to sell and the Seller (or, failing which, YBS or one of its subsidiaries) shall repurchase the relevant Loans and their Related Security in the following circumstances:

- Upon a material breach of the Loan Warranties or a breach of the Eligibility Criterion (which is either not capable of remedy or if the Seller failed to remedy it within a 90 day grace period) in respect of Loans sold into the Portfolio on the Closing Date;
- If the Issuer is unable to fund the purchase of any Further Advance from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall;
- Upon a breach of the Asset Conditions in respect of Loans subject to a Further Advance, Product Switch and/or Tested Underpayment Option (which is either not capable of remedy or if the Seller failed to remedy it within the agreed 90 day grace period); or
- If YBS is replaced as the Interest Rate Swap Provider, then the Seller will be required to repurchase any Loan subject to a Further Advance or Product Switch (in each case after the date of replacement of YBS as the Interest Rate Swap Provider) on the Monthly Pool Date immediately following the Monthly Period in which such Advance Date and/or Switch Date occurred.

YBS will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. Under such guarantee, upon the failure of the Seller to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement, YBS will procure that it or one of its subsidiaries repurchases such Loan.

Consideration for repurchase:

The amount payable by the Seller (or, if applicable, YBS or one of its subsidiaries) in respect of the repurchase of the Loans and Related Security shall be equal to the aggregate of the Current Balance (excluding, if applicable, the amount of any Further Advance which has not yet been paid for by the Issuer) of the relevant Loan calculated on the day before the relevant Monthly Pool Date.

Perfection Events:

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

- (a) the Seller being required to perfect transfer of legal title to the Loans and their Related Security (i) by an order of a court of competent jurisdiction or (ii) by a regulatory authority which has jurisdiction over the Seller or (iii) by any organisation of which the Seller is a member, or whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for the Seller to comply;
- (b) it becoming necessary by law to perfect legal title to the Loans and their Related Security;
- (c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee (on behalf of the Noteholders) so long as any Notes are outstanding or the other Secured Creditors if no Notes are then outstanding to take action to reduce that jeopardy;
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event.

Prior to the completion of the transfer of legal title to the relevant Loans and Related Security, the Issuer will hold only the equitable title and will therefore be subject to certain risks as set out in the risk factor entitled "*Seller to Initially Retain Legal Title to the Loans and risks relating to set-off*" in the Risk Factors section.

Servicing of the Portfolio:

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

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

So long as YBS (or any member of the YBS Group) is the Servicer, the Issuer will, on each Interest Payment Date, pay to the Servicer a servicing fee (inclusive of VAT) (the **Servicing Fee**) totalling 0.08 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the last day of the calendar month before the preceding Calculation Date. If a substitute servicer from outside the YBS Group is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the successor servicer for its services a fee to be

determined at the time of such appointment. The Servicing Fee will rank ahead of all payments on the Notes.

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

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;
- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee acting on the instructions of the Note Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee as the case may be requiring the Servicer's non-compliance to be remedied (subject to certain provisos in relation to the situation where the default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations); or
- a third party becomes obliged to undertake the servicing of the Loans (other than as master servicer) pursuant to any back-up servicing agreement contemplated by the Servicing Agreement; or
- an Insolvency Event occurs in relation to the Servicer.

Subject to the fulfilment of certain conditions, the Servicer may also resign upon giving 12 months written notice provided a replacement servicer has been appointed by the Issuer (with the consent of the Security Trustee).

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

In the event that the Servicer has ceased to be assigned (i) a counterparty risk assessment of at least Baa3(cr) by Moody's or (ii) a long term issuer default rating of at least BBB- by Fitch (or (A) such other lower risk assessment/rating which is consistent with the then current methodology of the relevant Rating Agency or (B) such other lower risk assessment/rating that the Cash Manager certifies in writing to the Note

Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (C) such other lower risk assessment/rating as the Note Trustee may (but shall not be obliged to) agree), the Servicer, with the assistance of the Back-Up Servicer Facilitator, shall, within 60 days of the date on which it has ceased to be so rated, use best efforts to appoint a back-up servicer which meets the requirements for a substitute servicer provided for by the Servicing Agreement and use reasonable endeavours to enter into a back-up servicing agreement with a back-up servicer with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require.

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

Delegation:

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

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

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

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

FULL CAPITAL STRUCTURE OF THE NOTES

	Class A Notes	Class Z VFN
Currency	GBP	GBP
Principal Amount:	£2,300,000,000	£500,000,000 (of which £251,510,000 shall be subscribed for as at the Closing Date)
Credit enhancement and liquidity support features:	<p>Subordination of the Class Z VFN.</p> <p>The availability of the General Reserve Fund, as funded by the Class Z VFN on the Closing Date.</p> <p>Upon YBS ceasing to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2, the availability of the Liquidity Reserve Fund, as funded by Available Principal Receipts.</p> <p>Excess Available Revenue Receipts.</p> <p>The application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency (as defined herein) in the Available Revenue Receipts.</p> <p>The reallocation of any SVR Contractual Difference Amounts from Available Principal Receipts to Available Revenue Receipts.</p>	Excess Available Revenue Receipts.
Issue Price:	100%	100%
Interest Rate:	3 month GBP LIBOR plus the Relevant Margin (together subject to a floor of zero)	3 month GBP LIBOR plus the Relevant Margin (together subject to a floor of zero)
Relevant Margin:	Prior to the Step-Up Date 0.50% per annum and on and after the Step-Up Date 1.00% per annum	0.00% per annum
Step-Up Date:	Interest Payment Date falling on 16 November 2021	N/A
Interest Accrual Method:	Actual/Actual	Actual/Actual
Interest Payment Dates:	16th day of February, May, August and November of each year	16th day of February, May, August and November of each year
Business Day Convention:	Modified Following	Modified Following
First Interest Payment Date:	16 February 2017	16 February 2017
Final Maturity Date:	Interest Payment Date falling on 16 August 2054	Interest Payment Date falling on 16 August 2054
Form of the Notes:	Bearer	Registered

	Class A Notes	Class Z VFN
Application for Exchange Listing:	Irish Stock Exchange's Main Securities Market	Not listed
Clearance/Settlement:	Euroclear /Clearstream, Luxembourg	N/A
ISIN:	XS1520308518	N/A
Common Code:	152030851	N/A
Ratings* (Fitch/Moody's):	AAA sf/Aaa (sf)	Not rated
Minimum Denomination	£100,000 and integral multiples of £1,000 in excess thereof	£100,000 and integral multiples of £100 in excess thereof

* As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under the CRA Regulation. As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs) (this website and the contents thereof do not form part of this Prospectus). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

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

- Class A Mortgage Backed Floating Rate Notes due August 2054 (the **Class A Notes**); and
- Class Z VFN due August 2054 (the **Class Z VFN**),

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

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

Pursuant to the Deed of Charge, the Notes will all share the same Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security. Amounts due in respect of the Class A Notes will rank in priority to amounts due in respect of the Class Z VFN. Certain amounts due by the Issuer to its other Secured Creditors will rank in priority to amounts due in respect of the Notes.

The Class A Notes will be issued in bearer form. The Class Z VFN will be issued in dematerialised registered form. Each Class of Notes will be issued pursuant to Regulation S and the Class A Notes will be cleared

through Euroclear and/or Clearstream, Luxembourg as set out in "Description of the Notes in global form and the Variable Funding Notes" below.

Variable Funding Notes:

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

So long as the Class A Notes are outstanding, the Principal Amount Outstanding of the Class Z VFN shall not fall below 5 per cent. of the initial aggregate Current Balance of the Loans as at the day before the Closing Date.

Prior to the Class Z VFN Commitment Termination Date, the Class Z VFN will have a maximum principal amount of £500,000,000 or such other amount as may be agreed from time to time by the Issuer and the holder of the Class Z VFN (the **Class Z VFN Holder**) and notified to the Note Trustee (the **Maximum Class Z VFN Amount**), that can be funded by the Class Z VFN Holder at the request of the Issuer.

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

- (a) the Interest Payment Date falling in August 2054; and
- (b) an Event of Default,

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

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

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

Security

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

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

- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts and any other account (including any securities accounts) in which it has an interest and any sums or securities standing to the credit thereof;
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues (whether or not the subject of fixed charges as aforesaid).

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

Collateral

Mortgage loans that were originated by the Seller on the Seller's Standard Documentation from time to time.

Interest Provisions

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

Interest Deferral

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

Withholding taxes

None of the Issuer nor any Paying Agent or any other person will be obliged to gross-up any payments in respect of the Notes if there is any withholding or deduction required by law or in connection with FATCA on account of any present or future taxes, duties, assessments or governmental charges of whatever nature.

Redemption

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

- (a) mandatory redemption in whole on the Interest Payment Date falling on 16 August 2054 (the **Final Maturity Date**), as fully set out in Condition 7.1 (*Redemption at Maturity*);
- (b) mandatory redemption in part on any Interest Payment Date commencing on the first Interest Payment Date but prior to the service of a Note Acceleration Notice subject to availability of Available Principal Receipts (to the extent not used to credit the Liquidity Reserve Fund, if established) which shall be applied in accordance with the Pre-Acceleration Principal Priority of

Payments and, as applicable, the Pre-Acceleration Revenue Priority of Payments;

- (c) optional redemption of the Class A Notes exercisable by the Issuer in whole on the Optional Redemption Date, as fully set out in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*); and
- (d) optional redemption of the Class A Notes exercisable by the Issuer in whole: for tax reasons on any Interest Payment Date following the date on which there is a change in tax law as a result of which the Issuer (in respect of the Class A Notes or an Interest Rate Swap Agreement) or an Interest Rate Swap Provider (in respect of an Interest Rate Swap Agreement) would be required to withhold or deduct an amount of tax from a payment; or certain other changes in law, as fully set out in Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*);

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

Expected Average Lives of the Class A Notes

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

Event of Default

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

- non-payment of interest and/or principal in respect of the Class A Notes
- breach of contractual obligations by the Issuer under the Transaction Documents; and
- certain insolvency events.

Limited Recourse

The Notes are limited recourse obligations of the Issuer, and, if not repaid in full, amounts outstanding are subject to a final write-off, which is described in more detail in Condition 11.4 (*Limited Recourse*).

Governing Law

English law

RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

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

Prior to an Event of Default: Prior to the occurrence of an Event of Default, Noteholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Notes then outstanding are entitled to request that the Note Trustee (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) convene a Noteholders' meeting or participate in a Noteholders' meeting convened by the Issuer or the Note Trustee to consider any matter affecting their interests, although the quorum for any such meeting will be higher (as set out in "*Noteholder Meetings Provisions*" below).

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

Following an Event of Default:

Following the occurrence of an Event of Default, Noteholders may, if they hold not less than 25 per cent. of the Principal Amount Outstanding of the Class A Notes then outstanding or if they pass an Extraordinary Resolution, direct the Note Trustee (subject to being indemnified and/or secured and/or prefunded to its satisfaction) to give a Note Acceleration Notice to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding.

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

Noteholders Meeting provisions:

Notice period:	21 clear days for an initial meeting	10 clear days for an adjourned meeting
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Quorum:	For an initial meeting, 25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding for all Ordinary Resolutions; 50 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding for an Extraordinary Resolution (other than a Basic Terms Modification, which requires 75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding)	Any percentage holding for an adjourned meeting (other than a Basic Terms Modification, which requires 25 per cent. of the Principal Amount Outstanding of the relevant Class of Notes then outstanding)
Required majority:	For initial meetings, 50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per cent. of votes cast for matters requiring Extraordinary Resolution (including a Basic Terms Modification)	For adjourned meetings, 50 per cent. of votes cast for matters requiring Ordinary Resolution and 75 per cent. of votes cast for matters requiring Extraordinary Resolution (including a Basic Terms Modification)
Written Resolution:	75 per cent. in aggregate of the Principal Amount Outstanding of the relevant class of Notes then outstanding. A Written Resolution has the same effect as an Extraordinary Resolution.	
Electronic Consents:	Noteholders may also pass an Extraordinary Resolution by way of electronic consents communicated through the electronic communications systems of the clearing system(s) to the Principal Paying Agent or another specified agent and/or the Note Trustee in accordance with the operating rules and procedures of the relevant clearing system(s) (Electronic Consents). Such consents are required from Noteholders of not less than 75 per cent. in aggregate Principal Amount Outstanding of the relevant class of Notes then	

outstanding for matters requiring Extraordinary Resolutions. A resolution passed by such means has the same effect as an Extraordinary Resolution.

Extraordinary Resolution means:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a majority consisting of not less than three-quarters of the votes cast; or
- (b) (i) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of any Class of the Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of such Class, or (ii) where the Class A Notes are held on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Issuer or the Note Trustee (as the case may be) given by way of electronic consents communicated through the electronic communication systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters in aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

Ordinary Resolution means

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and the Conditions by a clear majority; or
- (b) a resolution in writing signed by or on behalf of the Noteholders of not less than a clear majority in aggregate Principal Amount Outstanding of the relevant Class of Notes, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.

**Matters requiring
Extraordinary Resolution:**

Broadly speaking, the following matters require an Extraordinary Resolution:

- (a) to approve any Basic Terms Modification;
- (b) to approve the substitution of any person for the Issuer as principal obligor under the Notes;
- (c) to approve or assent to any modification of the provisions contained in the Notes, the Conditions or the Trust Deed or any other Transaction Document;
- (d) to waive any breach or authorise any proposed breach by the Issuer of its obligations under the Notes or any Transaction Document or any act or omission which might otherwise constitute

an Event of Default under the Notes;

- (e) to remove the Note Trustee and/or the Security Trustee;
- (f) to approve the appointment of a new Note Trustee and/or Security Trustee;
- (g) to authorise the Note Trustee or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (h) to discharge or exonerate the Note Trustee from any liability in respect of any act or omission for which it may become responsible under the Trust Deed or the Notes;
- (i) to give any other authorisation or approval which under the Trust Deed or the Notes or any other Transaction Document is required to be given by Extraordinary Resolution; and
- (j) to appoint any persons as a committee to represent the interests of the Noteholders and to convey upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

See Condition 12 (*Meetings of Noteholders, Modification, Waiver and Substitution*) for more detail.

**Right of modification without
Noteholder consent**

Pursuant to and in accordance with the detailed provisions of Condition 12.5 (*Additional Right of Modification*), the Note Trustee and/or the Security Trustee (as the case may be) shall be obliged, without any consent of the Noteholders, to concur with the Issuer in making any modification (other than a Basic Terms Modification) to the Conditions and/or any Transaction Document or enter into any new, supplemental or additional documents for the purposes of:

- (a) enabling the Issuer to comply with any requirements which apply to it under EMIR;
- (b) complying with, or implementing or reflecting, any change in criteria of the Rating Agencies;
- (c) complying with any changes in the requirements of Article 405 of the CRR or any other risk retention legislation, regulations or official guidance;
- (d) enabling the Class A Notes to be (or to remain) listed on the Irish Stock Exchange;
- (e) enabling the Issuer or any other Transaction Party to comply with FATCA; or
- (f) complying with any changes in the requirements of the CRA Regulation.

Other than in respect of (a) above, the Issuer must provide at least 30 days' notice to Noteholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes. If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have notified the Issuer in writing that such Noteholders do not consent to the modification then such modification will not be made unless passed by an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver*).

**Relationship between
Classes of Noteholders:**

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

A Basic Terms Modification requires an Extraordinary Resolution of the relevant affected Classes of Notes.

**Relationship between
Noteholders and other
Secured Creditors:**

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

**Provision of Information to
the Noteholders:**

The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the YBS website at www.ybs.co.uk on or around the end of each calendar month and as such will be available to the Class A Noteholders and the Interest Rate Swap Provider. The website and the contents thereof do not form part of this Prospectus.

**Communication with
Noteholders:**

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

- so long as the Notes are held in the Clearing Systems, by delivery to the relevant Clearing System for communication by it to Noteholders; or
- so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange.

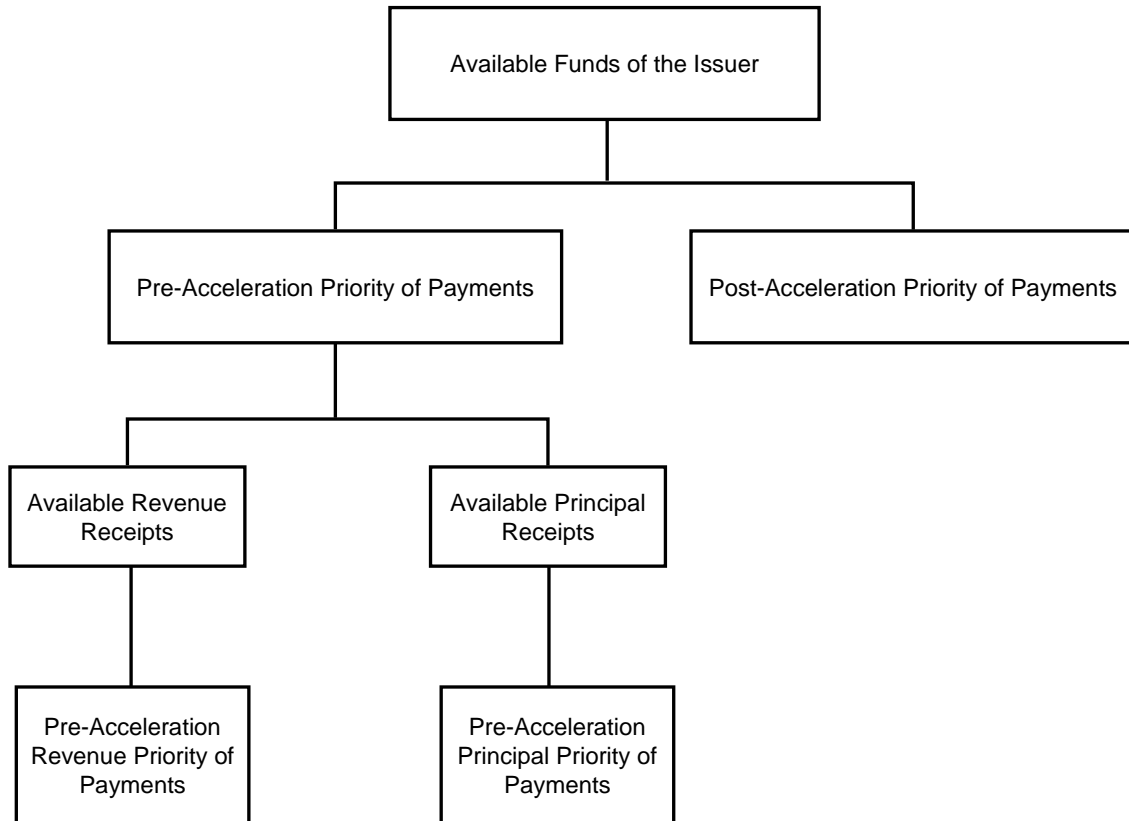
The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

Notices to the Class Z VFN Holder will be sent to it by the Issuer to the fax number or email address notified to the Issuer from time to time in writing.

See Condition 15 (*Notice to Noteholders*) for more detail.

TRANSACTION OVERVIEW - CREDIT STRUCTURE AND CASHFLOW

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



Available Funds of the Issuer:

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

Available Revenue Receipts means, for each Interest Payment Date, an amount equal to the aggregate of (without double counting):

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral Account) and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Interest Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) Excess Swap Collateral or Swap Collateral (except to the extent that the value of such Swap Collateral

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

- (d) other net income of the Issuer received during the immediately preceding Collection Period (excluding any Principal Receipts);
- (e) amounts credited to the GIC Account on the immediately preceding Interest Payment Date in accordance with item (m) of the Pre-Acceleration Revenue Priority of Payments;
- (f) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (Determinations and Reconciliation);
- (g) any amounts deemed to be Available Revenue Receipts in accordance with item (e) of the definition of Available Principal Receipts;
- (h) the amounts standing to the credit of the General Reserve Ledger as at the last day of the immediately preceding Collection Period;

less

- (i) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
 - (iii) payments by the Borrower of any fees (including Early Repayment Fees) and other charges which are due to the Seller; and
 - (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

(items within (i) of the definition of Available Revenue Receipts being collectively referred to herein as **Third Party Amounts**). Third Party

Amounts may be deducted by the Cash Manager on a daily basis from the GIC Account, to make payment to the persons entitled thereto except where such payments have already been provided for elsewhere;

plus

- (j) on the Interest Payment Date on which the Class A Notes are fully repaid or otherwise redeemed in full, any amounts standing to the credit of the General Reserve Fund (to the extent not utilised on such Interest Payment Date pursuant to item (h) above);

plus

- (k) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (i) plus (j) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, the amount then standing to the credit of the Liquidity Reserve Fund (if established) and available to be drawn to the extent necessary to pay such Revenue Deficiency;

plus

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

plus

- (m) following repayment of the Notes in full, amounts deemed to be Available Revenue Receipts in accordance with item (d) of the Pre-Acceleration Principal Priority of Payments.

Available Principal Receipts means for any Interest Payment Date an amount equal to the aggregate of (without double counting):

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date (i) received by the Issuer during the immediately preceding Collection Period (minus (A) an amount equal to the aggregate of all Further Advance Purchase Prices paid by the Issuer in such Collection Period (but excluding from this deduction any Further Advance Purchase Prices paid by the Issuer on an Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date)) and (B) an amount equal to the aggregate of all Further Advance Purchase Prices to be paid by the Issuer on that Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date) but in an aggregate amount not exceeding all such Principal Receipts) and (ii) received by the Issuer from the Seller (or, as applicable, YBS or one of its subsidiaries) during the immediately

preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller (or, as applicable, YBS or one of its subsidiaries) pursuant to the Mortgage Sale Agreement;

- (b) the amount standing to the credit of the Liquidity Reserve Fund (if established) (to the extent not utilised on such Interest Payment Date pursuant to item (k) of the definition of Available Revenue Receipts);
- (c) (in respect of the first Interest Payment Date only) the amount paid into the GIC Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;
- (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);

less

- (e) an amount equal to the aggregate of the SVR Contractual Difference Amounts in relation to the SVR Loans, which such amounts shall be deemed to be Available Revenue Receipts (and which such amounts shall not, for the avoidance of doubt, incur entries in the Principal Deficiency Ledger);

less

- (f) any amounts utilised to pay a Revenue Deficiency pursuant to item (l) of the definition of Available Revenue Receipts;

plus

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

Summary of Priority of Payments

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

Pre-Acceleration Revenue Priority of Payments:	Pre-Acceleration Principal Priority of Payments:	Post-Acceleration Priority of Payments:
(a) Amounts due in respect of the Note Trustee and Security Trustee fees, costs and expenses	(a) Following the date on which YBS ceased to be assigned a long-term unsecured, unguaranteed	(a) Amounts due in respect of the Receiver, the Note Trustee and the Security Trustee fees,

		and unsubordinated debt obligation rating by (b)	costs and expenses
(b)	Amounts due in respect of the fees, costs and expenses of the Agent Bank, Paying Agents, Swap Collateral Account Bank, Corporate Services Provider, Class Z VFN Registrar and Account Bank	Moody's of at least Baa2 or a long term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2, amounts to be credited to the Liquidity Reserve Fund	(b) Amounts due in respect of the fees, costs and expenses of the Agent Bank, Paying Agents, Swap Collateral Account Bank, Corporate Services Provider, Class Z VFN Registrar, and Account Bank
(c)	Third party expenses		
(d)	Amounts due in respect of the fees and costs of the Servicer, Back-Up Servicer Facilitator and Cash Manager	(b) Principal amounts due on the Class A Notes until the Principal Amount Outstanding of the Class A Notes has been reduced to zero	(c) Amounts due in respect of the fees and costs of the Servicer, Cash Manager and the Back-Up Servicer Facilitator
(e)	Amounts due to the Interest Rate Swap Provider (excluding any Interest Rate Swap Excluded Termination Amounts)	(c) Principal amounts due on the Class Z VFN	(d) Amounts due to the Interest Rate Swap Provider (excluding any Interest Rate Swap Excluded Termination Amounts)
(f)	Interest due on the Class A Notes	(d) Amounts to be applied as Available Revenue Receipts	
(g)	Amounts to be credited to the Class A Principal Deficiency Ledger		(e) Interest and principal amounts due on the Class A Notes
(h)	Amounts to be credited to the General Reserve Ledger		(f) Amounts due in respect of principal and interest on the Class Z VFN
(i)	Amounts to be credited to the		(g) Interest Rate

	Class Z VFN Principal Deficiency Ledger		Swap Excluded Termination Amounts
(j)	Interest due on the Class Z VFN	(h)	Issuer Profit Amount
(k)	Issuer Profit Amount	(i)	Deferred Consideration
(l)	Interest Rate Swap Excluded Termination Amounts		
(m)	If such Interest Payment Date falls within a Determination Period, then the excess (if any) to the GIC Account		
(n)	Principal amounts due on the Class Z VFN (so long as no Class A Notes remain outstanding)		
(o)	Deferred Consideration		

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

- availability of the **General Reserve Fund**, which will be deposited in the GIC Account and will be funded on the Closing Date by the Class Z VFN up to the General Reserve Required Amount from a portion of the proceeds of the Class Z VFN Holder's subscription of the Class Z VFN. Monies standing to the credit of the General Reserve Fund will be used as Available Revenue Receipts on each Interest Payment Date. After the Closing Date, the General Reserve Fund will be replenished up to the General Reserve Required Amount on each Interest Payment Date from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments (see section "*Credit Structure – General Reserve Fund and General Reserve Ledger*" for further details);
- following the date on which YBS ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by

Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2, availability of the Liquidity Reserve Fund funded by the Available Principal Receipts up to the Liquidity Reserve Fund Required Amount which will be applied as Available Revenue Receipts to the extent necessary to pay senior expenses and interest payments on the Class A Notes in accordance with the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date. The Liquidity Reserve Fund will be deposited in the GIC Account and will be funded from time to time up to the Liquidity Reserve Fund Required Amount following the date on which YBS ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2 from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount drawn from the Liquidity Reserve Fund on that date (if any). The Liquidity Reserve Fund will be applied by the Issuer as Principal Receipts on the earlier of the Interest Payment Date falling on or prior to the Final Maturity Date and the date on which all Class A Notes have been redeemed in full (see section "*Credit Structure – Liquidity Reserve Fund and Liquidity Reserve Ledger*" for further details);

- a Principal Deficiency Ledger will be established for each Class of Notes to record the notional principal losses corresponding to each Class of Notes in reverse sequential order. Available Revenue Receipts will be applied in accordance with the relevant Priority of Payment to make up the relevant Principal Deficiency Ledger in sequential order (see section "*Credit Structure – Principal Deficiency Ledgers*" for further details);
- availability of guaranteed investment rate provided by the GIC Provider in respect of monies held in the GIC Account (see section "*Credit Structure – GIC Account*" for further details);
- the application in certain circumstances of Principal Receipts to provide for any Revenue Deficiency in the Available Revenue Receipts (see section "*Credit Structure – Use of Principal Receipts to pay Revenue Deficiency*" for further details);
- the reallocation of any SVR Contractual Difference Amounts from Available Principal Receipts to Available Revenue Receipts (see section "*Credit Structure – Use of Principal Receipts in the event of any SVR Contractual Difference Amounts*" for further details).
- availability of a Fixed Interest Rate Swap provided by the Interest Rate Swap Provider to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest payable on the Notes (see section "*Credit Structure – Interest Rate Risk for the Notes*" for further details);

Bank Accounts

The Issuer will enter into the Bank Account Agreement with the Account Bank

on the Closing Date in respect of the Transaction Account and the GIC Account and any additional accounts to be established by the Issuer pursuant to the Bank Account Agreement.

The Issuer will enter into the Swap Collateral Account Bank Agreement with the Swap Collateral Account Bank on the Closing Date in respect of the Swap Collateral Account and any additional accounts to be established by the Issuer pursuant to the Swap Collateral Account Bank Agreement (the Transaction Account, together with the GIC Account, the Swap Collateral Account and any additional accounts established by the Issuer pursuant to the Bank Account Agreement or the Swap Collateral Account Bank Agreement, the **Bank Accounts**).

Collections of revenue and principal in respect of the Loans in the Portfolio are received by the Seller in its collection account(s). The Seller (and, where relevant, the Servicer) is obliged to transfer collections in respect of the Loans in the Portfolio to the GIC Account from the collection account(s) on a daily basis.

Cash Management

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the GIC Account, the Swap Collateral Account or the Transaction Account (as the case may be). In addition, the Cash Manager will:

- (a) provide the Issuer, the Security Trustee, the Seller and the Rating Agencies with a monthly investor report (the **Investor Report**) setting out certain aggregated loan data in relation to the Portfolio within 10 Business Days of each Monthly Pool Date, with such Investor Report being published on the following website: www.ybs.co.uk on or around the end of each calendar month and as such will be available to the Class A Noteholders and the Interest Rate Swap Provider. The website and the contents thereof do not form part of this Prospectus;
- (b) calculate the Available Revenue Receipts and Available Principal Receipts of the Issuer;
- (c) apply, or cause to be applied, Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;
- (d) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Acceleration Priority of Payments;
- (e) record credits to, and debits from, the General Reserve Ledger, the Revenue Ledger, the Issuer Profit Ledger, the Principal Deficiency Ledger, the Principal Ledger and the Liquidity Reserve Ledger as and when required;

- (f) make payments of the consideration for a Further Advance to the Seller;
- (g) make a drawing under the Class Z VFN as required, including, without limitation, any drawing required to fund the Further Advance Purchase Price;
- (h) make any determinations required to be made by the Issuer under the Interest Rate Swap Agreement;
- (i) establish one or more Swap Collateral Accounts with the Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement and credit all Swap Collateral to the relevant Swap Collateral Account;
- (j) make any determinations and calculations in respect of the Reconciliation Amount, if necessary;
- (k) where applicable, invest amounts standing to the credit of the GIC Account in Authorised Investments;
- (l) reallocate any SVR Contractual Difference Amounts from Available Principal Receipts to Available Revenue Receipts;
- (m) if, in relation to any proposed action, it is required to certify to the Note Trustee and the Security Trustee that such action would not have an adverse effect on the rating of the Class A Notes, it will promptly notify the Rating Agencies of such action and put itself in a position to provide the necessary certification;
- (n) on behalf of the Issuer, perform any portfolio reconciliation and dispute resolution risk mitigation techniques and carry out the reporting requirements required by EMIR; and
- (o) on behalf of the Issuer, carry out the information disclosure requirements set out in Article 15 of Regulation (EU) 2015/2365 (**SFTR**) in relation to any relevant collateral arrangement (as defined in the SFTR) entered into by the Issuer, and any ancillary activities to such information disclosure requirements.

Summary of key Fixed Interest Rate Swap Terms

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

Payments received by the Issuer under certain of the Loans will be subject to fixed rates of interest. The interest amounts payable by the Issuer in respect of the Notes will be calculated by reference to Three-Month Sterling LIBOR. Pursuant to the Interest Rate Swap Agreement the Issuer will enter into a swap to hedge against the possible variance between the fixed rates of interest received on the Fixed Rate Loans in the Portfolio and the rates of interest

payable on the Notes (the **Fixed Interest Rate Swap**).

The Fixed Interest Rate Swap has the following key commercial terms:

Fixed Rate Notional Amount: in respect of any calendar month will be an amount in Sterling equal to the lesser of (A) the product of (i) the aggregate Current Balance of the Fixed Rate Loans in the Portfolio on the last calendar day of that calendar month and (ii) the applicable Performance Ratio on the last calendar day of that calendar month and (B) the relevant maximum Fixed Rate Notional Amount specified in the annex to the Fixed Interest Rate Swap.

The Fixed Rate Notional Amount will reduce to zero when the Class A Notes are redeemed in full.

Issuer payment: for each Interest Period falling prior to the termination date of the Fixed Interest Rate Swap, the sum, for each calendar month ending in that Interest Period, of the amounts produced by applying the weighted average of the fixed rates of interest charged in respect of the Fixed Rate Loans as of the last calendar day of each such calendar month to the Fixed Rate Notional Amount for each such calendar month and multiplying the resulting amount by the applicable day count fraction specified in the Fixed Interest Rate Swap, provided that in respect of the first calendar month, such amount shall be zero.

Interest Rate Swap Provider payment: for each Interest Period falling prior to the termination date of the Fixed Interest Rate Swap, the sum, for each calendar month ending in that Interest Period, of the amounts produced by applying a rate equal to Three-Month Sterling LIBOR (or in respect of the calendar months ending in the first Interest Period and May 2027, the linear interpolation of the relevant Sterling LIBOR rates) plus 1.825 per cent. for the relevant Interest Period to the Fixed Rate Notional Amount for each such calendar month and multiplying the resulting amount by the applicable day count fraction specified in the Fixed Interest Rate Swap.

Frequency of payment: each Interest Payment Date.

Termination Date: the earlier of (i) 31 May 2027, (ii) the date on which all of the Class A Notes are redeemed in full, and (iii) the date on which the Security Trustee has enforced the security over the Class A Notes and distributed the proceeds thereof in full.

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

TRANSACTION OVERVIEW - TRIGGERS TABLES

Rating Triggers Table

<u>Transaction Party</u>	<u>Required Ratings</u>	<u>Contractual requirements on occurrence of breach of ratings trigger include the following:</u>
Cash Manager	<p>Ceasing to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr) (or (i) such other lower risk assessment which is consistent with the then current methodology of Moody's or (ii) such other lower risk assessment that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower risk assessment as the Note Trustee may (but shall not be obliged to) agree).</p>	<p>Under the Cash Management Agreement the Cash Manager shall, within 60 days, use best efforts to appoint a back-up cash manager which meets the requirements for a substitute cash manager provided for by the Cash Management Agreement.</p>
Seller	<p>(a) The short-term unsecured, unguaranteed and unsubordinated debt obligation rating of the Seller or (where the Seller does not have an independent rating) YBS falls below P-2 by Moody's or the short-term issuer default rating of the Seller or (where the Seller does not have an independent rating) YBS falls below F-2 by Fitch, respectively as at a Monthly Pool Date (or (i) such other lower rating which is consistent with the then current methodology of the relevant Rating Agency or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes; or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree);</p> <p>(b) The long-term unsecured,</p>	<p>(a) Seller must provide to the Issuer and the Security Trustee a solvency certificate (in form and substance acceptable to the Security Trustee), in accordance with the terms of the Mortgage Sale Agreement.</p> <p>(b) Seller (unless Moody's and/or,</p>

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
	<p>unguaranteed and unsubordinated debt obligation rating of the Seller or (where the Seller does not have an independent rating) YBS falls below Baa3 by Moody's or the long-term issuer default rating of the Seller or (where the Seller does not have an independent rating) YBS falls below BBB- from Fitch (or (i) such other lower rating which is consistent with the then current methodology of the relevant Rating Agency or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree);</p>	<p>as the context may require, Fitch, as applicable, confirms that the current ratings of the Class A Notes will not be adversely affected) will deliver to the Issuer and the Security Trustee details of the names and addresses of the Borrowers with Loans then in the Portfolio, which may be provided in a document stored upon electronic media and a draft letter of notice to such Borrowers of the sale and assignment of those Loans and the Related Security to the Issuer.</p>
	<p>(c) The long-term unsecured, unguaranteed and unsubordinated debt obligation rating of the Seller or (where the Seller does not have an independent rating) falls below Baa3 (or (i) such other lower risk assessment which is consistent with the then current methodology of Moody's or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree (in each case, unless Moody's and/or, as the context may require, Fitch, as applicable, confirms that the current ratings of the Class A Notes</p>	<p>(c) Seller shall deliver an update of such information required as mentioned in (b) above to the same parties on a monthly basis thereafter.</p>

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:	
Servicer		will not be adversely affected)).	
		<p>(a) Ceasing to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr) (or (i) such other lower risk assessment which is consistent with the then current methodology of Moody's or (ii) such other lower risk assessment that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower risk assessment as the Note Trustee may (but shall not be obliged to) agree);</p> <p>(b) Ceasing to be assigned a long-term issuer default rating by Fitch of at least BBB- (or (i) such other lower rating which is consistent with the then current rating methodology of Fitch or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree).</p>	<p>(a) Servicer, with the assistance of the Back-Up Servicer Facilitator, shall, within 60 days, use reasonable endeavours to enter into a back-up servicing agreement with a back-up servicer with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require, subject to and in accordance with the Servicing Agreement;</p> <p>(b) The Servicer shall, with the assistance of the Back-Up Servicer Facilitator within 60 days, use reasonable endeavours to enter into a back-up servicing agreement with a back-up servicer with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require, subject to and in accordance with the Servicing Agreement.</p>
Interest Rate Swap Provider		For as long as the Class A Notes are rated Aaa (sf) by Moody's and AAA sf by Fitch respectively:	
		<p>(a) (i) either the counterparty risk assessment of the Interest Rate Swap Provider must be rated at least A3(cr) by Moody's or the long-term, unsecured and unsubordinated debt or counterparty obligations of the Interest Swap Provider</p>	<p>(a) The consequences of breach of the First Required Ratings include the requirement to provide collateral (within 14 calendar days of breach if such breach is in respect of the rating by Fitch or within 30 Local Business Days (as defined in the Interest Rate Swap Agreement) of breach if such breach is</p>

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
	must be rated A3 or above by Moody's; and (ii) the short-term issuer default rating of the Interest Rate Swap Provider must be rated at least F1 or the long-term issuer default rating or, if assigned, the derivative counterparty rating of the Interest Rate Swap Provider must be at least A by Fitch (the First Required Ratings); and	in respect of the risk assessment by Moody's), replace the Interest Rate Swap Provider (within 30 calendar days of breach), or procure another person to become co-obligor or guarantor of such Interest Rate Swap Provider's obligations or take such action (or inaction) that would result in the rating of the Class A Notes being maintained at, or restored to, the level it would have been at prior to breach (within 30 calendar days of breach).
	(b) if the Interest Rate Swap Provider breaches the First Required Ratings, but complies with the relevant contractual requirements that apply on the occurrence of such breach, then (i) if such breach is in respect of the relevant Moody's required risk assessment, then either the counterparty risk assessment of the Interest Rate Swap Provider must be rated at least Baa1(cr) by Moody's or the long-term, unsecured and unsubordinated debt or counterparty obligations of the Interest Rate Swap Provider must be rated Baa1 or above by Moody's; and (ii) if such breach is in respect of the relevant Fitch required ratings, then the short-term issuer default rating of the Interest Rate Swap Provider must be at least F3 or the long-term issuer default rating or, if assigned, the derivative counterparty rating of the Interest Rate Swap Provider must be at least BBB- by Fitch (the Secondary Ratings Criteria).	(b) The consequences of breach of the Secondary Ratings Criteria include the requirements to (i) replace the Interest Rate Swap Provider, procure another person to become co-obligor or guarantor of such Interest Rate Swap Provider's obligations or take such action (or inaction) that would result in the rating of the Class A Notes being maintained at, or restored to, the level it would have been at prior to breach of the Secondary Ratings Criteria and (ii) pending such replacement or procurement of another person to become guarantor or co-obligor or other action, provide collateral.
	If the Class A Notes are downgraded, the required ratings of the Interest Rate Swap Provider may be lower.	If none of the remedial measures set out in (a) or (b) above is taken within the timeframes stipulated in the Interest Rate Swap Agreement, such Interest

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
Account Bank and GIC Provider	A short-term issuer default rating of at least F1 or a long-term issuer default rating of at least A by Fitch and a long-term bank deposit rating of at least A3 by Moody's (or (i) such other rating which is consistent with the then current rating methodology of the relevant Rating Agency or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree).	Rate Swap Agreement may be terminated early and a termination payment may become payable either by the Issuer or the Interest Rate Swap Provider. The consequences of breach are that the Issuer will be required (within 30 calendar days) to arrange for the transfer (at its own cost) of the Transaction Account and the GIC Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement in order to maintain the ratings of the Notes at their then current ratings unless the Account Bank has arranged a guarantee of its obligations by a suitably rated third party. Any termination of the appointment of the Account Bank will not occur until a replacement has been appointed.
Swap Collateral Account Bank:	A short-term issuer default rating of at least F1 or a long-term issuer default rating of at least A by Fitch and a long-term bank deposit rating of at least A3 by Moody's (or (i) such other rating which is consistent with the then current rating methodology of the relevant Rating Agency or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree).	The consequences of breach are that the Issuer will be required (within 30 calendar days) to arrange for the transfer (at its own cost) of the Swap Collateral Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Swap Collateral Account Bank Agreement in order to maintain the ratings of the Notes at their then current ratings unless the Swap Collateral Account Bank has arranged a guarantee of its obligations by a suitably rated third party. Any termination of the appointment of the Swap Collateral Account Bank will not occur until a replacement has been appointed.
YBS (in respect of the Liquidity Reserve Fund)	Long-term unsecured, unsubordinated and unguaranteed debt obligation rating of YBS ceases to be rated at least Baa2 by Moody's or the long-term issuer default rating of YBS ceases to	The Issuer will establish the Liquidity Reserve Fund as funded by Available Principal Receipts.

Transaction Party	Required Ratings	Contractual requirements on occurrence of breach of ratings trigger include the following:
	be at least BBB by Fitch or the short-term issuer default rating ceases to be at least F2 by Fitch.	

Non-Rating Triggers Table

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of ratings trigger include the following:
Servicer Termination Event See the section entitled " <i>Summary of the Key Transaction documents – The Servicing Agreement</i> " for further information.	The occurrence of any of the following:	
	(a) the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty (30) Business Days after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;	(a) Following the occurrence of Servicer Termination Event the Issuer may terminate the appointment of the Servicer under the Servicing Agreement. The Servicer may also resign its appointment on no less than 12 months' written notice to, among others, the Issuer and the Security Trustee with a copy being sent to the Rating Agencies provided that a substitute servicer qualified to act as such under the FSMA and the CCA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement.
	(b) the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, and the Servicer does not remedy that failure within thirty (30) Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Servicer's non-compliance to be remedied;	(b) The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Notes unless the Noteholders agree otherwise by Extraordinary Resolution.
	(c) a third party becomes obliged to undertake the servicing of	

Nature of Trigger	Description of Trigger	Contractual requirements on occurrence of breach of ratings trigger include the following:
	the Loans (other than as master servicer), pursuant to any back-up servicing agreement contemplated under the Servicing Agreement; or	
	(d) an Insolvency Event occurs in relation to the Servicer.	

TRANSACTION OVERVIEW - FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing Fees	For so long as YBS (or any member of the YBS Group) is the Servicer, 0.08 per cent. per annum (inclusive of VAT, if any) on the aggregate Current Balance of the Loans in the Portfolio as determined on the preceding Calculation Date (if a substitute servicer from outside the YBS Group is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the successor servicer for its services a fee to be determined at the time of such appointment)	Ahead of all outstanding Notes	Quarterly in arrears on each Interest Payment Date
Cash management fee	For so long as YBS (or any member of the YBS Group) is the Cash Manager, 0.01 per cent. per annum (inclusive of VAT, if any) on the aggregate Current Balance of the Loans in the Portfolio as determined on the last day of the calendar month before the preceding Calculation Date (if a replacement cash manager from outside the YBS Group is appointed in accordance with the terms of the Cash Management Agreement, the Issuer shall pay the replacement cash manager for its services a fee to be determined at the time of	Ahead of all outstanding Notes	Quarterly in arrears on each Interest Payment Date

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
	such appointment).		
Other fees and expenses of the Issuer	Estimated at £35,000 each year (exclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrears on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at €5,290 (exclusive of any applicable VAT)		On or about the Closing Date

The standard rate of UK VAT is currently chargeable at 20.0 per cent.

RISK RETENTION REQUIREMENTS

Accord, as originator, will retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of each of Article 405(1) of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Regulation (which, in each case, does not take into account any relevant national measures). As at the Closing Date, such interest will be comprised of an interest in the first loss tranche as required by the text of paragraph (d) of Article 405(1) of the CRR, the text of paragraph (d) of Article 51(1) of the AIFMR and the text of paragraph (d) of Article 254(2) of the Solvency II Regulation. Such retention requirement will be satisfied by Accord holding the Class Z VFN. Any change to the manner in which such interest is held will be notified to the Note Trustee and the Noteholders.

As to the information made available to prospective investors by the Issuer, reference is made to the information set out herein and forming part of this Prospectus and, after the Closing Date, to the monthly investor reports (a general description of which is set out in "*Summary of the Key Transaction Documents – Cash Management Agreement*"). Further information in respect of individual loan level data may be obtained on the following website: www.ybs.co.uk. The website and the contents thereof do not form part of this Prospectus.

Accord has provided a corresponding undertaking with respect to (i) the provision of such investor information specified in the paragraph above; (ii) the interest to be retained by Accord to the Arranger, the Joint Lead Managers and YBS (in its capacity as initial note purchaser) in the Subscription Agreement and to the Issuer, the Interest Rate Swap Provider, the Security Trustee and the Note Trustee in the Deed of Charge and (iii) the disclosure obligations imposed on sponsor and originator credit institutions under Article 409 of the CRR (subject always to any requirement of law, provided that Accord will not be in breach of such undertaking if Accord fails to so comply due to events, actions or circumstances beyond Accord's control).

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with each of Part Five of the CRR (including Article 405 of the CRR), Section Five of Chapter III of the AIFMR (including Article 51 of the AIFMR), Chapter VIII of Title I of the Solvency II Regulation (including Article 254) and any national measures which may be relevant and none of the Issuer, Accord (in its capacity as the Seller), YBS (in its capacities as the Servicer or the Cash Manager) nor the Arranger or either Joint Lead Manager makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes.

For further information on the requirements referred to above and the corresponding risks, please refer to the Risk Factor entitled "*Regulatory initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes*".

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Portfolio

Under the Mortgage Sale Agreement (the **Mortgage Sale Agreement**), on the Closing Date the Issuer will pay the Initial Consideration to the Seller and a portfolio of English and Welsh residential mortgage loans and their associated mortgages (the **Mortgages**) and other Related Security will be assigned by way of equitable assignment to the Issuer (which is referred to as the sale by the Seller to the Issuer of the Loans and Related Security). The Loans and Related Security and all monies derived therefrom from time to time are referred to herein as the **Portfolio**. The "Loans" and "Related Security" are further defined in the section entitled "*Transaction Overview – Portfolio and Servicing*".

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

- (a) an amount equal to the Current Balance of the Loans in the Portfolio on the calendar day immediately preceding the Closing Date (the **Initial Consideration**); and
- (b) a covenant by the Issuer to pay any Deferred Consideration.

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

Deferred Consideration means the consideration due and payable to the Seller pursuant to the Mortgage Sale Agreement in respect of the sale of the Portfolio, which shall be an amount equal to the amount remaining after making payment of (as applicable):

- (a) the items described in (a) to (n) inclusive of the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date; or
- (b) the items described in (a) to (h) inclusive of the Post-Acceleration Priority of Payments.

Consideration means the Initial Consideration and the Deferred Consideration.

Title to the Mortgages, Registration and Notifications

The completion of the transfer of the Loans and Related Security (and where appropriate their registration) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not be given to any Borrower until the occurrence of a Perfection Event.

The transfers to the Issuer will be completed on or before the twentieth Business Day after the earliest to occur of the following:

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

- (c) the security under the Deed of Charge or any material part of that security being, in the opinion of the Security Trustee, in jeopardy and the Security Trustee being required by the Note Trustee (on behalf of the Noteholders) so long as any Notes are outstanding or the other Secured Creditors if no Notes are then outstanding to take action to reduce that jeopardy; or
- (d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or
- (e) the occurrence of a Seller Insolvency Event,

(each of the events set out in paragraphs (a) to (e) inclusive being a **Perfection Event**).

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

- (a) an order is made or an effective resolution passed for the winding up of the Seller; or
- (b) the Seller stops or threatens to stop payment to its creditors generally or the Seller ceases or threatens to cease to carry on its business or substantially the whole of its business; or
- (c) an encumbrancer takes possession or a receiver, administrator, administrative receiver or other similar officer is appointed to the whole or any material part of the undertaking, property and assets of the Seller or a distress, diligence or execution is levied or enforced upon or sued out against the whole or any material part of the chattels or property of the Seller and, in the case of any of the foregoing events, is not discharged within 30 days; or
- (d) the Seller is unable to pay its debts as they fall due.

The title deeds and customer files relating to the Portfolio are currently held by or to the order of the Seller. The Seller will undertake that all the title deeds and customer files relating to the Portfolio which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs or following the occurrence of an Event of Default, to the order of the Security Trustee.

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

Eligibility Criteria

The sale of Loans and their Related Security to the Issuer on the Closing Date and the making of a Further Advance, Product Switch or Tested Underpayment Option on any date will be subject to the condition (the **Eligibility Criterion**) that no Event of Default shall have occurred which is continuing as at the relevant date.

If the Eligibility Criterion is breached as at the Closing Date, the Loans will be repurchased by the Seller (or, as applicable, YBS or one of its subsidiaries) in accordance with the terms of the Mortgage Sale Agreement. (See "*Repurchase by the Seller*" below for more details).

If the Seller accepts an application from or makes an offer (which is accepted) to a Borrower for a Further Advance, Product Switch or Underpayment Option which is a Tested Underpayment Option and if the Eligibility Criterion and the other Asset Conditions relating to the Loan subject to that Further Advance, Product Switch or Tested Underpayment Option are not satisfied as at the last day of the Monthly Period in which the relevant Switch Date, Option Date and/or Advance Date occurred, then such Loan will be repurchased by the Seller (or, as applicable, YBS or one of its subsidiaries) in accordance with the provisions of the Mortgage Sale Agreement. (See "*Repurchase by the Seller*" below for more details).

Representations and Warranties

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

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

- (a) in respect of each Loan and its Related Security in the Portfolio, as at the Closing Date;
- (b) in relation to any Further Advance, as at the last day of the Monthly Period in which the relevant Advance Date occurred;
- (c) in relation to each Loan which is subject to a Product Switch, as at the last day of the Monthly Period in which the relevant Switch Date occurred; and
- (d) in relation to each Loan which is subject to an Tested Underpayment Option, as at the last day of the Monthly Period in which the relevant Option Date occurred.

If any of the Loan Warranties are materially breached in respect of a Loan as at the Closing Date or as at the last day of the Monthly Period in which the relevant Advance Date, Switch Date and/or Option Date (as the case may be) occurred, such Loan will be repurchased by the Seller (or, as applicable, YBS or one of its subsidiaries) in accordance with the provisions of the Mortgage Sale Agreement. (See "*Repurchase by the Seller*" below for more details).

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

1. Loans

- (a) The particulars of the Loans set out in the notice attaching or setting out data in respect of the Loans in the Portfolio (the **Portfolio Notice**) are true, complete and accurate in respect of the data fields described in the Schedule to the Portfolio Notice as at the Cut-Off Date and in relation to all Loans the details of such loans as recorded in the computer system of the Seller, to the extent they relate to data fields in the relevant Portfolio Notice, are complete, true and accurate as at the Cut-Off Date.
- (b) Each Loan was originated or purchased by the Seller in the ordinary course of business and was denominated in pounds Sterling upon origination (or was denominated in euro upon origination or acquisition if the euro has been adopted as the lawful currency of the United Kingdom).
- (c) Prior to the making of each Initial Advance and Further Advance, the Lending Criteria and all preconditions to the making of any Loan were satisfied in all material respects (for the avoidance of doubt, including but not limited to that the relevant income certification in relation to Borrowers have been performed on all Loans (except for Fast Track Loans)) subject only to such exceptions and waivers as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- (d) The Lending Criteria are consistent with the criteria that would be used by a Reasonable, Prudent Mortgage Lender.
- (e) Each Loan and its Related Security was made 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.

- (f) At least two monthly payments due in respect of each Loan have been paid by the relevant Borrower.
- (g) The Current Balance on each Loan and its Related Security constitute a legal, valid, binding and enforceable debt due to the Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute valid and binding obligations of the Borrower enforceable in accordance with their terms and non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies.
- (h) The rate of interest under each Loan is charged in accordance with the Standard Documentation, subject to the terms of any offer letter in relation thereto.
- (i) No agreement for any Loan is wholly or partly as defined in section 8(3) of the Consumer Credit Act 1974 as amended, extended or re-enacted from time to time (the **CCA**) or treated as such or, to any extent that any Loan is wholly or partly a regulated agreement or treated as such, the Seller complied in all material respects with all regulatory requirements in respect of the Loan, in particular, without limitation, the provisions under the CCA and the Consumer Credit Sourcebook.
- (j) All of the Borrowers are individuals (and not partnerships) and were aged 18 years or older at the date they executed the relevant Mortgage.
- (k) No Loan has a maturity date falling later than three years earlier than the Final Maturity Date.
- (l) Each Loan and its Related Security is valid, binding and enforceable in accordance with its terms and is non-cancellable except that enforceability may be limited by bankruptcy, insolvency or other similar laws of general applicability affecting the enforcement of creditors' rights generally and the court's discretion in relation to equitable remedies.
- (m) All approvals, consents and other steps necessary to permit a legal or equitable or beneficial transfer, or a transfer of servicing or other disposal as and in the manner contemplated by the Transaction Documents from the Seller to the Issuer, of the Loans and their related Mortgages to be sold under the Mortgage Sale Agreement have been obtained or taken and there is no requirement in order for the transfer to be effective to obtain the consent of the Borrower before, on or after any equitable or beneficial transfer or before any legal transfer of the Loans and their related Mortgages and such transfer or disposal shall not give rise to any claim by the Borrower against the Issuer, the Security Trustee or any of their successors in title or assigns.
- (n) No 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.
- (o) None of the provisions of the Loans have been waived, altered or modified in any way by the Seller other than:
 - (i) any variation agreed with a Borrower to control or manage arrears on a Loan;
 - (ii) any variation in the maturity date of a Loan unless the maturity date is later than three years earlier than the Final Maturity Date;
 - (iii) any variation imposed by statute or as a result of UK government policy changes or initiatives aimed at assisting homeowners (including Borrowers) in meeting payments on their mortgage loans;

- (iv) any variation to the interest rate as a result of the Borrowers switching to a different rate;
- (v) any change to a Borrower under the Loan or the addition of a new Borrower under a Loan or removal of a Borrower;
- (vi) any change in the repayment method of the Loan; or
- (vii) any partial release of security where, after such release, the Loan continues to satisfy the applicable LTV ratio requirements set out in the Rating Agency Tests,

provided that this Loan Warranty (o) does not apply to Product Switches.

- (p) As at 31 October 2016, no Loan was one or more months in arrears.
- (q) So far as the Seller is aware, no Borrower is in breach of any obligation under a Loan other than in respect of Monthly Payments.
- (r) No Loan is a Self-certified Loan or was a Self-certified Loan as at the date of origination of the relevant Loan, a Buy to Let Loan, a New Build Loan, an Offset Loan, an Interest-Only Loan or a Right to Buy Loan.
- (s) No Loan had an Unindexed LTV greater than 90% as at the Cut-Off Date.
- (t) No Loan had an Indexed LTV greater than 90% as at the Cut-Off Date.
- (u) No Borrower had a credit application score of less than 200 in respect of its application for the relevant Mortgage (as determined in accordance with the Seller's origination policies).
- (v) To the best of the Seller's knowledge, no Borrower had ever filed for bankruptcy or been sequestrated or had a county court judgment or court decree entered or awarded against him on or prior to the date they executed the relevant Mortgage.
- (w) No Loan is guaranteed by a third-party guarantor.
- (x) Each Loan has been designated as a prime Loan under the Seller's designated origination policies.
- (y) The Seller is not required to make any future further advances under any Loan (such as with future reserve loans and retention loans).
- (z) To the best of the Seller's knowledge, no Borrower had been in arrears with another mortgage lender at any point during the 12 months prior to the date of such Borrower's Initial Advance under its Loan.

2. Mortgages

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

- (b) Each Mortgage is substantially in the form of the pro forma contained in the Standard Documentation which was applicable at the time the Mortgage was executed.
- (c) The Borrower has good and marketable title to the relevant Property (subject to registration of the title at the Land Registry) free from any encumbrance (except the Mortgage and any subsequent ranking mortgage) which would materially adversely affect such title and, without limiting the foregoing, in the case of a leasehold or long lease Property:
 - (i) the lease cannot be forfeited on the bankruptcy of the tenant;
 - (ii) any requisite consent of the landlord to or notice to the landlord of, the creation of the Related Security has been obtained or given; and
 - (iii) a copy of the consent or notice has been or will be placed with the Title Deeds.

3. The Properties

- (a) All of the Properties are in England or Wales.
- (b) Each Property constitutes a separate dwelling unit and is either freehold or leasehold.
- (c) In relation to each Mortgage, every person who, at the date upon which the relevant Loan was made, had attained the age of seventeen and who had been notified to the Seller as residing or being about to reside in a Property subject to a Mortgage, is either the relevant Borrower or has signed a Deed of Consent.
- (d) As far as the Seller is aware, no Property has been let by the Borrower otherwise than by way of:
 - (i) an assured shorthold tenancy which meets the requirements of Section 19A or Section 20 of the Housing Act 1988; or
 - (ii) an assured tenancy,
 in each case which meets the Seller's Policy in connection with lettings to non-owners.
- (e) No Loan relates to a Property which is not a residential Property.

4. Valuers' and Solicitors' Reports

- (a) The Seller has not agreed to waive any of its rights against any valuer, solicitor or licensed or qualified conveyancer or other professional who has provided information, carried out work or given advice in connection with any Loan or Related Security.
- (b) Prior to the granting of each Mortgage, the Seller received a Valuation Report from a Valuer on the relevant Property (or such other form of valuation as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender.
- (c) Prior to making a Loan to a Borrower, the Seller:
 - (i) caused its approved solicitors or approved conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions and enquiries which a Reasonable, Prudent Mortgage Lender or its solicitors normally make when lending to an individual on the security of residential property in England and Wales; and

- (ii) received a certificate of title from approved solicitors or approved conveyancers relating to such Property and the results thereof were such as would be acceptable to a Reasonable, Prudent Mortgage Lender in order to proceed with the Loan.

5. Buildings Insurance

Each Property is insured (from the date of completion of the relevant Loan):

- (i) under the Third Party Buildings Policies;
- (ii) against all risks usually covered by a Reasonable, Prudent Mortgage Lender in England and Wales, advancing money on the security of residential property; and
- (iii) to an amount not less than the full reinstatement cost as determined by the relevant valuer.

6. The Seller's Title

- (a) Immediately prior to the purchase of any Loan and the Related Security by the Issuer, and subject to registration or recording at the Land Registry, the Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits in relation to the Loans and Related Security agreed to be sold and/or assigned and/or held in trust by the Seller to or for the Issuer pursuant to the Mortgage Sale Agreement free and clear of all Security Interests, claims and equities (including, without limitation, rights of set-off or counterclaim and unregistered dispositions which override first registration and unregistered interests which override registered dispositions (as listed in Schedule 1 and Schedule 3 respectively of the Land Registration Act 2002) subject in each case only to the Mortgage Sale Agreement and the Borrower's equity of redemption and the Seller is not in breach of any covenant or warranty implied by reason of its selling the Portfolio with full title guarantee (or which would be implied if the relevant Land Registry transfers were completed and registered).
- (b) All steps necessary to perfect the Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay.
- (c) The Loan Files relating to each of the Loans and their Related Security are held by, or are under the control of:
 - (i) the Seller; or
 - (ii) the relevant Servicer.
- (d) Neither the entry by the Seller into the Mortgage Sale Agreement nor any transfer, assignment, or creation of trust contemplated by the Mortgage Sale Agreement affects or will adversely affect any of the Loans and their Related Security and the Seller may freely assign and enter into trust arrangements in respect of all its rights, title, interests and benefits therein as contemplated in the Mortgage Sale Agreement without breaching any term or condition applying to any of them.
- (e) The Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan or its Related Security, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make on a case by case basis.

7. Interest Rates payable under the Loans

- (a) Each Loan in the Portfolio is either:
 - (i) a SVR Loan or a Fixed Rate Loan; or
 - (ii) a New Loan Type which will not result in the then current ratings of the Class A Notes being downgraded, withdrawn or qualified.

8. Regulation

- (a) In respect of any Mortgages entered into after 31 October 2004, the Seller was authorised by and had permission from the UK Regulator for entering into regulated mortgage contracts as lender at the time that it entered into each such Mortgage and continues to be so authorised and hold such permission.
- (b) From and including 31 October 2004 the Seller is authorised by and had permission from the UK Regulator for conducting any other regulated activities (as set out in the FSMA (Regulated Activities) Order 2001, as amended (the **Order**)) in respect of a Regulated Mortgage Contract (as defined in Article 61(3)(a) of the Order in respect of the Mortgages).
- (c) The Seller has complied in all material respects with all regulatory requirements in respect of the Mortgages, in particular the provisions of MCOB and CONC.
- (d) The Seller is not aware of any pending action or proceeding by an applicant against the Seller in respect of the Mortgages.
- (e) Each officer or employee of the Seller in any capacity which involves a controlled function (as defined in the UK Regulator's Rules) or involves the supervision of any person or persons so engaged is and was at all relevant times a validly registered "approved person" in accordance with the UK Regulator's Rules.
- (f) The Seller has created and maintained all records in respect of the Mortgages in accordance with the UK Regulator's Rules and any other regulatory requirement.
- (g) The Seller has not altered the terms of any letter of offer accepted by a Borrower relating to a Loan or otherwise changed any of the terms and conditions relating to any Loan other than in accordance with the terms and conditions of the letter of offer relating to a Loan as accepted by the applicable Borrower other than as requested by a Borrower.

9. General

- (a) The Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records as are necessary to show all material transactions, payments, receipts, proceedings and notices relating to such Loan.
- (b) Neither the Seller nor (as far as the Seller is aware) any of its agents has received written notice of any litigation, claim, dispute or complaint (in each case, subsisting, threatened or pending) in respect of any Borrower, Property, Loan or Related Security which (if adversely determined) might have a material adverse effect on the value of the Portfolio or any part of it.
- (c) There are no governmental authorisations, approvals, licences or consents required as appropriate for the Seller to enter into or to perform its obligations under the Mortgage Sale Agreement or to

render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence in a court in England and Wales which have not been obtained.

Buy to Let Loans means Loans taken out by Borrowers in relation to the purchase or re-mortgage of properties for letting purposes;

Deed of Consent means a deed whereby residents at a Property in relation to that Property agree with the Seller that any rights which they have in that Property will rank after the sums secured by the relevant Mortgage;

Fast Track Loan means a Loan where, based upon an assessment of risk, the application was underwritten without requesting the applicants to provide evidence of the declared income and such Loan was subject to a maximum LTV of 75 per cent.;

Fixed Rate Loan means a Loan or any sub-account(s) of such Loan to the extent that and for such time as the interest rate payable by the relevant Borrower on all or part of the outstanding balance does not vary and is fixed for a certain period of time by the Seller;

Further Advance means, in relation to a Loan, any advance of further money to the relevant Borrower (including any commitment to fund any further amount which has not yet been advanced or any further amount advanced but not yet drawn) following the making of the Initial Advance, which is secured by the same Mortgage as the Initial Advance, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

Indexed LTV means the ratio of the Current Balance of the relevant Loan divided by the indexed valuation of the relevant Property based on the average of the Halifax House Price Index and the Nationwide House Price Index, from the date of the latest recorded valuation of the Property to the Cut-Off Date (for the avoidance of doubt, references to indices in this definition include any successor index to the relevant index);

Interest-only Loan means the Borrower makes monthly payments of interest but not of principal so that when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum;

Loan Agreement means, in relation to a Loan, the loan agreement entered into between the relevant Borrower and the Seller, as amended and/or restated from time to time;

Loan Files means the file or files relating to each Loan (including files kept in microfiche format or similar electronic data retrieval system or the substance of which is transcribed and held on an electronic data retrieval system) containing, *inter alia*, correspondence between the Borrower and the Seller and including mortgage documentation applicable to the Loan, each letter of offer for that Loan, the Valuation Report (if applicable) and, to that extent available, the solicitor's or licensed or qualified conveyancer's certificate of title;

LTV, LTV ratio or loan to value ratio means the ratio (expressed as a percentage) of the outstanding balance of a Loan to the value of the Property securing that Loan;

Monthly Payment means the amount which the relevant Mortgage Conditions require a Borrower to pay on each monthly payment date in respect of that Borrower's Loan;

Mortgage Conditions means all the terms and conditions applicable to a Loan, including without limitation those set out in the Seller's relevant mortgage conditions booklet and the Seller's relevant general conditions, each as varied from time to time by the relevant Loan Agreement and the relevant Mortgage Deed;

Mortgage Deed means, in respect of any Mortgage, the deed in written form creating that Mortgage;

New Build Loan means a property whose construction date is within 24 months of the mortgage application date;

New Loan Type means a new type of mortgage loan originated or acquired by the Seller, which the Seller intends to transfer to the Issuer, the terms and conditions of which are materially different (in the opinion of the Seller, acting reasonably) from the Loans comprised in the Portfolio (and for the avoidance of doubt, a mortgage loan will not constitute a New Loan Type if it differs from the Loans due to it having different interest rates and/or interest periods and/or time periods for which it is subject to a fixed rate or any other interest rate or the benefit of any discounts, cash backs and/or rate guarantees or if it has flexible features);

Offset Loan means a Loan which permits the Borrower to offset the amount of monies standing to the credit of specified savings account(s) against the current balance of their Loan for the purposes of reducing the interest bearing balance of their Loan;

Option Date means the date that the Underpayment Option or Tested Underpayment Option, as applicable, is made;

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

Right to Buy Loan means a Loan in respect of a Property made in whole or in part to a Borrower for the purpose of enabling that Borrower to exercise his right to buy the relevant Property under the Housing Act 1985 and the Housing Act 1996 (each as amended and updated from time to time);

Self-certified Loan means a Loan where the application was taken on the understanding that evidence of the declared income was unavailable and would not be required in order to underwrite the case;

Standard Documentation means the standard documentation, a list of which is set out in Exhibit 1 to the Mortgage Sale Agreement, or any update or replacement therefor as the Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender;

SVR Loans means those Loans or any sub-account(s) of such Loan to the extent that and for such period that their Mortgage Conditions provide that they are subject to a rate of interest which may at any time be varied in accordance with the relevant Mortgage Conditions (and shall, for the avoidance of doubt, exclude Loans or any sub-account(s) of such Loan during the period that they are Fixed Rate Loans).

Switch Date means the date that the Product Switch is made;

Third Party Buildings Policies means the buildings insurance policies referable to each Property;

Title Deeds means, in relation to each Loan and its Related Security and the Property relating thereto, all conveyancing deeds and documents which relate to the title to the Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage;

Title Insurance Policy means each of the title insurance policies set out in the Mortgage Sale Agreement together with, in each case, any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Loans; together with, in each case, any other insurance policies in replacement, addition or substitution thereof or thereto from time to time which relate to the Loans;

UK Regulator means:

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

as applicable.

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

Unindexed LTV means the ratio of the Current Balance of the relevant Loan divided by the latest recorded valuation of the relevant Property;

Valuation Report means the valuation report or reports for mortgage purposes, in the form of one of the pro forma contained in the Standard Documentation, obtained by the Seller from a valuer in respect of each Property or a valuation report in respect of a valuation made using a methodology which would be acceptable to a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant officers of the Seller; and

Further Advances, Product Switches and Underpayment Options

As used in this Prospectus, **Initial Advance** means all amounts advanced by the Seller to a Borrower under a Loan other than a Further Advance. Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire Further Advances.

Further Advances: The Issuer shall purchase Further Advances from the Seller on the date that the relevant Further Advance is advanced to the relevant Borrowers by the Seller (the **Advance Date**). The Issuer will pay the Seller an amount equal to the principal amount of the relevant Further Advance (the **Further Advance Purchase Price**) on the Monthly Pool Date immediately following the Monthly Period in which the relevant Advance Date occurred by using amounts standing to the credit of the Principal Ledger. Where the Issuer (or the Cash Manager on its behalf) determines that the aggregate of the amounts standing to the credit of the Principal Ledger would not be sufficient to fund such Further Advance Purchase Price, the Issuer will, prior to the Class Z VFN Commitment Termination Date, make a drawing under the Class Z VFN in an amount equal to the difference between (i) amounts standing to the credit of the Principal Ledger and (ii) the Further Advance Purchase Price and use such proceeds of the Class Z VFN to fund the purchase of Further Advances under the Loans. If the Issuer is unable to fund the purchase of any Further Advance from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall in the Further Advances Purchase Price to be paid on the Monthly Pool Date, the Issuer shall not complete the purchase of the relevant Further Advance and the Seller (or, as applicable, YBS or one of its subsidiaries) must repurchase the related Loan and its Related Security in accordance with the terms of the Mortgage Sale Agreement. (*See "Repurchase by the Seller" below for more details*).

If it is determined by the Servicer on the Monthly Test Date immediately following the Monthly Period in which the relevant Advance Date occurred that any of the Asset Conditions have not been met as at the last day of the Monthly Period in which the relevant Advance Date occurred (or if it is subsequently discovered that the Asset Conditions were breached as at last day of the Monthly Period in which the relevant Advance Date occurred) in respect of the Loan subject to such Further Advance, then the Seller will have an obligation to remedy such breach within 90 days after receiving written notice of such breach from the Servicer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 90 day

period, the Seller (or, as applicable, YBS or one of its subsidiaries) has an obligation to repurchase such Loan and its Related Security in accordance with the provisions of the Mortgage Sale Agreement. (See "*Repurchase by the Seller*" below for more details).

Neither the Servicer nor the Seller shall make an offer to a Borrower for a Further Advance if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities or if the Issuer would be required to be authorised under the FSMA to do so.

Product Switches: The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio provided that it continues to satisfy the Asset Conditions and it is a Permitted Product Switch. If it is subsequently determined by the Servicer on the Monthly Test Date immediately following the Monthly Period in which the Product Switch was made that any of the Asset Conditions have not been met or the Product Switch was not a Permitted Product Switch as at the last day of the Monthly Period in which the relevant Switch Date occurred (or such breach was subsequently discovered in respect of such date) in respect of a Loan which is the subject of a Product Switch and which remains in the Portfolio, then the Seller will have an obligation to remedy such breach within 90 days after receiving written notice of such breach from the Servicer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 90 day period, the Seller (or, as applicable, YBS or one of its subsidiaries) has an obligation to repurchase such Loan and its Related Security. (See "*Repurchase by the Seller*" below for more details).

The Seller (or the Servicer on its behalf) will be solely responsible for offering and documenting any Product Switch. Neither the Servicer nor the Seller shall make an offer to a Borrower for a Product Switch if it would result in the Issuer arranging or advising in respect of, administering (servicing) or entering into a regulated mortgage contract or agreeing to carry on any of these activities or if the Issuer would be required to be authorised under the FSMA to do so.

Product Switch means any variation in the financial terms and conditions applicable to a Loan other than any variation:

- (i) agreed with a Borrower to control or manage arrears on the Loan;
- (ii) in the maturity date of the Loan (unless the maturity date would be extended to a date later than three years before the Final Maturity Date of the Notes in which case such variation will constitute a Product Switch);
- (iii) imposed by statute;
- (iv) in the rate of interest payable in respect of a Loan (provided that suitable hedging arrangements will be in place for such Loan for the term of such Loan, which, for Fixed Rate Loans will be compliant with the applicable Moody's and Fitch criteria at that time);
- (v) in the rate of interest payable (a) as a result of any variation in SVR or other applicable floating rates or (b) where the terms of the Mortgage change the rate of interest payable by a Borrower on termination of an interest discount for a fixed period of time or the terms of the Mortgage otherwise change the interest rate payable,

where in the case of (iv) above, the notional of the Fixed Interest Rate Swap would be adjusted to take account of a change to or from a fixed or floating rate until the maturity of such Loan or Loans.

Permitted Product Switch is a Product Switch where:

- (a) the relevant Borrower has made at least two Monthly Payments, in full, on its Loan;
- (b) the new loan for which the prior Loan is to be exchanged is either a Fixed Rate Loan or a SVR Loan but is not in any case an Interest-only Loan if prior to such Product Switch such Loan was not an Interest-only Loan; and
- (c) on the Monthly Test Date immediately following the making of the Product Switch, each of the Asset Conditions are satisfied.

Underpayment Options: If a Borrower has made overpayments in respect of its Loan such that there is a credit reserve on such Borrower's Mortgage Account (the **Overpayment Reserve**) then for as long as there is an Overpayment Reserve in respect of its Loan, such Borrower may request to make an underpayment which is less than the amount of its monthly repayment in respect of such Loan (an **Underpayment Option**). Any Loan which has been subject to an Underpayment Option will remain in the Portfolio provided that, in respect of a Loan which has been subject to an Underpayment Option in an amount greater than £25 (a **Tested Underpayment Option**), it satisfies the Asset Conditions as at the last day of the Monthly Period in which the relevant Option Date occurred. If it is subsequently determined by the Servicer on the Monthly Test Date immediately following the Monthly Period in which the Tested Underpayment Option was granted that any of the Asset Conditions have not been met as at the last day of the Monthly Period in which the relevant Option Date occurred (or such breach was subsequently discovered in respect of such date) in respect of a Loan which is the subject of an Tested Underpayment Option and which remains in the Portfolio, then the Seller will have an obligation to remedy such breach within 90 days after receiving written notice of such breach from the Servicer. If such breach is not capable of remedy, or, if capable of remedy, is not remedied within the 90 day period, the Seller (or, as applicable, YBS or one of its subsidiaries) has an obligation to repurchase such Loan and its Related Security. (See "*Repurchase by the Seller*" below for more details).

The Seller (or the Servicer on its behalf) will be solely responsible for documenting any Underpayment Option.

Loan Porting

If a Borrower ports (i.e. transfers to a new property) a Loan comprised in the Portfolio, such Loan will be redeemed using the proceeds of the new loan granted to the Borrower. The principal element of such amount will be applied as Available Principal Receipts and the interest element of such amount will be applied as Available Revenue Receipts on the next Interest Payment Date.

Repurchase by the Seller

As set out above and below, the Seller shall repurchase the relevant Loans and their Related Security in the following circumstances:

- (a) *Breach of Loan Warranties or Eligibility Criterion on the Closing Date.* If it is determined that a Loan sold to the Issuer on the Closing Date had materially breached any of the Loan Warranties or it is determined that the Eligibility Criterion was breached as at the Closing Date, and where such breach is either not capable of remedy or has not been remedied by the Seller within 90 days of receiving notice of such breach from the Issuer, then the Issuer shall serve a notice on the Seller (the **Loan Repurchase Notice**) requiring the Seller to repurchase such Loan on the Monthly Pool Date following the receipt by the Seller of such Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the day before such Monthly Pool Date;

- (b) *Insufficient Funds to fund Further Advance.* If the Issuer is unable to fund the purchase of any Further Advance from funds standing to the credit of the Principal Ledger and the Class Z VFN Holder fails to advance an amount equal to such shortfall, then the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase the Loan subject to such Further Advance on the Monthly Pool Date following the period in which such Further Advance was advanced. The repurchase price for such Loan shall be equal to its Current Balance determined as at the day before such Monthly Pool Date (excluding the amount of the Further Advance);
- (c) *Breach of the Asset Conditions in respect of Loans subject to a Further Advance, Product Switch and/or Tested Underpayment Options.* If it is determined that a Loan subject to a Further Advance, Product Switch or Tested Underpayment Option had not complied with the Asset Conditions on the relevant Monthly Test Date and where such breach is either not capable of remedy or has not been remedied by the Seller within 90 days of receiving notice of such breach from the Issuer, then the Issuer shall serve a Loan Repurchase Notice on the Seller requiring the Seller to repurchase such Loan subject to the relevant Further Advance, Product Switch or Tested Underpayment Option on the Monthly Pool Date following the receipt by the Seller of such Loan Repurchase Notice. The repurchase price for such Loan shall be equal to its Current Balance determined as at the day before such Monthly Pool Date (excluding, if applicable, the amount of any Further Advance which has not yet been paid for by the Issuer); and
- (d) *Interest Rate Hedging:* If YBS is replaced as the Interest Rate Swap Provider, then the Seller will be required to repurchase any Loan subject to a Further Advance or Product Switch (in each case after the date of replacement of YBS as the Interest Rate Swap Provider) on the Monthly Pool Date immediately following the Monthly Period in which such Advance Date and/or Switch Date occurred. The repurchase price for such Loan shall be equal to its Current Balance determined as at such Monthly Pool Date (excluding, if applicable, the amount of any Further Advance which has not yet been paid for by the Issuer).

YBS Guarantee

YBS will provide a guarantee to the Issuer in respect of the repurchase obligations of the Seller under the Mortgage Sale Agreement. If the Seller is required to repurchase a Loan pursuant to the terms of the Mortgage Sale Agreement and fails to do so, then YBS will procure that it or one of its subsidiaries repurchases such Loan on the relevant Monthly Pool Date at a repurchase price equal to its Current Balance determined as at the day before such Monthly Pool Date.

Asset Conditions

In order for any Loan which has been the subject of a Further Advance, Product Switch or a Tested Underpayment Option to remain in the Portfolio, the following conditions (the **Asset Conditions**) must be complied with as of the Monthly Test Date (using data calculated as at the last day of the immediately preceding Monthly Period) immediately following the Monthly Period in which the relevant Switch Date, Option Date or Advance Date (as applicable) occurred. The Asset Conditions will be tested on the Monthly Test Date immediately following the Monthly Period in which such sale of the Further Advance, Product Switch or Tested Underpayment Option took place.

The Asset Conditions are:

- (i) the Current Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 3 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio at that date;

- (ii) the General Reserve Fund is at the General Reserve Required Amount, or failing such condition, a drawing is made under the Class Z VFN in order to replenish the General Reserve Fund to the General Reserve Required Amount;
- (iii) the Cash Manager is not aware that the then current ratings of the Class A Notes then outstanding would be downgraded, withdrawn or qualified as a result of the relevant Further Advance, Product Switch and/or Tested Underpayment Option remaining in the Portfolio;
- (iv) each Loan and its Related Security which is the subject of a Further Advance, Product Switch and or an Tested Underpayment Option complies at the date of such Further Advance, Product Switch and/or Tested Underpayment Option with the Loan Warranties;
- (v) the relevant Rating Agency Tests will not be breached as a result of the relevant Further Advance, Product Switch and/or Tested Underpayment Option remaining in the Portfolio (after taking into account any drawing under the Class Z VFN);
- (vi) the Eligibility Criterion has not been breached;
- (vii) if the making of a Product Switch would result in a New Loan Type being included in the Portfolio and advance notice in writing of any such Loans subject to a Product Switch and/or Further Advance remaining in the Portfolio has been provided to Moody's and Fitch and there being no reduction, qualification or withdrawal by Moody's or Fitch of the then current ratings of the Class A Notes as a consequence thereof;
- (viii) the Interest Rate Swap Agreement, which complies with the applicable Moody's and Fitch criteria at that time, hedges against the interest rates payable in respect of such Further Advance, Product Switch and/or Tested Underpayment Option until the maturity of such Loan;
- (ix) the Class A Principal Deficiency Ledger does not have a debit balance as at the most recent Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (x) the aggregate amount of all Further Advances made since the Closing Date does not exceed 2 per cent. of the Current Balance of the Loans comprised in the Portfolio on the day before the Closing Date;
- (xi) if the short-term unsecured, unguaranteed and unsubordinated debt obligation rating of the Seller or (where the Seller does not have an independent rating) YBS is rated less than P-2 by Moody's or the short-term issuer default rating of the Seller or (where the Seller does not have an independent rating) YBS is rated less than F-2 by Fitch, respectively as at a Monthly Pool Date, the Seller has delivered a solvency certificate to the Security Trustee in accordance with the Mortgage Sale Agreement;
- (xii) in respect of Further Advances, Product Switches or Tested Underpayment Options, the Advance Date, the Switch Date or the Option Date (as the case may be) falls before the Step-Up Date;
- (xiii) in respect of Product Switches, a Loan does not become an Interest-only Loan following such Product Switch;
- (xiv) in respect of Product Switches, a Loan does not become a Fixed Rate Loan with a remaining fixed rate term of more than 5 years 6 months (such term determined from the date the new loan is entered into by the relevant Borrower); and
- (xv) no Seller Insolvency Event has occurred.

Rating Agency Tests means tests which satisfy each of the following conditions as at the last day of the Monthly Period immediately preceding the relevant Monthly Test Date:

- (a) for Further Advances, the weighted average original LTV ratio (calculated by dividing the Total Debt Advanced by the Original Valuation, the **Original LTV Ratio**) of the Loans in the Portfolio does not exceed 80 per cent.;
- (b) for Further Advances, the outstanding Current Balance of any Loans in the Portfolio (including the relevant Further Advances) with an Original LTV Ratio of more than 85 per cent. does not exceed 20 per cent.;
- (c) for Further Advances, the Original LTV Ratio of each Loan is less than 90 per cent.; and
- (d) in respect of any Loan which is the subject of a Tested Underpayment Option, the aggregate of the Overpayment Reserves in respect of all Loans comprising the Portfolio does not exceed 5 per cent. of the Current Balance of the Loans comprised in the Portfolio as at the day before the relevant Monthly Test Date.

Original Valuation means the property valuation at the time of the latest advance.

Total Debt Advanced means the total amount of debt outstanding immediately following the last advance.

Governing Law

The Mortgage Sale Agreement will be governed by English law.

Servicing Agreement

Introduction

On or about the Closing Date, the Servicer will be appointed by the Issuer to be its agent to service the Loans and their Related Security. The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee, may from time to time give to it in accordance with the provisions of the Servicing Agreement.

The Servicer's actions in servicing the Loans and their Related Security in accordance with its procedures are binding on the Issuer. The Servicer may, in some circumstances, delegate or sub-contract some or all of its responsibilities and obligations under the Servicing Agreement. However, the Servicer remains liable at all times for servicing the Loans and their Related Security and for the acts or omissions of any delegate or sub-contractor.

Powers

Subject to the guidelines for servicing set forth in the preceding section, the Servicer has the power, among other things:

- (a) to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform its duties in relation to the Loans and their Related Security; and
- (b) to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer has undertaken, among other things, to:

- (a) service the Loans and their Related Security sold by the Seller to the Issuer as if the same had not been sold to the Issuer but had remained with the Seller in accordance with the originating, underwriting, administration, arrears and enforcement policy for their repayment which are beneficially owned solely by the Seller applied by the Seller from time to time to such Loans and their Related Security (the **Seller's Policy**);
- (b) provide the Services in such manner and with the same level of skill, care and diligence as would a Reasonable, Prudent Mortgage Lender;
- (c) comply with any proper directions, orders and instructions which the Issuer may from time to time give to it in accordance with the provisions of the Servicing Agreement;
- (d) keep in force all approvals, authorisations, permissions and consents required in order properly to service the Loans and their Related Security and to perform or comply with its obligations under the Servicing Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, registrations and consents required in connection with the performance of the Services under the Servicing Agreement and in particular any necessary notification under the Data Protection Act 1988, and any authorisation and permissions under the FSMA;
- (e) save as otherwise agreed with the Issuer, provide upon written request free of charge to the Issuer, office space, facilities, equipment and staff sufficient to enable the Issuer to perform its obligations under the Servicing Agreement;
- (f) not knowingly fail to comply with any legal or regulatory requirements in the performance of the Services;
- (g) make all payments required to be made by it pursuant to the Servicing Agreement on the due date for payment thereof in Sterling (or as otherwise required under the Transaction Documents) in immediately available funds for value on such day without set-off (including, without limitation, in respect of any fees owed to it) or counterclaim but subject to any deductions by law;
- (h) not without the prior written consent of the Security Trustee amend or terminate any of the Transaction Documents save in accordance with their terms;
- (i) as soon as reasonably practicable upon becoming aware of any event which may reasonably give rise to an obligation of the Seller (or YBS or any of its subsidiaries) to repurchase any Loan sold by the Seller to the Issuer pursuant to the Mortgage Sale Agreement, notify the Issuer in writing of such event;
- (j) use best efforts to appoint a back-up servicer acceptable to the Security Trustee on terms substantially the same as those set out in the Servicing Agreement;
- (k) on or prior to each Monthly Pool Date, provide the Cash Manager and Seller with a report detailing the information relating to the Portfolio necessary to produce the Investor Report (the **Servicer Report**); and
- (l) deliver to the Issuer and the Security Trustee as soon as reasonably practicable, but in any event within five Business Days of becoming aware thereof, a notice of any Servicer Termination Event or any event which with the giving of notice or lapse of time or certification would constitute the same.

Appointment of Servicer For Reporting Under Regulation (EU) No. 2015/3

The Issuer and the Seller (as originator) (each, an **Applicable Entity** and, together, the **Applicable Entities**) appoint the Servicer (in its capacity as such) to act as the designated reporting entity for the purposes of complying with any applicable requirements under Article 8b of the CRA Regulation and the corresponding implementing measures from time to time (including the disclosure and reporting requirements under articles 3 to 7 of Regulation (EU) No. 2015/3) (together, the **Article 8b Requirements**) in respect of any relevant Notes issued by the Issuer.

The Servicer agrees on behalf of each Applicable Entity to perform (or to procure the performance of) all activities as are required in order for that Applicable Entity to comply with the Article 8b Requirements applicable to it from time to time in respect of any relevant Notes issued by the Issuer and to carry out such activities in accordance with the Article 8b Requirements and any related technical reporting instructions made by the European Securities and Markets Authority (**ESMA**).

On or after 1 January 2017, to the extent the Article 8b Requirements are applicable at such time, the Servicer undertakes to provide notice on behalf of the Applicable Entities to ESMA of its appointment as the designated reporting entity for the purposes of complying with the Article 8b Requirements and to provide such notice in accordance with article 2(2) of Regulation (EU) No. 2015/3 and any corresponding formal guidance provided by ESMA.

Setting of Interest Rates on the Loans

In addition to the undertakings described above, the Servicer has also undertaken in the Servicing Agreement to determine and set, in relation to the Loans in the Portfolio, the standard variable rate applicable to Loans in the Portfolio as set, other than in limited circumstances, by the Servicer, in accordance with the terms of the Servicing Agreement (the **Issuer Standard Variable Rate**) and any other discretionary rates or margins applicable in relation to the Loans comprising the Portfolio from time to time. The Servicer will not (except in limited circumstances) at any time set or maintain:

- (a) the Issuer Standard Variable Rate applicable to any SVR Loans in the Portfolio at rates which are higher than (although they may be equal to) the then prevailing relevant SVR which applies to Loans beneficially owned by the Seller outside the Portfolio (the **Seller Standard Variable Rates** and together with the Issuer Standard Variable Rates, the **Standard Variable Rates**); or
- (b) any other discretionary rate or margin (together with the Standard Variable Rates, the **Discretionary Rates**) in respect of any other Loan in the Portfolio which is higher than (although it may equal to) the interest rate or margin of the Seller, which applies to that type of Loan beneficially owned by the Seller outside the Portfolio.

In particular, the Servicer shall determine as of each Calculation Date immediately preceding each Interest Payment Date, having regard to the aggregate of:

- (a) the revenue which the Issuer would expect to receive during the next succeeding Collection Period;
- (b) the 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 the Issuer, including the Interest Rate Swap Agreement, the General Reserve Fund and the Liquidity Reserve Fund (if established),

whether the Issuer would receive an amount of revenue during the relevant Interest Period which is less than the amount which is the aggregate of the amount of interest which would be payable in respect of the Notes

on the Interest Payment Date falling at the end of that Interest Period and amounts which rank in priority thereto under the Priority of Payments.

If the Servicer determines that there would be a shortfall in the foregoing amounts, it will give written notice to the Issuer, within three Business Days of such determination of the amount of the shortfall.

If the Issuer notifies the Servicer that, having regard to the obligations of the Issuer, the Discretionary Rates should be increased, then the Servicer will take all steps which are necessary to increase the Discretionary Rates, including publishing any notice which is required in accordance with the applicable mortgage terms.

Prior to the delivery of a Note Acceleration Notice, the Issuer (with the prior written consent of the Security Trustee) and, following delivery of a Note Acceleration Notice, the Security Trustee, may terminate the authority of the Servicer under the Servicing Agreement to determine and set the Discretionary Rates on or after the occurrence of a Servicer Termination Event (as defined under "*Removal or Resignation of the Servicer*" below) ((provided that neither the Issuer nor the Security Trustee will be entitled to terminate such authority if the Servicer has been appointed as substitute servicer under any master servicing agreement), in which case the Issuer shall set the Discretionary Rates itself in accordance with the above provisions.

As soon as reasonably practicable following a Perfection Event, the Servicer shall take all steps which are necessary to set the Issuer Standard Variable Rate (including publishing any notice which is required in accordance with the Mortgage Conditions to effect such change in the Issuer Standard Variable Rate) to a rate not less than Three-Month Sterling LIBOR at the most recent Interest Determination Date plus 2 per cent. and thereafter the Servicer shall set the Issuer Standard Variable Rate on a monthly basis at a rate not less than Three-Month Sterling LIBOR at the most recent Interest Determination Date plus 2 per cent and for these purposes if Three-Month Sterling LIBOR is less than zero, Three-Month Sterling LIBOR shall be deemed to be zero.

Reasonable, Prudent Mortgage Lender

For the avoidance of doubt, any action taken by the Servicer to set the Discretionary Rates which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable, Prudent Mortgage Lender.

Compensation of the Servicer

The Servicer receives a fee for servicing the Loans and their Related Security. So long as YBS (or any member of the YBS Group) is the Servicer, the Issuer pays to the Servicer a servicing fee (inclusive of VAT, if any) of 0.08 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the last day of the calendar month before the preceding Calculation Date. The fee is payable quarterly in arrears on each Interest Payment Date in the manner contemplated by, and in accordance with, the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments. If a substitute servicer from outside the YBS Group is appointed in accordance with the terms of the Servicing Agreement, the Issuer shall pay the successor servicer for its services a fee to be determined at the time of such appointment.

Removal or Resignation of the Servicer

The Issuer (subject to the prior written consent of the Security Trustee) may, upon written notice to the Servicer, terminate the Servicer's appointment under the Servicing Agreement if any of the following events (each a **Servicer Termination Event**) occurs and while such event continues:

- the Servicer defaults in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of thirty Business Days

after the earlier of the Servicer becoming aware of such default and receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee, as the case may be, requiring the same to be remedied;

- the Servicer defaults in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which failure in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the opinion of the Security Trustee acting on the instructions of the Note Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders, and the Servicer does not remedy that failure within 30 Business Days after the earlier of the Servicer becoming aware of the failure or of receipt by the Servicer of written notice from the Issuer, the Seller or the Security Trustee requiring the Servicer's non-compliance to be remedied provided that where the relevant default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations under the Servicing Agreement, such default shall not constitute a Servicer Termination Event if, within such period of 30 Business Days of receipt of such notice from the Issuer and the Security Trustee, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer and the Security Trustee may in their absolute discretion (or on the instructions of the Note Trustee) specify to remedy such default or to indemnify the Issuer and/or the Security Trustee against the consequences of such default; or
- a third party becomes obliged to undertake the servicing of the Loans (other than as master servicer) pursuant to any back-up servicing agreement contemplated under the Servicing Agreement; or
- an Insolvency Event occurs in relation to the Servicer.

Subject to the fulfilment of a number of conditions, the Servicer may voluntarily resign by giving not less than 12 months' written notice to, among others, the Security Trustee and the Issuer (or such shorter time as may be agreed between the Servicer, the Issuer and the Security Trustee) with a copy to each Rating Agency provided that a substitute servicer qualified to act as such under the FSMA and with a management team with experience of servicing residential mortgages in the United Kingdom has been appointed and enters into a servicing agreement with the Issuer substantially on the same terms as the Servicing Agreement. The resignation of the Servicer is conditional on the resignation having no adverse effect on the then current ratings of the Notes unless the Noteholders agree otherwise by Extraordinary Resolution.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the Loan Files relating to the Loans comprised in the Portfolio in its possession to, or at the direction of, the Issuer. The Servicing Agreement will terminate at such time as the Issuer has no further interest in any of the Loans or their Related Security serviced under the Servicing Agreement that have been comprised in the Portfolio.

Neither the Note Trustee nor the Security Trustee is obliged to act as servicer in any circumstances.

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

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

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

Liability of the Servicer

The Servicer will indemnify each of the Issuer and the Security Trustee on demand on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Servicer or any of its sub-contractors or delegates in carrying out its functions as Servicer under, or as a result of a breach by the Servicer of the terms and provisions of the Servicing Agreement or such other Transaction Documents to which the Servicer is a party (in its capacity as such) in relation to such functions.

Back-Up Servicer Facilitator

Under the Servicing Agreement in the event that the Servicer has ceased to be assigned (i) a counterparty risk assessment of at least Baa3(cr) by Moody's or (ii) a long-term issuer default rating of at least BBB- by Fitch (or (A) such other lower risk assessment/rating which is consistent with the then current methodology of the relevant Rating Agency or (B) such other lower risk assessment/rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (C) such other lower risk assessment/rating as the Note Trustee may (but shall not be obliged to) agree), the Servicer, with the assistance of the Back-Up Servicer Facilitator, shall, within 60 days of the date on which it has ceased to be so rated, use reasonable endeavours to enter into a back-up servicing agreement with a back-up servicer with suitable experience and credentials in such form as the Issuer and the Security Trustee shall reasonably require, subject to and in accordance with the provisions of the Servicing Agreement.

Governing Law

The Servicing Agreement will be governed by English law.

Deed of Charge

On the Closing Date, the Issuer will enter into the Deed of Charge with, *inter alios*, the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the **Security**) as trustee for itself and for the benefit of the Secured Creditors (including the Noteholders):

- (a) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (subject to any set-off or netting provisions provided therein) (other than the Trust Deed and the Deed of Charge);
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's interest in the Loans and the Mortgages and their other Related Security and other related rights comprised in the Portfolio;
- (c) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit to and under insurance policies sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts and any other account (including any securities accounts) in which it has an interest and any sums or securities standing to the credit thereof;
- (e) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer; and
- (f) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge but extending over all of the Issuer's property, assets, rights and revenues (whether or not the subject of fixed charges as aforesaid).

Authorised Investments means:

- (a) Sterling gilt-edged securities; and
- (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper),

provided that in all cases such investments will only be made such that there is no withholding or deduction for or on account of taxes applicable thereto and such investments (i) have a maturity date of 90 days or less and mature before the next following Interest Payment Date or within 90 days, whichever is sooner, (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) before the next following Interest Payment Date or within 90 days, whichever is sooner, and (iii) are rated at least F1+ by Fitch and P-1 by Moody's (and AA- (long-term) by Fitch and Aa3 by Moody's if the investments have a long-term rating).

Transaction Documents means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Swap Collateral Account Bank Agreement, the Guaranteed Investment Contract, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge (and any documents entered into pursuant to the Deed of Charge), the Interest Rate Swap Agreement, the Issuer Power of Attorney, the Master Definitions and Construction Schedule, the Mortgage Sale Agreement, the Seller Power of Attorney, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

Secured Creditors means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Back-Up Servicer Facilitator, the Cash Manager, the Interest Rate Swap Provider and any replacement interest rate swap provider, the Account Bank, the GIC Provider, the Swap Collateral Account Bank, the Corporate Services Provider, the Paying Agents, the Class Z VFN Registrar, the Agent Bank and any other person who is expressed in the Deed of Charge or any deed supplemental to the Deed of Charge to be a secured creditor.

The floating charge created by the Deed of Charge may "crystallise" and become a fixed charge over the relevant class of assets owned by the Issuer at the time of crystallisation. Crystallisation will occur automatically following the occurrence of specific events set out in the Deed of Charge, including, among other events, when an Event of Default occurs. A crystallised floating charge will rank ahead of the claims of unsecured creditors which are in excess of the prescribed part but will rank behind the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part on enforcement of the Security.

Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments

Prior to the Note Trustee serving a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply monies standing to the credit of the Transaction Account as described in "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*" and "*Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" below.

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice (which has not been withdrawn) on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee (or the Cash Manager on its behalf) shall apply the monies available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority of payment below) or, once all of the Class A Noteholders have been repaid in full, to the Class Z VFN Holder (and all persons ranking in priority thereto) or the Security Trustee is of the 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 in due course all amounts owing to the Class A Noteholders and (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority below) or, once all of the Class A Noteholders have been repaid, in full, to the Class Z VFN Holder (and all persons ranking in priority thereto), which opinion shall be binding on the Secured Creditors and reached after considering at any time and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

Governing Law

The Deed of Charge will be governed by English law.

Trust Deed

On or about the Closing Date, the Issuer, the Security Trustee and the Note Trustee will enter into the Trust Deed pursuant to which the Issuer and the Note Trustee will agree that the Notes are subject to the provisions in the Trust Deed. The Conditions and the forms of the Notes are constituted by, and set out in, the Trust Deed.

The Note Trustee will agree to hold the benefit of the Issuer's covenant to pay amounts due in respect of the Notes on trust for the Noteholders.

In accordance with the terms of the Trust Deed, the Issuer will pay a fee to the Note Trustee for its services under the Trust Deed at the rate and times agreed between the Issuer and the Note Trustee together with payment of any liabilities incurred by the Note Trustee in relation to the Note Trustee's performance of its obligations under or in connection with the Trust Deed and the other Transaction Documents.

Retirement of Note Trustee

The Note Trustee may retire at any time upon giving not less than 60 days' notice in writing to the Issuer without assigning any reason therefor and without being responsible for any costs occasioned by such retirement. The Class A Noteholders may, by Extraordinary Resolution, remove all trustees (but not some only) for the time being who are acting pursuant to the Trust Deed and the Deed of Charge. The retirement of the Note Trustee shall not become effective unless there remains a trustee (being a trust corporation) in office after such retirement or being removed by Extraordinary Resolution of the Class A Noteholders. The Issuer will agree in the Trust Deed that, in the event of the sole trustee or the only trustee under the Trust Deed giving notice of its retirement, it shall use its best endeavours to procure a new trustee to be appointed as soon as practicable thereafter and if, after 60 days from the date the Note Trustee gives its notice of retirement or Extraordinary Resolution of the Class A Noteholders, the Issuer is not able to find such replacement, the Note Trustee will be entitled to procure that a new trustee be appointed but no such appointment shall take effect unless previously approved by Extraordinary Resolution of the Class A Noteholders.

Governing Law

The Trust Deed will be governed by English law.

Agency Agreement

On or prior to the Closing Date, the Issuer, the Note Trustee, the Principal Paying Agent, the Agent Bank, the Class Z VFN Registrar and the Security Trustee will enter into the Agency Agreement pursuant to which provision will be made for, among other things, payment of principal and interest in respect of the Notes.

Governing Law

The Agency Agreement will be governed by English law.

Cash Management Agreement

On the Closing Date, the Cash Manager, the Issuer, and the Security Trustee will enter into the Cash Management Agreement (the **Cash Management Agreement**).

Cash Management Services to be Provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting

payments to and from the GIC Account, the Swap Collateral Account or the Transaction Account, as the case may be. In addition, the Cash Manager will:

- (a) provide the Issuer, the Security Trustee, the Seller and the Rating Agencies with the Investor Report setting out certain aggregated loan data in relation to the Portfolio within 10 Business Days of each Monthly Pool Date. The Investor Report will be posted on the following website: www.ybs.co.uk on or around the end of each calendar month and as such will be available to the Class A Noteholders and the Interest Rate Swap Provider. The website and the contents thereof do not form part of this Prospectus;
- (b) calculate the Available Revenue Receipts and Available Principal Receipts of the Issuer;
- (c) apply, or cause to be applied, Available Revenue Receipts, in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;
- (d) if required by the Security Trustee, apply, or cause to be applied, Available Revenue Receipts and Available Principal Receipts in accordance with the Post-Acceleration Priority of Payments;
- (e) record credits to, and debits from, the General Reserve Ledger, the Principal Ledger, the Revenue Ledger, the Issuer Profit Ledger, the Principal Deficiency Ledger and the Liquidity Reserve Ledger as and when required;
- (f) make payments of the consideration for a Further Advance to the Seller;
- (g) make a drawing under the Class Z VFN as required, including, without limitation, any drawing required to fund the Further Advance Purchase Price;
- (h) make any determinations required to be made by the Issuer under the Interest Rate Swap Agreement;
- (i) establish one or more Swap Collateral Accounts with the Swap Collateral Account Bank under the Swap Collateral Account Bank Agreement, and credit all Swap Collateral to the relevant Swap Collateral Account;
- (j) make any determinations and calculations in respect of any Reconciliation Amount, if necessary;
- (k) where applicable, invest amounts standing to the credit of a Bank Account (other than any Swap Collateral unless with the consent of the Interest Rate Swap Provider), in Authorised Investments;
- (l) reallocate any SVR Contractual Difference Amounts from Available Principal Receipts to Available Revenue Receipts;
- (m) if, in relation to any proposed action, it is required to certify to the Note Trustee and the Security Trustee that such action would not have an adverse effect on the rating of the Class A Notes, it will promptly notify the Rating Agencies of such action and put itself in a position to provide the necessary certification; and
- (n) on behalf of the Issuer, perform any portfolio reconciliation and dispute resolution risk mitigation techniques and carry out the reporting requirements required by EMIR; and
- (o) on behalf of the Issuer, carry out the information disclosure requirements set out in Article 15 of the SFTR in relation to any relevant collateral arrangement (as defined in the SFTR) entered into by the Issuer, and any ancillary activities to such information disclosure requirements.

In addition, the Cash Manager will or, in respect of paragraph (c) below, may:

- (a) maintain the following ledgers (the **Ledgers**) on behalf of the Issuer:
 - (i) the **Principal Ledger**, which will record all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (ii) the **Revenue Ledger**, which will record all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);
 - (iii) the **General Reserve Ledger** which will record (A) all amounts credited to the general reserve fund (the **General Reserve Fund**) from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN and thereafter from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and (B) as a debit, withdrawals from the General Reserve Fund on each Interest Payment Date (see "*Credit Structure — (2) General Reserve Fund and General Reserve Ledger*" below);
 - (iv) the **Principal Deficiency Ledger** (comprising two sub-ledgers) which shall record on the Class A Principal Deficiency Ledger and the Class Z VFN Principal Deficiency Ledger (as the case may be) (A) as a debit deficiencies arising from Losses on the Portfolio, amounts drawn from the Liquidity Reserve Fund (if established) and Principal Receipts used to pay a Revenue Deficiency and (B) as a credit Available Revenue Receipts applied pursuant to items (g) and (i) of the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon be applied as Available Principal Receipts) (see "*Credit Structure — (6) Principal Deficiency Ledgers*" below);
 - (v) the **Liquidity Reserve Ledger** which will record (A) amounts credited to and debited from the Liquidity Reserve Fund (if established) from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments and (B) as debits, amounts drawn from the Liquidity Reserve Fund (if established) to fund senior expenses and interest payments on the Class A Notes in accordance with the applicable Priority of Payments (see "*Credit Structure — (5) Liquidity Reserve Fund and Liquidity Reserve Ledger*" below); and
 - (vi) the **Issuer Profit Ledger** which shall record as a credit the Issuer Profit Amount retained by the Issuer as profit in accordance with the relevant Priority of Payments;
- (b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;
- (c) at its option, invest monies standing to the credit of a Bank Account in seven-day time deposits (or such longer time periods as may be agreed by the Security Trustee and the Secured Creditors) provided that such seven-day period does not include an Interest Payment Date on which such amounts will be required to be applied in accordance with the relevant Priority of Payments; and
- (d) invest monies standing from time to time to the credit of a Bank Account (other than any Swap Collateral (unless with the consent of the Interest Rate Swap Provider)) in Authorised Investments as determined by the Issuer or by the Cash Manager subject to the following provisions:
 - (i) any such Authorised Investment shall be made in the name of the Issuer;
 - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and

- (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the relevant Bank Account.

Issuer Profit Amount means an amount equal to £1,125 as at each Interest Payment Date (£4,500 per annum).

Account Bank Rating means a short-term issuer default rating of at least F1 or a long-term issuer default rating of at least A by Fitch and a long-term bank deposit rating of at least A3 by Moody's (or (i) such other rating which is consistent with the then current rating methodology of the relevant Rating Agency or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree).

Investor Reports

Under the Cash Management Agreement, with the assistance of the Servicer, the Cash Manager will agree, to prepare and deliver, on a monthly basis within 10 Business Days of each Monthly Pool Date, the Investor Report addressed to the Issuer, the Security Trustee, the Seller and the Rating Agencies setting out the payments into and out of each of the Bank Accounts, payments to other third parties and Accord's compliance with the text of each of Article 405(1) of the CRR, Article 51(1) of the AIFMR and Article 254(2) of the Solvency II Regulation.

The Investor Report will be posted on the following website: www.ybs.co.uk on or around the end of each calendar month and as such will be available to the Class A Noteholders and the Interest Rate Swap Provider. The website and the contents thereof do not form part of this Prospectus.

Remuneration of Cash Manager

The Cash Manager will be paid a fee (inclusive of VAT, if any) for its cash management services under the Cash Management Agreement quarterly in arrears on each Interest Payment Date. So long as YBS (or any member of the YBS Group) is the Cash Manager, the Issuer will pay to the Cash Manager a cash management fee (inclusive of VAT, if any) of 0.01 per cent. per annum on the aggregate Current Balance of the Loans in the Portfolio as determined on the last day of the calendar month before the preceding Calculation Date. The fee is payable quarterly in arrears on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments. If a replacement cash manager from outside the YBS Group is appointed, the Issuer shall pay the replacement cash manager for its services a fee to be determined at the time of such appointment.

Termination of Appointment and Replacement of Cash Manager

In certain circumstances the Issuer and the Security Trustee will each have the right to terminate the appointment of the Cash Manager and to appoint a substitute (the identity of which will be subject to the Security Trustee's written approval). Any substitute cash manager will have substantially the same rights and obligations as the Cash Manager (although the fee payable to the substitute cash manager may be higher).

The Cash Management Agreement provides that on the Cash Manager ceasing to be assigned a counterparty risk assessment by Moody's of at least Baa3(cr) (or (i) such other lower risk assessment which is consistent with the then current methodology of Moody's or (ii) such other lower risk assessment that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower risk assessment as the Note Trustee may (but shall not be obliged to) agree) the Issuer shall require the Cash Manager, within 60 days, to use best

efforts to appoint a back-up cash manager which meets the requirements for a substitute cash manager provided for by the Cash Management Agreement.

Liability of the Cash Manager

The Cash Manager will indemnify each of the Issuer and the Security Trustee on an after-tax basis for any loss, liability, claim, expense or damage suffered or incurred by it in respect of the negligence, fraud or wilful default of the Cash Manager in carrying out its functions as Cash Manager under, or as a result of a breach by the Cash Manager of, the terms and provisions of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.

Governing Law

The Cash Management Agreement will be governed by English law.

Bank Account Agreement

Pursuant to the terms of the Bank Account Agreement entered into on the Closing Date between the Issuer, the Account Bank, the Cash Manager, the GIC Provider and the Security Trustee, (the **Bank Account Agreement**) the Issuer will maintain with the GIC Provider a GIC Account (the **GIC Account**) and with the Account Bank a Transaction Account (the **Transaction Account**) which will be operated in accordance with the Cash Management Agreement, the Deed of Charge and the Interest Rate Swap Agreement.

All amounts received from Borrowers in respect of Loans in the Portfolio will be paid into the GIC Account from the Seller's collection account on or prior to the Business Day following receipt of such amounts and credited to the Revenue Ledger or the Principal Ledger, as the case may be, and as set out in the Cash Management Agreement. On each Interest Payment Date, amounts will be transferred from the GIC Account to the Transaction Account and applied by the Cash Manager pursuant to the Cash Management Agreement and in accordance with the Priority of Payments described below under "*Cashflows*".

The Note Trustee and/or the Security Trustee may from time to time agree with the Issuer and any other person (without the consent or sanction of the other Secured Creditors or the Noteholders (but in the case of the Security Trustee only with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents)) in making or sanctioning any modification to the Bank Account Agreement and/or the Guaranteed Investment Contract which in its opinion is (i) not materially prejudicial to the interests of the Noteholders of any Class or (ii) of a formal, minor or technical nature or to correct a manifest error.

If at any time the unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below the Account Bank Rating, the Issuer will be required (within 30 calendar days) to arrange for the transfer (at its own cost) of the Transaction Account and any other account held with the Account Bank under the Bank Account Agreement to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement in order to maintain the ratings of the Notes at their then current ratings unless the Account Bank has arranged a guarantee of its obligations by a suitably rated third party.

The Bank Account Agreement may be terminated in other circumstances by the Cash Manager or the Issuer (in each case with the consent of the Security Trustee) including the occurrence of an insolvency event in respect of the Account Bank or default by the Account Bank in the performance of its obligations under the Bank Account Agreement which continues unremedied for a period of 20 Business Days after receiving notice or becoming aware of such default.

The Bank Account Agreement is governed by English law.

Guaranteed Investment Contract

Pursuant to the terms of the Guaranteed Investment Contract entered into on the Closing Date between the Issuer, the Account Bank, the Cash Manager, the GIC Provider and the Security Trustee (the **Guaranteed Investment Contract**), the GIC Provider has agreed to pay interest on the monies standing to the credit of the GIC Account at specified rates determined in accordance with the Bank Account Agreement and the Guaranteed Investment Contract.

If at any time the unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below the Account Bank Rating, the Issuer will be required (within 30 calendar days) to arrange for the transfer (at its own cost) of the GIC Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement in order to maintain the ratings of the Notes at their then current ratings unless the GIC Provider has arranged a guarantee of its obligations by a suitably rated third party.

Upon termination of the Bank Account Agreement or when the GIC Account is closed pursuant to the Bank Account Agreement, the Guaranteed Investment Contract will terminate and the Issuer will give written notice of termination to the GIC Provider. The Guaranteed Investment Contract is governed by English law.

Swap Collateral Account Bank Agreement

Pursuant to the terms of the Swap Collateral Account Bank Agreement entered into on the Closing Date between the Issuer, the Swap Collateral Account Bank, the Security Trustee and the Cash Manager, the Issuer will maintain with the Swap Collateral Account Bank one or more accounts (including a cash and/or a securities account) for the purposes of depositing any Swap Collateral posted by the Interest Rate Swap Provider pursuant to the terms of the Interest Rate Swap Agreement (the **Swap Collateral Account**).

The Issuer will deposit any Swap Collateral which is required to be paid to the Issuer by the Interest Rate Swap Provider in accordance with the terms of the Interest Rate Swap Agreement in the relevant Swap Collateral Account. To the extent that any cash is held in the Swap Collateral Account, any amount standing to the credit of the Swap Collateral Account will bear interest at a rate and as agreed from time to time between the Issuer and the Swap Collateral Account Bank (provided such rate shall not be below zero per cent. per annum).

The Note Trustee and/or the Security Trustee may from time to time agree with the Issuer and any other person (without the consent or sanction of the other Secured Creditors or the Noteholders (but in the case of the Security Trustee only with the written consent of the Secured Creditors which are a party to the relevant Transaction Documents)) in making or sanctioning any modification to the Swap Collateral Account Bank Agreement which in its opinion is (i) not materially prejudicial to the interests of the Noteholders of any Class or (ii) of a formal, minor or technical nature or to correct a manifest error.

The Swap Collateral Account Bank Agreement may be terminated in other circumstances by the Cash Manager or the Issuer (in each case with the consent of the Security Trustee) including the occurrence of an insolvency event in respect of the Swap Collateral Account Bank or default by the Swap Collateral Account Bank in the performance of its obligations under the Swap Collateral Account Bank Agreement which continues unremedied for a period of 20 Business Days after receiving notice or becoming aware of such default.

If, at any time the unsecured, unsubordinated and unguaranteed debt obligations of the Swap Collateral Account Bank are downgraded below the Swap Collateral Account Bank Rating, the Issuer will be required (within 30 calendar days) to transfer (at its own cost) the Swap Collateral Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Swap Collateral Account

Bank Agreement, in order to maintain the ratings of the Class A Notes at their then current ratings unless the Swap Collateral Account Bank has arranged a guarantee of its obligations by a suitable rated third party.

The Swap Collateral Account Bank Agreement is governed by English Law.

Swap Collateral Account Bank Rating means a short-term issuer default rating of at least F1 or a long-term issuer default rating of at least A by Fitch and a long-term bank deposit rating of at least A3 by Moody's (or (i) such other rating which is consistent with the then current rating methodology of the relevant Rating Agency or (ii) such other lower rating that the Cash Manager certifies in writing to the Note Trustee and the Security Trustee would not have an adverse effect on the ratings of the Class A Notes or (iii) such other lower rating as the Note Trustee may (but shall not be obliged to) agree).

The Corporate Services Agreement

On or prior to the Closing Date, *inter alios*, the Issuer and the Corporate Services Provider will enter into the Corporate Services Agreement (the **Corporate Services Agreement**) pursuant to which the Corporate Services Provider will provide the Issuer and Holdings with certain corporate and administrative functions against the payment of a fee. Such services include, *inter alia*, the performance of all general book-keeping, secretarial, registrar and company administration services for the Issuer and Holdings (including the provision of directors), the providing of the directors with information in connection with the Issuer and Holdings and the arrangement for the convening of shareholders' and directors' meetings.

Governing Law

The Corporate Services Agreement will be governed by English law.

Other Agreements

For a description of the Interest Rate Swap Agreement see "*Credit Structure*" below.

CREDIT STRUCTURE

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

The structure of the credit support arrangements may be summarised as follows:

1. Credit Support for the Notes provided by Available Revenue Receipts

It is anticipated that, during the life of the Notes, the interest payable by Borrowers on the Loans will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (o) (inclusive) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any Deferred Consideration payable under item (o) of the Pre-Acceleration Revenue Priority of Payments will vary during the life of the Notes. Two of the key factors determining such variation are the interest rates applicable to the Loans in the Portfolio (as to which, see "*Interest Rate Risk for the Notes*" below) and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments, towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio.

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met under items (a) to (g) (inclusive) of the Pre-Acceleration Revenue Priority of Payments, such excess is available to replenish and increase the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount.

2. General Reserve Fund and General Reserve Ledger

On the Closing Date, the Issuer will establish a fund called the **General Reserve Fund** to provide credit enhancement for the Class A Notes which will be credited with the General Reserve Required Amount on the Closing Date. The General Reserve Fund will be funded from the proceeds of the Class Z VFN Holder's funding of the Class Z VFN on the Closing Date and following the Closing Date, to the extent required in connection with Further Advances, Product Switches or Underpayment Options from time to time. To the extent required, the General Reserve Fund may also be funded from the proceeds of additional funding under the Class Z VFN from time to time following the Closing Date. The General Reserve Fund will be deposited in the GIC Account (with a corresponding credit being made to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the GIC Account in Authorised Investments. For more information about the application of the amounts standing to the credit of the General Reserve Fund, see the section "*Cashflows – Application of Monies Released from the General Reserve Fund*" below.

The Cash Manager will maintain the General Reserve Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund.

After the Closing Date, the General Reserve Fund will be funded up to the General Reserve Required Amount from Available Revenue Receipts and will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments on every Interest Payment Date. To the extent required, the General Reserve Fund may also be funded from the proceeds of additional funding under the Class Z VFN from time to time following the Closing Date.

The **General Reserve Required Amount** will be an amount equal to £37,710,000 on the Closing Date (being an amount at least equal to 1.5 per cent. of the Current Balance of the Portfolio as at the calendar day immediately preceding the Closing Date) (the **Initial General Reserve Required Amount**) and thereafter shall on each Interest Payment Date be an amount equal to 1.5 per cent. of the Current Balance of the Portfolio as at the calendar day immediately preceding the Closing Date, provided that if on such date the General Reserve Amortisation Conditions (as defined below) are met, the General Reserve Required Amount shall be an amount equal to 2 per cent. of the Principal Amount Outstanding of the Class A Notes on the preceding Interest Payment Date (taking into account any redemptions of the Class A Notes on such Interest Payment Date), subject to a maximum of the Initial General Reserve Required Amount and a minimum of 0.75 per cent. of the Current Balance of the Portfolio as at the calendar day immediately preceding the Closing Date. On any Interest Payment Date on which the Class A Notes are fully repaid or otherwise redeemed in full, the Issuer shall not be required to maintain the General Reserve Fund, the General Reserve Required Amount will be reduced to zero and any amounts held in the General Reserve Fund will form part of Available Revenue Receipts and will be applied in accordance with the relevant Priority of Payments.

The **General Reserve Amortisation Conditions** means each of the following conditions:

- (a) no Event of Default has occurred and is continuing;
- (b) the Class A Principal Deficiency Ledger will not have a debit balance on that Interest Payment Date after applying all Available Revenue Receipts on that Interest Payment Date;
- (c) the Current Balance of the Loans comprising part of the Portfolio in respect of which the aggregate amount in arrears is more than three times the Monthly Payment then due, is less than 2 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio as at such relevant date; and
- (d) cumulative Losses on the Portfolio as at such relevant date represent less than 1 per cent. of the aggregate Current Balance of the Loans comprising the Portfolio as at the day before the Closing Date.

3. Use of Principal Receipts in the event of any SVR Contractual Difference Amounts

Certain Principal Receipts may be applied as Available Revenue Receipts in the event that the relevant Monthly Accrual Amount in relation to a SVR Loan in the Portfolio is greater than the relevant Fixed Monthly Amount payable by the Borrower in relation to such Loan. In such event, amounts equal to the aggregate of any SVR Contractual Difference Amounts will be reallocated from Available Principal Receipts and applied as Available Revenue Receipts. SVR Contractual Difference Amounts shall not incur entries in the Principal Deficiency Ledger.

4. Use of Principal Receipts to pay Revenue Deficiency

On each Calculation Date, the Cash Manager will calculate whether the aggregate of items (a) to (h) less (i) plus (j) of the definition of Available Revenue Receipts is insufficient to pay items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments. If there is a deficit (the **Revenue Deficiency**), and to the extent that there are insufficient monies standing to the credit of the Liquidity Reserve Fund (if established), then the Issuer (or the Cash Manager on its behalf) shall pay or provide for that Revenue Deficiency by the

application of amounts standing to the credit of the Principal Ledger, if any, and the Cash Manager shall make a corresponding entry in the relevant Principal Deficiency Ledger, as described in "*Principal Deficiency Ledgers*" below as well as making a debit in the Principal Ledger. Any such entry and debit shall be made and taken into account prior to the application of Available Principal Receipts on the relevant Interest Payment Date. For more information about the application of Principal Receipts to pay a Revenue Deficiency, see the section "*Cashflows – Application of Principal Receipts to Revenue Deficiency*".

5. Liquidity Reserve Fund and Liquidity Reserve Ledger

On the date on which YBS ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2, the Issuer will establish a fund to fund senior expenses and interest payments on the Class A Notes, if necessary (the **Liquidity Reserve Fund**). The Issuer will be required to fund the Liquidity Reserve Fund to the Liquidity Reserve Fund Required Amount from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments. Such amounts, held in the GIC Account, will be credited to the Liquidity Reserve Ledger. The Issuer will be required to top up the Liquidity Reserve Fund to the Liquidity Reserve Fund Required Amount on each Interest Payment Date. For more information about the application of the amounts standing to the credit of the Liquidity Reserve Fund in connection with a Revenue Deficiency, see the section "*Cashflows – Applications of Monies Drawn from the Liquidity Reserve Fund*".

Liquidity Reserve Fund Required Amount means an amount equal to the greater of (a) 4 per cent. of the Principal Amount Outstanding of the Class A Notes at the beginning of the relevant Interest Period less the amount standing to the credit of the General Reserve Fund as determined by the Cash Manager on the relevant Calculation Date after taking into account the amount of Available Revenue Receipts to be credited to the General Reserve Fund on the Interest Payment Date immediately following such Calculation Date in accordance with the Pre-Acceleration Revenue Priority of Payments and (b) zero.

The Principal Deficiency Ledger will be debited on each Interest Payment Date by an amount equal to the amount drawn from the Liquidity Reserve Fund (if established) to fund senior expenses and interest payments on the Class A Notes on that date (if any).

6. Principal Deficiency Ledgers

A Principal Deficiency Ledger, comprising two sub ledgers, known as the Class A Principal Deficiency Ledger (the **Class A Principal Deficiency Ledger**), and the Class Z VFN Principal Deficiency Ledger (the **Class Z VFN Principal Deficiency Ledger**, and together with the Class A Principal Deficiency Ledger, each a **Principal Deficiency Ledger** and, together, the **Principal Deficiency Ledgers**), will be established on the Closing Date in order to record any Losses on the Portfolio as allocated against each of the Classes of Notes referenced above and/or the application of Principal Receipts to pay any Revenue Deficiency and/or any debiting of the Liquidity Reserve Fund (if established) on an Interest Payment Date to fund senior expenses and interest payments on the Class A Notes. Losses or debits recorded on the Class A Principal Deficiency Ledger shall be recorded in respect of the Class A Notes. Losses or debits recorded on the Class Z VFN Principal Deficiency Ledger shall be recorded in respect of the Class Z VFN. Losses of principal to be credited to the Principal Deficiency Ledger will be calculated after applying any recoveries to outstanding interest amounts due and payable on the relevant Loan.

The application of any Principal Receipts to meet any Losses on the Portfolio will be recorded as a debit:

- (a) first, to the Class Z VFN Principal Deficiency Ledger up to a maximum of the Class Z VFN Principal Deficiency Limit ; and

- (b) second to the Class A Principal Deficiency Ledger so long as the debit balance on such ledger is less than the Principal Amount Outstanding of the Class A Notes.

Losses means all realised losses in respect of a Loan.

Realised losses will be calculated after applying any recoveries following enforcement of a Loan (but on or prior to the completion of enforcement proceedings in respect of such Loan) to outstanding fees and interest amounts due and payable on the relevant Loan.

Class Z VFN Principal Deficiency Limit means the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance (calculated as at such corresponding funding date) of the Loans.

Amounts allocated to each Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments. Such amounts will be applied in repayment of principal as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

7. Available Receipts

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Acceleration Revenue Priority of Payments or the Pre-Acceleration Principal Priority of Payments, as applicable. It is not intended that any surplus will be accumulated in the Issuer (although this does not include the Issuer Profit Amount which the Issuer expects to generate each accounting period as its profit in respect of the business of the Issuer, amounts standing to the credit of the General Reserve Ledger or amounts standing to the credit of the Liquidity Reserve Fund (if established)).

If, on any Interest Payment Date whilst there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts to pay the interest otherwise due on the Class Z VFN then the Issuer will be entitled under Condition 16 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. Such deferral will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class Z VFN.

Failure to pay interest on the most senior Class of Notes within any applicable grace period in accordance with the Conditions shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

8. GIC Account

Pursuant to the Bank Account Agreement and the Guaranteed Investment Contract, the GIC Provider will pay interest on funds in the GIC Account at a guaranteed rate per annum equal to the base rate (as calculated by the GIC Provider) less a margin. The Issuer may invest amounts standing to the credit of the GIC Account in Authorised Investments.

If, at any time the unsecured, unsubordinated and unguaranteed debt obligations of the GIC Provider are downgraded below the Account Bank Rating, the Issuer will be required (within 30 calendar days) to transfer (at its own cost) the GIC Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement, in order to maintain the ratings of the Class A Notes at their then current ratings unless the GIC Provider has arranged a guarantee of its obligations by a suitable rated third party.

The Issuer will maintain the GIC Account and the Transaction Account with the Account Bank. Please see further "*Summary of the Key Transaction Documents – Bank Account Agreement*" above.

9. Interest Rate Risk for the Notes

Some of the Loans in the Portfolio pay a fixed rate of interest for a period of time. Other Loans in the Portfolio pay a variable rate of interest. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Three-Month Sterling LIBOR.

To provide a hedge against the possible variance between:

- (a) the fixed rates of interest payable on the Fixed Rate Loans in the Portfolio; and
- (b) a rate of interest calculated by reference to Three-Month Sterling LIBOR payable on the Notes,

the Issuer will enter into the Fixed Interest Rate Swap with the Interest Rate Swap Provider on the Closing Date.

The Fixed Interest Rate Swap will be governed by the Interest Rate Swap Agreement.

The Issuer will not enter into a swap transaction to provide a hedge between the possible variance between the variable rates of interest payable on the SVR Loans in the Portfolio and a rate of interest calculated by reference to Three-Month Sterling LIBOR payable on the Notes.

Fixed Interest Rate Swap

Under the Fixed Interest Rate Swap, for each Interest Period falling prior to the termination date of the Fixed Interest Rate Swap, the following amounts will be calculated:

- (a) the sum, for each calendar month ending in that Interest Period, of the amounts produced by applying a rate equal to Three-Month Sterling LIBOR (or in respect of the calendar months ending in the first Interest Period and May 2027, the linear interpolation of the relevant Sterling LIBOR rates) plus 1.825 per cent. for the relevant Interest Period to the Fixed Rate Notional Amount for each such calendar month and multiplying the resulting amount by the applicable day count fraction specified in the Fixed Interest Rate Swap (the **Fixed Interest Period Swap Provider Amount**); and
- (b) the sum, for each calendar month ending in that Interest Period, of the amounts produced by applying the weighted average of the fixed rates of interest charged in respect of the Fixed Rate Loans as of the last calendar day of each such calendar month to the Fixed Rate Notional Amount for each such calendar month and multiplying the resulting amount by the applicable day count fraction specified in the Fixed Interest Rate Swap (the **Fixed Interest Period Issuer Amount**), provided that for the first calendar month, the Fixed Interest Period Issuer Amount shall be zero.

After these two amounts are calculated in relation to an Interest Period, the following payments will be made on the relevant Interest Payment Date:

- (a) if the Fixed Interest Period Swap Provider Amount for that Interest Payment Date is greater than the Fixed Interest Period Issuer Amount for that Interest Payment Date, then the Interest Rate Swap Provider will pay the difference to the Issuer;
- (b) if the Fixed Interest Period Issuer Amount is greater than the Fixed Interest Period Swap Provider Amount for that Interest Payment Date, then the Issuer will pay the difference to the Interest Rate Swap Provider; and

(c) if the two amounts are equal, neither party will make a payment to the other.

If a payment is to be made by the Interest Rate Swap Provider, that payment will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the relevant Priority of Payments. If a payment is to be made by the Issuer, it will be made according to the relevant Priority of Payments of the Issuer.

For the purposes of calculating both the Fixed Interest Period Issuer Amount and Fixed Interest Period Swap Provider Amount, the notional amount (the **Fixed Rate Notional Amount**) of the Fixed Interest Rate Swap in respect of a calendar month will be an amount in Sterling equal to the lesser of (A) the product of (i) the aggregate Current Balance of the Fixed Rate Loans in the Portfolio on the last calendar day of that calendar month and (ii) the applicable Performance Ratio on the last calendar day of that calendar month and (B) the relevant maximum Fixed Rate Notional Amount specified in the annex to the Fixed Interest Rate Swap.

The Fixed Rate Notional Amount will reduce to zero when the Class A Notes are redeemed in full.

For the purposes of the Fixed Interest Rate Swap, **Performance Ratio** means, in respect of any calendar month:

the lesser of (i) X / Y and (ii) 1

Where:

X = the greater of (A) zero; and (B) the sum of all payments due in respect of the Fixed Rate Loans in the Portfolio during that month less the increase in arrears (being the amount by which a Fixed Rate Loan is in arrears for the current month less the amount by which it was in arrears during the previous month) for each Fixed Rate Loan in the Portfolio during that month.

Y = the sum of all payments due in respect of each Fixed Rate Loan in the Portfolio during that month.

Subject to the circumstances described below, unless an Early Termination Event (as defined below), occurs, the Fixed Interest Rate Swap will terminate on the earliest of (i) 31 May 2027, (ii) the date on which all of the Class A Notes are redeemed in full, and (iii) the date on which the Security Trustee has enforced the security over the Class A Notes and distributed the proceeds thereof in full. In the event that the Fixed Interest Rate Swap is terminated prior to the service of a Note Acceleration Notice or the date on which the aggregate Principal Amount Outstanding of the Notes is reduced to zero, the Issuer shall enter into a replacement fixed interest rate swap subject to Security Trustee consent in accordance with the provisions set out in the Deed of Charge and outlined below.

Interest Rate Swap Agreement

Under the terms of the Interest Rate Swap Agreement, in the event that the relevant counterparty risk assessment or rating(s), as the case may be, of the Interest Rate Swap Provider (or its guarantor or co-obligor, if applicable) assigned by a Rating Agency is or are below the counterparty risk assessment or rating specified in the Interest Rate Swap Agreement (the **Required Swap Rating**), the Interest Rate Swap Provider will, in accordance with the Interest Rate Swap Agreement, be required to take certain remedial measures within the timeframe stipulated in the Interest Rate Swap Agreement and at its own cost which may include providing Swap Collateral for its obligations under the Interest Rate Swap Agreement, arranging for its obligations under the Interest Rate Swap Agreement to be transferred to an entity with the Required Swap Ratings, procuring another entity with the Required Swap Ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the Interest Rate Swap Agreement or taking such other action (or inaction) that would result in the rating of the Class A Notes being maintained at, or restored to, the level it would have been at prior to such lower rating being assigned by the relevant Rating Agency.

To the extent required to be provided, Swap Collateral will be provided under a credit support annex to the schedule to the Interest Rate Swap Agreement and may take the form of cash in various currencies or eligible securities. The Interest Rate Swap Counterparty will be responsible for determining (in accordance with stipulated parameters) the amount of Swap Collateral which is required to be transferred. Any Swap Collateral provided will be transferred by the Swap Counterparty to the Swap Collateral Account Bank. The Interest Rate Swap Counterparty may from time to time be required to transfer additional Swap Collateral, or may be entitled to require a transfer of equivalent Swap Collateral to it (provided that the Issuer will not be a net transferor of Swap Collateral). In certain circumstances of termination of the Interest Rate Swap Agreement, the value of Swap Collateral then held by the Swap Collateral Account Bank will be taken into account in determining the respective obligations of the parties to the Interest Rate Swap Agreement. Swap Collateral will not form part of Available Revenue Receipts except in the limited circumstances described in the definition of Available Revenue Receipts.

The Interest Rate Swap Agreement may be terminated in certain circumstances, including, but not limited to, the following, each as more specifically defined in the Interest Rate Swap Agreement (an **Early Termination Event**):

- (a) if there is a failure by a party to pay amounts due under an Interest Rate Swap Agreement and any applicable grace period has expired;
- (b) if certain insolvency events occur with respect to a party;
- (c) if a breach of a provision of the Interest Rate Swap Agreement by the Interest Rate Swap Provider is not remedied within the applicable grace period;
- (d) if a change of law results in the obligations of one of the parties becoming illegal;
- (e) if the Interest Rate Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the Interest Rate Swap Agreement (as described above);
- (f) service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes;
- (g) if there is a redemption of the Class A Notes pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*);
- (h) if any of the Transaction Documents are amended (other than with the prior written consent of the Interest Rate Swap Provider) in a manner which, in the opinion of the Interest Rate Swap Provider: (A) would have the effect that immediately after such modification, the Interest Rate Swap Provider would be reasonably required to pay more or receive less under the Interest Rate Swap Agreement if the Interest Rate Swap Provider were to replace itself as swap counterparty under the Fixed Interest Rate Swap than it would otherwise have been required to prior to such modification; (B) would have the effect of altering the amount, timing or priority of any payment or deliveries due from the Issuer to the Interest Rate Swap Provider or from the Interest Rate Swap Provider to the Issuer; or (C) has a material adverse effect on the rights of the Interest Rate Swap Provider under the Transaction Documents (including for the avoidance of doubt and without limitation, its rights and obligations under the Interest Rate Swap Agreement and its regulatory treatment of the Interest Rate Swap Agreement and the transactions thereunder); and
- (i) if any of the Transaction Documents become void or unenforceable and, in the opinion of the Interest Rate Swap Provider, acting in good faith and a commercially reasonable manner, this

results in a material adverse effect on the rights of the Interest Rate Swap Provider under the Interest Rate Swap Agreement or any other Transaction Document.

Upon an early termination of the Fixed Interest Rate Swap, depending on the type of Early Termination Event and circumstances prevailing at the time of termination, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the terminated swap as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination, taking account of any Swap Collateral transferred by the Interest Rate Swap Provider to the Issuer.

Depending on the terms of the Fixed Interest Rate Swap and the circumstances prevailing at the time of termination, any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Interest Rate Swap Provider may, subject to certain conditions specified in the Interest Rate Swap Agreement including (without limitation) the satisfaction of certain requirements of the Rating Agencies, transfer its obligations under the Interest Rate Swap Agreement to another entity with the Required Swap Ratings.

The Issuer is not obliged, under the Interest Rate Swap Agreement, to gross up payments made by it if a withholding or deduction for or on account of taxes is imposed on payments made under the Fixed Interest Rate Swap.

The Interest Rate Swap Provider will generally be obliged to gross up payments made by it to the Issuer if a withholding or deduction for or on account of tax is imposed on payments made by it under the Fixed Interest Rate Swap (other than in respect of any FATCA Withholdings). However, if the Interest Rate Swap Provider is required to gross up a payment under the Fixed Interest Rate Swap due to a change in the law, the Interest Rate Swap Provider may terminate the Fixed Interest Rate Swap.

The Interest Rate Swap Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

CASHFLOWS

Definition of Revenue Receipts

Revenue Receipts means (a) payments of interest and other fees due from time to time under the Loans (including Early Repayment Fees and any Arrears of Interest) and other amounts received by the Issuer in respect of the Loans other than Principal Receipts, (b) recoveries of interest from defaulting Borrowers under Loans being enforced and (c) recoveries of any amounts (including any interest and principal amounts) from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed if such recoveries are identifiable by the Seller as pertaining to a Loan in the Portfolio.

Definition of Available Revenue Receipts

Available Revenue Receipts means, for each Interest Payment Date, an amount equal to the aggregate of (without double counting):

- (a) Revenue Receipts received during the immediately preceding Collection Period or, if in a Determination Period, Calculated Revenue Receipts, in each case, excluding any Reconciliation Amounts to be applied as Available Principal Receipts on that Interest Payment Date;
- (b) interest payable to the Issuer on the Bank Accounts (other than the Swap Collateral Account) and income from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Interest Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) Excess Swap Collateral or Swap Collateral (except to the extent that the value of such Swap Collateral has been applied, pursuant to the provisions of the Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Interest Rate Swap Provider to the Issuer on early termination of the Fixed Interest Rate Swap under the Interest Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Interest Rate Swap Provider such Swap Collateral is not to be applied in acquiring a replacement swap in which case such amounts will be included in Available Revenue Receipts), (iii) any Replacement Swap Premium but only to the extent applied directly to pay any termination payment due and payable by the Issuer to the Interest Rate Swap Provider and (iv) amounts in respect of Swap Tax Credits on such Interest Payment Date);
- (d) other net income of the Issuer received during the immediately preceding Collection Period (excluding any Principal Receipts);
- (e) amounts credited to the GIC Account on the immediately preceding Interest Payment Date in accordance with item (m) of the Pre-Acceleration Revenue Priority of Payments;
- (f) following a Determination Period, any Reconciliation Amounts deemed to be Available Revenue Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);
- (g) any amounts deemed to be Available Revenue Receipts in accordance with item (e) of the definition of Available Principal Receipts;
- (h) the amount standing to the credit of the General Reserve Ledger as at the last day of the immediately preceding Calculation Period;

less:

- (i) amounts applied from time to time during the immediately preceding Collection Period in making payment of certain monies which properly belong to third parties (including the Seller) such as (but not limited to):
 - (i) payments of certain insurance premiums provided that such cash amounts have been paid by the relevant Borrower and form part of Revenue Receipts;
 - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;
 - (iii) payments by the Borrower of any fees (including Early Repayment Fees) and other charges which are due to the Seller; and
 - (iv) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller,

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

plus

- (j) on the Interest Payment Date on which the Class A Notes are fully repaid or otherwise redeemed in full, any amounts standing to the credit of the General Reserve Fund (to the extent not utilised on such Interest Payment Date pursuant to item (h) above);

plus

- (k) if a Revenue Deficiency occurs such that the aggregate of items (a) to (h) less (i) plus (j) above is insufficient to pay or provide for items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, the amount then standing to the credit of the Liquidity Reserve Fund (if established) and available to be drawn to the extent necessary to pay such Revenue Deficiency;

plus

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

plus

- (m) following repayment of the Notes in full, amounts deemed to be Available Revenue Receipts in accordance with item (d) of the Pre-Acceleration Principal Priority of Payments.

Application of Monies Released from the General Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Fund as at the end of the immediately preceding Collection Period will be withdrawn from the General Reserve Fund and applied on such Interest Payment Date as Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the General Reserve Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Monies Drawn from the Liquidity Reserve Fund

Prior to service of a Note Acceleration Notice on the Issuer and following the date on which YBS ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2, if there is a Revenue Deficiency then monies standing to the credit of the Liquidity Reserve Fund as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments at items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments to the extent required.

Following service of a Note Acceleration Notice on the Issuer and following the date on which YBS ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2, monies standing to the credit of the Liquidity Reserve Fund will be applied in accordance with the Post-Acceleration Priority of Payments.

If any amounts are applied from the Liquidity Reserve Fund to fund items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments, a corresponding debit will be made to the Principal Deficiency Ledger.

Application of Principal Receipts to pay Revenue Deficiency

Prior to service of a Note Acceleration Notice on the Issuer, if following the application of any amounts standing to the credit of the Liquidity Reserve Fund (if established) there remains a Revenue Deficiency then monies standing to the credit of the Principal Ledger as at the end of the immediately preceding Collection Period may be applied on each Interest Payment Date to make payments to items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments in an amount equal to the Revenue Deficiency on such Interest Payment Date.

If any amounts are applied from the Principal Ledger to pay or provide for a Revenue Deficiency on any Interest Payment Date, the Issuer (or the Cash Manager on its behalf) will make a corresponding entry in the relevant Principal Deficiency Ledger.

For the avoidance of doubt, SVR Contractual Difference Amounts applied as Available Revenue Receipts will not incur entries in the Principal Deficiency Ledger. Following service of a Note Acceleration Notice on the Issuer, monies standing to the credit of the Principal Ledger will be applied in accordance with the Post-Acceleration Priority of Payments.

Application of Monies following redemption of the Notes in full

On any Optional Redemption Date (which is not an Interest Payment Date) on which the Notes are repaid or provided for in full, the Issuer (or the Cash Manager on its behalf) may, or if directed by the Seller, shall, apply all amounts standing to the credit of any Bank Account of the Issuer to repay any liabilities of the Issuer and to discharge all other amounts required to be paid by the Issuer in accordance with the order of priority set out in the Post-Acceleration Priority of Payments.

Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

On each relevant Interest Payment Date prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager, on behalf of the Issuer, shall apply or provide for the application of the Available Revenue Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Pre-Acceleration Revenue Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable prior to the immediately following Interest Payment Date to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax (**VAT**) thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable prior to the immediately following Interest Payment Date to the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable prior to the immediately following Interest Payment Date to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Swap Collateral Account Bank prior to the immediately following Interest Payment Date under the provisions of the Swap Collateral Account Bank Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Interest Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Class Z VFN Registrar in the immediately succeeding Interest Period under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein; and
 - (v) any amounts then due and payable to the Account Bank for itself and on behalf of the GIC Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank for itself and on behalf of the GIC Provider prior to the immediately following Interest Payment Date under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein.
- (c) *third*, in or towards satisfaction of any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer prior to the immediately following Interest Payment Date and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (k) below);

- (d) *fourth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer prior to the immediately following Interest Payment Date under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;
 - (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager prior to the immediately following Interest Payment Date under the provisions of the Cash Management Agreement, together with VAT (if payable) thereon as provided therein; and
 - (iii) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
- (e) *fifth*, to provide for amounts due on the relevant Interest Payment Date, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof, any amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Interest Rate Swap Provider of any Replacement Swap Premium or any excess collateral amounts standing to the credit of the Swap Collateral Account but excluding, if applicable, any related Interest Rate Swap Excluded Termination Amount;
- (f) *sixth*, to provide for amounts due on the relevant Interest Payment Date, to pay *pro rata* and *pari passu* according to the respective Principal Amount Outstanding thereof interest due and payable on the Class A Notes;
- (g) *seventh*, to credit (so long as any Class A Notes will remain outstanding following such Interest Payment Date) the Class A Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (any such amounts to be applied in repayment of principal as Available Principal Receipts);
- (h) *eighth*, provided such Interest Payment Date is not the final interest payment date of the transaction, to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (i) *ninth*, (so long as the Notes will remain outstanding following such Interest Payment Date), to credit the Class Z VFN Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon (any such amounts to be applied in repayment of principal as Available Principal Receipts);
- (j) *tenth*, to provide for amounts due on the relevant Interest Payment Date to pay interest (including any Deferred Interest) due and payable on the Class Z VFN according to the respective Principal Amount Outstanding thereof;
- (k) *eleventh*, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer as profit in respect of the business of the Issuer;
- (l) *twelfth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Interest Rate Swap Agreement to the Interest Rate Swap Provider in respect of the Interest Rate Swap Excluded Termination Amount;
- (m) *thirteenth*, (so long as any Class A Notes will remain outstanding following such Interest Payment Date), if such Interest Payment Date falls within a Determination Period, then the excess (if any) to

the GIC Account to be applied as Available Revenue Receipts on the next following Interest Payment Date;

- (n) *fourteenth*, (so long as no Class A Notes remain outstanding following such Interest Payment Date), to pay principal due and payable on the Class Z VFN in an amount equal to the Class Z Repayment Amount; and
- (o) *fifteenth*, any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

As used in this Prospectus:

Accrued Interest means in respect of a Loan as at any date the aggregate of all interest accrued but not yet due and payable on the Loan from (and including) the monthly payment date in respect of that Borrower's Loan immediately preceding the relevant date to (but excluding) the relevant date;

Appointee means any attorney, manager, agent, delegate, nominee, Receiver, receiver and manager, custodian or other person properly appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge (as applicable) to discharge any of its functions;

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

Class Z Repayment Amount means, as at an Interest Payment Date, the greater of (A) (i) the Principal Amount Outstanding of the Class Z VFN on such Interest Payment Date (taking into account any amounts to be applied to pay principal on the Class Z VFN on such Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments) less (ii) the Current Balance of the Loans as at the day before such Interest Payment Date and (B) zero;

Early Repayment Fee means any fee (other than a Redemption Fee) which a Borrower is required to pay in the event that such Borrower repays all or any part of the relevant Loan before a specified date in the Mortgage Conditions;

Early Repayment Fee Receipts means an amount equal to sums received by the Issuer from time to time in respect of Early Repayment Fees;

Excess Swap Collateral means, in respect of the Interest Rate Swap Agreement, an amount (which will be transferred directly to the Interest Rate Swap Provider in accordance with the Interest Rate Swap Agreement) equal to the amount by which the value of the Swap Collateral (or the applicable part of any Swap Collateral) provided by the Interest Rate Swap Provider to the Issuer pursuant to the Interest Rate Swap Agreement exceeds the Interest Rate Swap Provider's liability under the Interest Rate Swap Agreement, as at the date of termination of the Interest Rate Swap Agreement or which it is otherwise entitled to have returned to it under the terms of the Interest Rate Swap Agreement;

Interest Rate Swap Excluded Termination Amount means the amount of any termination payment due and payable to an Interest Rate Swap Provider as a result of an Interest Rate Swap Provider Default or Interest Rate Swap Provider Downgrade Event (to the extent such payment cannot be satisfied by (i) payment by the Issuer of any Replacement Swap Premium and/or (ii) any excess collateral amounts standing to the credit of the Swap Collateral Account);

Interest Period means, in relation to a Note, the period from (and including) an Interest Payment Date for that Note (except in the case of the first Interest Period for the Notes, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date for that Note;

Interest Rate Swap Provider Default means the occurrence of an Event of Default (as defined in the Interest Rate Swap Agreement) where the Interest Rate Swap Provider is the Defaulting Party (as defined in the Interest Rate Swap Agreement);

Interest Rate Swap Provider Downgrade Event means the occurrence of an Additional Termination Event (as defined in the Interest Rate Swap Agreement) following the failure by the Interest Rate Swap Provider to comply with the requirements of the ratings downgrade provisions set out in the Interest Rate Swap Agreement;

Receiver means any person or persons appointed (and any additional person or persons appointed or substituted) as an administrative receiver, receiver, manager, or receiver and manager of the Charged Assets by the Security Trustee pursuant to the Deed of Charge;

Redemption Fee means the standard redemption fee charged to the Borrower by the Seller where the Borrower makes a repayment of the full outstanding principal of a Loan on the maturity date of such Loan;

Replacement Swap Premium means, in respect of the Fixed Interest Rate Swap, an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into agreement swap transaction with such replacement swap provider to replace such Fixed Interest Rate Swap;

SVR Accrual Amount means the amount of interest accruing on a SVR Loan in any month calculated using the rate of interest then chargeable in relation to such SVR Loan;

SVR Contractual Difference Amount means, in respect of a SVR Loan and any month in relation to which the Borrower has paid the SVR Fixed Monthly Amount for such SVR Loan in such month, the amount (if any) by which the SVR Accrual Amount is greater than the SVR Fixed Monthly Amount in respect of such SVR Loan;

SVR Fixed Monthly Amount means the fixed monthly amount paid by a Borrower in respect of a SVR Loan;

Swap Collateral means an amount equal to the value of collateral (other than Excess Swap Collateral) provided by an Interest Rate Swap Provider to the Issuer in support of its obligations under the Interest Rate Swap Agreement, and includes any interest or distributions in respect thereof; and

Swap Tax Credits means any credit, allowance, set-off or repayment in respect of tax received by the Issuer from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Interest Rate Swap Provider to the Issuer.

Definition of Principal Receipts

Principal Receipts means (a) principal repayments under the Loans, (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property), (c) any payment pursuant to any insurance policy in respect of a Mortgaged Property in connection with a Loan in the Portfolio and (d) the proceeds of the repurchase of any Loan by the Seller (or, as applicable, YBS or one of its subsidiaries) from the Issuer pursuant to the Mortgage Sale Agreement (other than any amount representing accrued interest).

Definition of Available Principal Receipts

Available Principal Receipts means for any Interest Payment Date an amount equal to the aggregate of (without double counting):

- (a) all Principal Receipts or, if in a Determination Period, any Calculated Principal Receipts, in each case, excluding an amount equal to any Reconciliation Amounts to be applied as Available Revenue Receipts on that Interest Payment Date:
- (i) received by the Issuer during the immediately preceding Collection Period
- minus
- (A) an amount equal to the aggregate of all Further Advance Purchase Prices paid by the Issuer in such Collection Period (but excluding from this deduction any Further Advance Purchase Prices paid by the Issuer on an Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date); and
- (B) an amount equal to the aggregate of all Further Advance Purchase Prices to be paid by the Issuer on that Interest Payment Date (where such Interest Payment Date is also a Monthly Pool Date)
- but in an aggregate amount not exceeding all such Principal Receipts; and
- (ii) received by the Issuer from the Seller (or, as applicable, YBS or one of its subsidiaries) during the immediately preceding Collection Period in respect of any repurchases of Loans and their Related Security that were repurchased by the Seller (or, as applicable, YBS or one of its subsidiaries) pursuant to the Mortgage Sale Agreement;
- (b) the amount standing to the credit of the Liquidity Reserve Fund (if established) (to the extent not utilised on such Interest Payment Date pursuant to item (k) of the definition of Available Revenue Receipts);
- (c) (in respect of the first Interest Payment Date only) the amount paid into the GIC Account on the Closing Date from the excess of the proceeds of the Notes (excluding the proceeds of the Class Z VFN used to establish the General Reserve Fund and to pay the initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date) over the Initial Consideration;
- (d) following a Determination Period, any Reconciliation Amounts deemed to be Available Principal Receipts in accordance with Condition 5.9(c) (*Determinations and Reconciliation*);
- less
- (e) an amount equal to the aggregate of the SVR Contractual Difference Amounts in relation to the SVR Loans, which such amounts shall be deemed to be Available Revenue Receipts (and which such amounts shall not, for the avoidance of doubt, incur entries in the Principal Deficiency Ledger);
- less
- (f) any amounts utilised to pay a Revenue Deficiency pursuant to item (l) of the definition of Available Revenue Receipts;
- plus
- (g) the amounts (if any) calculated on that Interest Payment Date pursuant to the Pre-Acceleration Revenue Priority of Payments, to be the amount by which the debit balance of each of the Class A Principal Deficiency Ledger and/or the Class Z VFN Principal Deficiency Ledger is reduced.

Application of Available Principal Receipts Prior to the Service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the **Pre-Acceleration Principal Priority of Payments**) (in each case only if and to the extent that payments or provisions of higher priority have been paid in full):

- (a) *first*, following the date on which YBS ceases to be assigned a long-term unsecured, unguaranteed and unsubordinated debt obligation rating by Moody's of at least Baa2 or a long-term issuer default rating by Fitch of at least BBB or a short-term issuer default rating by Fitch of at least F2 and provided such Interest Payment Date is not the final Interest Payment Date in respect of the Class A Notes, to credit the Liquidity Reserve Fund to the Liquidity Reserve Fund Required Amount;
- (b) *second, pro rata and pari passu*, in or towards repayment of the principal amount outstanding on the Class A Notes, until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (c) *third*, in or towards repayment of the principal amounts outstanding on the Class Z VFN until the Principal Amount Outstanding of the subscription under the Class Z VFN used to fund the Current Balance of the Loans has been reduced to zero; and
- (d) *fourth*, the excess (if any) to be applied as Available Revenue Receipts.

Distribution of Available Principal Receipts and Available Revenue Receipts Following the Service of a Note Acceleration Notice on the Issuer

Following the service of a Note Acceleration Notice (which has not been revoked) on the Issuer, the Security Trustee (or the Cash Manager on its behalf) or a Receiver will apply amounts received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) other than:

- (a) amounts representing any Excess Swap Collateral (which such amounts shall be returned directly to the Interest Rate Swap Provider under the Interest Rate Swap Agreement);
- (b) any Swap Collateral (including to the extent that (i) the value of such Swap Collateral has been applied, pursuant to the provisions of the Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable to the Interest Rate Swap Provider by the Issuer on early termination of the Fixed Interest Rate Swap under the Interest Rate Swap Agreement; or (ii) any such Swap Collateral required to be returned to the Interest Rate Swap Provider pursuant to the Interest Rate Swap Agreement which such amounts shall be returned directly to the Interest Rate Swap Provider);
- (c) any Swap Tax Credits which shall be returned directly to the Interest Rate Swap Provider;
- (d) any Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Interest Rate Swap Provider) which shall be paid directly to the Interest Rate Swap Provider; and
- (e) any amounts standing to the credit of the Issuer Profit Ledger or any Issuer Profit Amount (which such amounts shall be used by the Issuer in or towards satisfaction of any amounts due and payable by the Issuer to third parties (and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period) and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere)) and any amounts required to pay or discharge

any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (which such amounts shall be used for such purpose),

in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the **Post-Acceleration Priority of Payments** and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the **Priority of Payments**):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee and any Appointee under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee and any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank and the Paying Agents and any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts then due and payable to the Swap Collateral Account Bank and any fees, costs, charges, liabilities and expenses then due and payable to the Swap Collateral Account Bank under the provisions of the Swap Collateral Account Bank Agreement, together with (if payable) VAT thereon as provided therein;
 - (iii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;
 - (iv) any amounts then due and payable to the Class Z VFN Registrar and any fees, costs, charges, liabilities and expenses then due and payable to the Class Z VFN Registrar under the provisions of the Agency Agreement together with (if payable) VAT thereon as provided therein; and
 - (v) any amounts then due and payable to the Account Bank for itself and on behalf of the GIC Provider and any fees, costs, charges, liabilities and expenses then due and payable to the Account Bank for itself and on behalf of the GIC Provider under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein.
- (c) *third*, to pay, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;

- (ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
- (iii) any amounts then due and payable to the Back-Up Servicer Facilitator and any costs, charges, liabilities and expenses then due and payable to the Back-Up Servicer Facilitator under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;
- (d) *fourth*, to pay amounts due and payable *pro rata* and *pari passu* according to the respective amounts thereof of any amounts due to the Interest Rate Swap Provider in respect of an Interest Rate Swap Agreement including any termination payment due and payable by the Issuer to the extent it is not satisfied by the payment by the Issuer to the Interest Rate Swap Provider of any excess collateral amounts standing to the credit of the Swap Collateral Account but excluding, where applicable, any related Interest Rate Swap Excluded Termination Amount;
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof any interest and principal due and payable on the Class A Notes, until the Principal Amount Outstanding on the Class A Notes has been reduced to zero;
- (f) *sixth*, to pay according to the respective outstanding amounts interest and principal due and payable on the Class Z VFN, until the Principal Amount Outstanding on the Class Z VFN has been reduced to zero;
- (g) *seventh*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the Interest Rate Swap Agreement, to the Interest Rate Swap Provider in respect of any Interest Rate Swap Excluded Termination Amount;
- (h) *eighth*, to pay the Issuer the Issuer Profit Amount to be retained by the Issuer in the Bank Accounts as profit in respect of the business of the Issuer; and
- (i) *ninth*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller.

Application of Amounts in Respect of Swap Collateral, Excess Swap Collateral, Swap Tax Credits and Replacement Swap Premium

Amounts received or held by the Issuer in respect of Excess Swap Collateral, Swap Collateral (except to the extent that (i) the value of such Swap Collateral has been applied, pursuant to the provisions of an Interest Rate Swap Agreement, to reduce the amount that would otherwise be payable by the Interest Rate Swap Provider to the Issuer on early termination of the Fixed Interest Rate Swap under the Interest Rate Swap Agreement or (ii) any such Swap Collateral is required to be returned to the Interest Rate Swap Provider pursuant to the Interest Rate Swap Agreement and, to the extent so applied in reduction of the amount otherwise payable by the Interest Rate Swap Provider, such Swap Collateral is not to be applied in acquiring a replacement swap), Swap Tax Credits and Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to an Interest Rate Swap Provider) shall, to the extent due and payable under the terms of the Interest Rate Swap Agreement, be paid directly to the Interest Rate Swap Provider without regard to the Priority of Payments and in accordance with the terms of the Deed of Charge.

DESCRIPTION OF THE NOTES IN GLOBAL FORM AND THE VARIABLE FUNDING NOTES

General

The Class A Notes, as at the Closing Date, will initially be represented by a Temporary Global Note. All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

The Temporary Global Note will be deposited on or about the Closing Date on behalf of the subscribers for the Class A Notes with a Common Safekeeper for both Euroclear and Clearstream, Luxembourg (together, the **Clearing Systems**). Upon deposit of the Temporary Global Note, the Clearing Systems will credit each subscriber of Class A Notes with the principal amount of Class A Notes of the relevant class equal to the aggregate principal amount thereof for which the subscriber will have subscribed and paid. Interests in the Temporary Global Note are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Class A Noteholder, for interests recorded in the records of the Clearing Systems in a Permanent Global Note.

For so long as the Class A Notes are represented by a Global Note and the Clearing Systems so permit, the Class A Notes will be tradeable only in the minimum authorised denomination of £100,000 and integral multiples of £1,000 in excess thereof.

Payments on the Global Note

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) for such purpose, subject, in the case of any Temporary Global Note, to certification of non-U.S. beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers which reflect such customers' interest in the Notes) and such records shall be prima facie evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The Issuer shall procure that each payment shall be entered pro rata in the records of the relevant Clearing Systems but any failure to make such entries shall not affect the discharge referred to above.

Payments will be made, in respect of the Global Notes, by credit or transfer to an account in sterling maintained by the payee with a bank in London.

Payments in respect of principal, premium (if any) and interest on the Global Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment.

A holder shall be entitled to present a Global Note for payment only on a Presentation Date and shall not, except as provided in Condition 5 (Interest), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective

account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of Noteholders or if a Noteholder desires to give instructions or to take any action that a Noteholder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the participants to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

Redemption

In the event that the Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to or to the order of the Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. The redemption price payable in connection with the redemption will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Note (or portion thereof) relating thereto. Any redemptions of the Global Note in part will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto.

Transfers and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its participants. See "*Description of the Notes in global form and the Variable Funding Notes — General*", above.

Issuance of Definitive Notes

If, while any of the Class A Notes are represented by a Permanent Global Note, (a) either of the Clearing Systems is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Class A Notes which would not be required were such Class A Notes in definitive form, then the Issuer will issue Definitive Notes in exchange for such Permanent Global Note (free of charge to the persons entitled to them) within 30 days of the occurrence of the relevant event. The Conditions and the Transaction Documents will be amended in such manner as the Note Trustee and the Security Trustee require to take account of the issue of Definitive Notes.

Any Class A Notes issued in definitive form will be issued in definitive bearer form in the denominations set out in the Conditions and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above.

Reports

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, each Global Note or the Book-Entry Interests. In addition, so long as the Class A Notes are admitted to the Irish Stock Exchange's Official List and trading on its Main Securities Market, any notice may also be published in accordance with the relevant rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange). See also Condition 15 (*Notice to Noteholders*) of the Notes.

Variable Funding Notes

The Class Z VFN will be issued in dematerialised registered form and no certificate evidencing entitlement to the Class Z VFN will be issued. The Issuer will also maintain a register, to be kept on the Issuer's behalf by the Class Z VFN Registrar, in which the Class Z VFN will be registered in the name of the Class Z VFN Holder. Transfers of the Class Z VFN may be made only through the register maintained by the Issuer and are subject to the transfer restrictions set out in Condition 2.2 (*Title*).

TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions (the **Conditions** of the Notes and any reference to a **Condition** shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed (as defined below).*

1. GENERAL

The £2,300,000,000 Class A asset backed floating rate Notes due August 2054 (the **Class A Notes**) and up to £500,000,000 variable funded note due August 2054 (the **Class Z VFN** and, together with the Class A Notes, the **Notes**), in each case of Brass No.5 PLC (the **Issuer**) are constituted by a trust deed (the **Trust Deed**) dated on or about 18 November 2016 (the **Closing Date**) and made between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee for the Noteholders (in such capacity, the **Note Trustee**). Any reference in these terms and conditions (the **Conditions**) to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes or the Class Z VFN, as the case may be, or to the respective holders thereof, in each case except where the context otherwise requires.

The security for the Notes is constituted by and pursuant to a deed of charge and assignment (the **Deed of Charge**) dated on the Closing Date and made between, *inter alios*, the Issuer and U.S. Bank Trustees Limited as trustee for the Secured Creditors (in such capacity, the **Security Trustee**).

Pursuant to an agency agreement (the **Agency Agreement**) dated on the Closing Date and made between the Issuer, the Note Trustee, Elavon Financial Services DAC, acting through its UK Branch as principal paying agent (in such capacity, the **Principal Paying Agent** and, together with any further or other paying agent appointed under the Agency Agreement, the **Paying Agents**), Yorkshire Building Society as Class Z VFN registrar (in such capacity, the **Class Z VFN Registrar**) and Elavon Financial Services DAC, acting through its UK Branch as agent bank (in such capacity, the **Agent Bank**), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement and the master definitions and construction schedule entered into by, *inter alios*, the Issuer, the Note Trustee and the Security Trustee on the Closing Date (the **Master Definitions and Construction Schedule**) and the other Transaction Documents (as defined therein).

Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Definitions and Construction Schedule and the other Transaction Documents are available for inspection and collection during normal business hours at the specified office for the time being of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Master Definitions and Construction Schedule available as described above. These Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions and Construction Schedule.

2. FORM, DENOMINATION AND TITLE

2.1 *Form and Denomination*

The Class A Notes are initially represented by a temporary global note (each, a **Temporary Global Note**) in bearer form in the aggregate principal amount on issue of £2,300,000,000 for the Class A Notes. Each Temporary Global Note has been deposited on behalf of the subscribers of the relevant Class of Notes with

a common safekeeper (the **Common Safekeeper**) for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A/N.V. (**Euroclear** and together with Clearstream, Luxembourg, the **Clearing Systems**) on the Closing Date. Upon deposit of the Temporary Global Notes, the Clearing Systems credited each subscriber of Class A Notes with the principal amount of Class A Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in the Temporary Global Notes are exchangeable on and after the date which is 40 days after the Closing Date, upon certification of non-U.S. beneficial ownership by the relevant Noteholder, for interests in a permanent global note (a **Permanent Global Note**) representing the Class A Notes of the relevant class (the expressions **Global Notes** and **Global Note** meaning the relevant Temporary Global Note or the relevant Permanent Global Note, as the context may require). The Permanent Global Notes have also been deposited with the Common Safekeeper for the Clearing Systems.

Interests in a Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing System.

The Class Z VFN will be in dematerialised registered form.

For so long as the Class A Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Class A Notes shall be tradable only in the minimum nominal amount of £100,000 and higher integral multiples of £1,000, notwithstanding that no Definitive Notes (as defined below) will be issued with a denomination above £199,000.

A Permanent Global Note will be exchanged for Class A Notes in definitive form (such exchanged Global Note, the **Definitive Notes**) (free of charge to the persons entitled to them) only if either of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg:
 - (i) are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise); or
 - (ii) announce an intention permanently to cease business (and do so cease to do business), andin either case, no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of any of the Class A Notes which would not be required were such Class A Notes in definitive form.

If Definitive Notes are issued in respect of Class A Notes originally represented by a Global Note, the beneficial interests represented by the relevant Global Note shall be exchanged by the Issuer for the relevant Class of Notes in definitive form. The aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the Global Note.

Definitive Notes (which, if issued, will be in the denomination set out below) will be serially numbered and will be issued in bearer form with (at the date of issue) interest coupons, principal coupons and, if necessary, talons attached.

Definitive Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 in the case of the Class A Notes. No Definitive Notes will be issued with a denomination above £199,000 in relation to the Class A Notes.

The Class Z VFN has a minimum denomination of £100,000 and may be issued and redeemed in integrals of £100. No certificate evidencing entitlement to the Class Z VFN will be issued. The Class Z VFN will be in dematerialised registered form.

The Class Z VFN will be issued on the Closing Date with a nominal principal amount of £500,000,000 and a Principal Amount Outstanding of which £251,510,000 will be subscribed for on the Closing Date. So long as the Class A Notes are outstanding, the Principal Amount Outstanding of the Class Z VFN shall not fall below 5 per cent. of the aggregate Current Balance of the Loans as at the day before the Closing Date. If a further funding is made in respect of any of the Class Z VFN, the Class Z VFN Registrar shall record such increase in the Principal Amount Outstanding of the Class Z VFN in the register for the Class Z VFN (the **Class Z VFN Register**).

References to **Notes** in these Conditions shall include the Global Notes, the Class Z VFN and the Definitive Notes.

For the purposes of these Conditions, **outstanding** means, in relation to the Notes, all the Notes issued from time to time other than:

- (a) those Notes which have been redeemed in full and cancelled pursuant to the Conditions;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption monies (including all interest payable thereon) have been duly paid to the Note Trustee or to the Principal Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Noteholders in accordance with these Conditions) and remain available for payment against presentation of the relevant Notes;
- (c) those Notes which have been cancelled in accordance with Condition 7.8 (*Cancellation*) of the Notes;
- (d) those Notes which have become void or in respect of which claims have become prescribed, in each case under Condition 9 (*Prescription*) of the Notes;
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes;
- (f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Note) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Condition 14 (*Replacement of Notes*) with respect to the Notes; and
- (g) any Global Note to the extent that it shall have been exchanged for another Global Note in respect of the Notes of the relevant Class or for the Notes of the relevant Class in definitive form pursuant to its provisions,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders of any Class or Classes, an Extraordinary Resolution in writing or an Ordinary Resolution in writing, a Written Resolution or an Electronic Consent as envisaged by paragraph 1 of Schedule 4 to the Trust Deed and any direction or request by the holders of Notes of any Class or Classes;
- (ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clauses 10.1 and 21.2 and Schedule 4 to the Trust Deed and Conditions 10 (*Events of Default*), 11 (*Enforcement*) and 12.5 (*Additional Right of Modification*) of the Notes;
- (iii) any discretion, power or authority (whether contained in the trust presents, or vested by operation of law) which the Security Trustee and/or the Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Noteholders or any Class or Classes thereof; and
- (iv) the determination by the Note Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders or any Class or Classes thereof,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Seller, YBS, any holding company of any of them or any other Subsidiary of any such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Seller or YBS, any holding company of the Seller or YBS or any other Subsidiary of such holding company (the **Relevant Persons**) where all of the Notes of any Class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such Class of Notes (the **Relevant Class of Notes**) shall be deemed to remain outstanding except that, if there is any other Class of Notes ranking pari passu with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such Class, then the Relevant Class of Notes shall be deemed not to remain outstanding.

Subsidiary means a subsidiary as defined in section 1159 of the Companies Act 2006.

2.2 Title

Title to the Global Notes or Definitive Notes shall pass by delivery.

Title to a Class Z VFN shall only pass by and upon registration of the transfer in the Class Z VFN Register provided that no transferee shall be registered as a new Class Z VFN Holder unless (a) the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee has been obtained (and the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders) and (b) such transferee has certified to, *inter alios*, the Class Z VFN Registrar that it is (i) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (ii) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (iii) a Qualifying Noteholder.

Qualifying Noteholder means:

- (a) a person which is beneficially entitled to interest in respect of the Class Z VFN and is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes;

- (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of Section 19 of the Corporation Tax Act 2009 (the **CTA**)) of that company; or
- (iii) a partnership each member of which is:
 - (A) a company resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of Section 19 of the CTA) the whole of any share of a payment of interest in respect of the Notes that is attributable to it by reason of Part 17 of the CTA; or
- (b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 (**ITA 2007**) and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 of the ITA 2007.

Noteholders means (i) the Class A Noteholders and (ii) the person(s) in whose name a Class Z VFN is registered in the Class Z VFN Register (or in the case of joint holders, the first named thereof).

Class A Noteholders means holders of the Class A Notes;

Class Z VFN Holder means holders of the Class Z VFN.

3. STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY

3.1 *Status and relationship between the Notes*

- (a) The Class A Notes constitute direct, secured and (subject to the limited recourse provision in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class A Notes will rank *pari passu* and *pro rata* without any preference or priority among themselves as to payments of principal and interest.
- (b) The Class Z VFN constitutes direct, secured and (subject as provided in Condition 16 (*Subordination by Deferral*)) and the limited recourse provisions in Condition 11 (*Enforcement*)) unconditional obligations of the Issuer. The Class Z VFN rank junior to the Class A Notes, as provided in these Conditions and the Transaction Documents. Accordingly, the interests of the Class Z VFN Holder will be subordinated to the interests of the Class A Noteholders (so long as any Class A Notes remain outstanding).
- (c) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise) but requiring the Note Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and those of the Class Z VFN Holder.

As long as the Notes are outstanding but subject to Conditions 12.4 (*Modification*) and 12.5 (*Additional Right of Modification*), the Security Trustee shall not have regard to the interests of the other Secured Creditors.

- (d) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class Z VFN Holder to request or direct the Note Trustee or the Security Trustee to take any action according to the effect thereof on the interests of the Class A Noteholders.
- (e) Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class Z VFN Holder.

3.2 **Security**

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee for it to hold on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. **COVENANTS**

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of amounts of profit retained by the Issuer in accordance with the Priority of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent,

approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;

- (i) **Bank accounts:** have an interest in any bank account other than the Bank Accounts (including any additional swap collateral account(s)), unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee;
- (j) **U.S. activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles;
- (k) **Corporation tax:** prejudice its eligibility for its corporation tax liability to be calculated in accordance with regulation 14 of the Taxation of Securitisation Companies Regulations 2006;
- (l) **Class Z VFN:** so long as the Class A Notes are outstanding, allow the Principal Amount Outstanding of the Class Z VFN to be less than 5 per cent. of the aggregate Current Balance of the Loans as at the day before the Closing Date; or
- (m) **VAT:** apply to become part of any group for the purposes of sections 43 to 43D of the Value Added Tax Act 1994 and the VAT (Groups: eligibility) Order (S.I. 2004/1931) with any other company or group of companies, or such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal any of the same.

5. INTEREST

5.1 *Interest Accrual*

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Class A Note, that part only of such Class A Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 *Interest Payment Dates*

The first Interest Payment Date will be the Interest Payment Date falling on 16 February 2017.

Interest will be payable quarterly in arrear on the 16th day of February, May, August and November of each year or, if such day is not a Business Day, on the immediately succeeding Business Day (each such date being an **Interest Payment Date**), for all classes of Notes.

In these Conditions, **Interest Period** shall mean the period from (and including) an Interest Payment Date (except in the case of the first Interest Period for the Notes, where it shall mean the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date.

5.3 *Rate of Interest*

- (a) The rate of interest payable from time to time in respect of each class of the Notes (each a **Rate of Interest** and together the **Rates of Interest**) will be determined on the basis of the following provisions:

- (i) the Agent Bank will determine the Relevant Screen Rate as at or about 11.00 a.m. (London time) on the Interest Determination Date (as defined below) in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for three-month Sterling deposits (or, in respect of the first Interest Period for the Notes, the linear interpolation of LIBOR for two month and three month deposit in Sterling) in the London interbank market as at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. The Rates of Interest for the relevant Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Relevant Screen Rate (or, if the Relevant Screen Rate is unavailable, the arithmetic mean of such offered quotations for three-month Sterling deposits (rounded upwards, if necessary, to five decimal places)); and
- (ii) if, on any Interest Determination Date, the Relevant Screen Rate is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraph (i) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) shall have applied but taking account of any change in the Relevant Margin.

The minimum Rate of Interest shall be zero. There will be no maximum Rate of Interest.

- (b) The margin on the Class A Notes changes from (and including) the Interest Payment Date falling on 16 November 2021 (the **Step-Up Date**).
- (c) In these Conditions (except where otherwise defined), the expression:
 - (i) **Business Day** means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;
 - (ii) **LIBOR** means the London Interbank Offered Rate;
 - (iii) **Reference Banks** means the principal London office of each of five major banks engaged in the London interbank market selected by the Agent Bank with the approval of the Issuer, provided that, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such;
 - (iv) **Relevant Margin** means in respect of each Class of the Notes the following per cent. per annum:
 - (A) in respect of the Class A Notes, prior to the Step-Up Date 0.50 per cent. per annum and on and after the Step-Up Date 1.00 per cent. per annum (the **Class A Margin**);
 - (B) in respect of the Class Z VFN, 0.00 per cent. per annum (the **Class Z VFN Margin**);

- (v) **Relevant Screen Rate** means the arithmetic mean of offered quotations for three-month Sterling deposits (or, with respect to the first Interest Period the rate which represents the linear interpolation of LIBOR for two and three month deposits in Sterling) in the London interbank market displayed on the Reuters Screen page LIBOR01 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee; and
- (vi) **Interest Determination Date** means the first day of the Interest Period for which the rate will apply.

5.4 Determination of Rates of Interest and Interest Amounts

The Agent Bank shall, as soon as practicable after (a) 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the amount (the **Interest Amounts**) in respect of the Notes, payable in respect of interest on the Principal Amount Outstanding of each Class of the Notes for the relevant Interest Period.

The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 (or, if any portion of the Interest Period concerned falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period concerned falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period concerned falling in a non-leap year divided by 365) and rounding the resulting figure downwards to the nearest penny.

5.5 Publication of Rates of Interest and Interest Amounts

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Class Z VFN Registrar and the Paying Agents (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 15 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 Determination by the Note Trustee

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions and the Note Trustee has been notified of this default by the Cash Manager, determine or cause to be determined the Rates of Interest and Interest Amounts, the Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances in the manner provided in Condition 5.4 (*Determination of Rates of Interest and Interest Amounts*). In each case, the Note Trustee may, at the expense of the Issuer, employ an expert to make the determination and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 Notifications, etc. to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the

absence of wilful default, gross negligence, or fraud) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Class Z VFN Registrar, the Paying Agents and all Noteholders and (in the absence of wilful default, gross negligence, or fraud) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Cash Manager, the Agent Bank, the Class Z VFN Registrar or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 Agent Bank

The Issuer shall procure that, so long as any of the Notes remain outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. Subject to the detailed provisions of the Agency Agreement, the Agent Bank may not resign its duties or be removed without a successor having been appointed.

5.9 Determinations and Reconciliation

- (a) In the event that the Cash Manager does not receive any Servicer Report due during a Collection Period (the **Determination Period**), then the Cash Manager may use the Servicer Reports in respect of the three most recent Collection Periods (or, where there are not at least three such previous Servicer Reports, any previous such Servicer Reports) for the purposes of calculating the amounts available to the Issuer to make payments, as set out in this Condition 5.9. If and when the Cash Manager ultimately receives the Servicer Report relating to the relevant Determination Period, it will make the reconciliation calculations and reconciliation payments as set out in Condition 5.9(c). Any (i) calculations properly done on the basis of such estimates in accordance with Conditions 5.9(b) and/or 5.9(c); (ii) payments made under any of the Notes and Transaction Documents in accordance with such calculations; and (iii) reconciliation calculations and reconciliation payments made as a result of such reconciliation calculations, each in accordance with Condition 5.9(b) and/or 5.9(c), shall (in any case) be deemed to be done, in accordance with the provisions of the Transaction Documents and will in themselves not lead to an Event of Default and no liability will attach to the Cash Manager in connection with the exercise by it of its powers, duties and discretion for such purposes.
- (b) In respect of any Determination Period the Cash Manager shall:
 - (i) determine the Interest Determination Ratio by reference to the three most recent Servicer Reports (or, where there are not at least three such previous Servicer Reports, any previous such Servicer Reports);
 - (ii) calculate the Revenue Receipts for such Determination Period as the product of (i) the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the **Calculated Revenue Receipts**); and
 - (iii) calculate the Principal Receipts for such Determination Period as the product of (i) 1 minus the Interest Determination Ratio and (ii) all collections received by the Issuer during such Determination Period (the **Calculated Principal Receipts**).
- (c) Following any Determination Period, upon receipt by the Cash Manager of the Servicer Reports in respect of such Determination Period, the Cash Manager shall reconcile the calculations made in

accordance with Condition 5.9(b)(i) above to the actual collections set out in the Servicer Reports by allocating the Reconciliation Amount as follows:

- (i) If the Reconciliation Amount is a positive number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Revenue Ledger, as Available Principal Receipts (with a corresponding debit of the Revenue Ledger);
- (ii) If the Reconciliation Amount is a negative number, the Cash Manager shall apply an amount equal to the lesser of (A) the absolute value of the Reconciliation Amount and (B) the amount standing to the credit of the Principal Ledger, as Available Revenue Receipts (with a corresponding debit of the Principal Ledger),

provided that the Cash Manager shall apply such Reconciliation Amount in determining Available Revenue Receipts and Available Principal Receipts for such Collection Period in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Issuer and the Security Trustee of such Reconciliation Amount.

- (d) In this Condition 5.9, the expression:

Interest Determination Ratio means (i) the aggregate Revenue Receipts calculated in the three previous Servicer Reports (or where there are not at least three previous such Servicer Reports, the relevant previous Servicer Reports used by the Cash Manager pursuant to Condition 5.9(b)(i) above) divided by (ii) the aggregate of all Revenue Receipts and all Principal Receipts calculated in such Servicer Reports;

Reconciliation Amount means in respect of any Collection Period which is a Determination Period, (i) the actual Principal Receipts as determined in accordance with the available Servicer Reports, less (ii) the Calculated Principal Receipts in respect of such Collection Period, plus (iii) any Reconciliation Amount not applied in previous Collection Periods; and

Servicer Report means a report to be provided by the Servicer on or prior to each Monthly Pool Date and detailing the information relating to the Portfolio necessary to produce the Investor Report.

6. PAYMENTS

6.1 *Payment of Interest and Principal*

Payments in respect of principal, premium (if any) and interest in respect of any Global Note will be made only against presentation of such Global Note to or to the order of the Principal Paying Agent (or the Class Z VFN Registrar in respect of the Class Z VFN) or such other Paying Agent as shall have been notified to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) for such purpose, subject, in the case of any Temporary Global Note, to certification of non-U.S. beneficial ownership as provided in such Temporary Global Note. Each payment of principal, premium or interest made in respect of a Global Note will be recorded by the Clearing Systems in their records (which records are the records each relevant Clearing System holds for its customers and reflect such customers' interest in the Notes) and such records shall be *prima facie* evidence that the payment in question has been made. No person appearing from time to time in the records of either of the Clearing Systems as the holder of a Note shall have any claim directly against the Issuer in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note. The Issuer shall procure that each payment shall be entered *pro rata* in the records of the relevant Clearing System but any failure to make such entries shall not affect the discharge referred to above.

Payments will be made in respect of the Notes by credit or transfer to an account in Sterling maintained by the payee with a bank in London.

6.2 *Laws and Regulations*

Payments of principal and interest in respect of the Notes are subject, in all cases, to (i) any fiscal or other laws and regulations applicable thereto in any jurisdiction and (ii) any withholding or deduction required pursuant to an agreement described in section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 *Payment of Interest following a Failure to pay Principal*

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) and Conditions 5.3(a) and 5.3(b) (*Rate of Interest*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) above and, in respect of any Definitive Note, in accordance with this Condition 6.

6.4 *Change of Paying Agents*

Subject to the detailed provisions of the Agency Agreement, the Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Class Z VFN Registrar and to appoint additional or other agents provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent; and
- (b) there will at all times be at least one Paying Agent (who may be the Principal Paying Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange and competent authority.

Except where otherwise provided in the Trust Deed or the Agency Agreement, the Issuer will cause notice of no more than 30 days and no less than 15 days of any change in or addition to the Paying Agents or the Class Z VFN Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 *No Payment on non-Business Day*

If the date for payment of any amount in respect of a Note is not a Presentation Date, Noteholders shall not be entitled to payment until the next following Presentation Date in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6.5, the expression **Presentation Date** means a day which is (a) a Business Day and (b) a day on which banks are generally open for business in the relevant place.

6.6 *Partial Payment*

If the Class Z VFN Registrar (in respect of the Class Z VFN) makes a partial payment in respect of the Class Z VFN, the Class Z VFN Registrar will, in respect of the Class Z VFN, annotate the Class Z VFN Register, indicating the amount and date of such payment.

6.7 Payment of Interest

If interest is not paid in respect of the Class Z VFN on the date when due and payable (other than because the due date is not a Presentation Date (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance by the Noteholder with Condition 6.1 (*Payment of Interest and Principal*) or where interest is deferred in accordance with Condition 16 (Subordination by Deferral), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Class Z VFN until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 15 (*Notice to Noteholders*).

7. REDEMPTION

7.1 Redemption at Maturity

Unless previously redeemed in full or purchased and cancelled as provided below, the Issuer will redeem:

- (a) the Class A Notes at their respective Principal Amount Outstanding on the Interest Payment Date falling in August 2054; and
- (b) the Class Z VFN at its Principal Amount Outstanding on the Interest payment date falling in August 2054.

7.2 Mandatory Redemption

- (a) Each Note shall, subject to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) and 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), be redeemed on each Interest Payment Date prior to the service of a Note Acceleration Notice in an amount equal to the Available Principal Receipts available for such purpose (to the extent not used to credit the Liquidity Reserve Fund, if established) which shall be applied subject to and in accordance with the Pre-Acceleration Principal Priority of Payments and, as applicable, the Pre-Acceleration Revenue Priority of Payments.
- (b) With respect to each Class of Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine) (i) the amount of any principal repayment due on the Interest Payment Date next following such Calculation Date, (ii) the Principal Amount Outstanding of each such Class of Note and (iii) in relation to the Class A Notes only, the fraction expressed as a decimal to the sixth point (the **Pool Factor**), of which the numerator is the Principal Amount Outstanding of that Note (as referred to in (ii) above) and the denominator, in the case of that Note, is the Principal Amount Outstanding of that Note on the Closing Date and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.
- (c) The Issuer will cause each determination of a principal repayment, Principal Amount Outstanding and, in the case of the Class A Notes only, Pool Factor to be notified by not less than two Business Days prior to the relevant Interest Payment Date to the Note Trustee, the Security Trustee, the Paying Agents, the Agent Bank, the Interest Rate Swap Provider and (for so long as the Class A Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Irish Stock Exchange) the Irish Stock Exchange, and will immediately cause notice of each such determination to be given in accordance with Condition 15 (*Notice to Noteholders*) by not later than two Business Days prior to the relevant Interest Payment Date. If no principal repayment is due to be made on the Class A Notes on any Interest Payment Date a notice to this effect will be given to the relevant Noteholders.

7.3 **Optional Redemption of the Class A Notes in Full**

- (a) On giving not more than 60 nor less than 10 days' notice to (i) the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), (ii) the Note Trustee, and (iii) the Interest Rate Swap Provider, the Issuer may redeem, on any Optional Redemption Date, all (but not some only) of the Class A Notes on such Optional Redemption Date provided that:
- (i) on or prior to the Interest Payment Date on which such notice expires (the **Optional Redemption Date**), no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Class A Notes on the relevant Optional Redemption Date and to discharge all other amounts required to be paid in priority to or *pari passu* with all the Class A Notes on such Optional Redemption Date and, as the case may be, on the immediately following Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer) (and for the avoidance of doubt, the order of priority shall be as set out in the Pre-Acceleration Principal Priority of Payments and (as applicable) the Pre-Acceleration Revenue Priority of Payments); and
 - (iii) the Optional Redemption Date is (A) the Interest Payment Date falling in November 2021 (the **Expected Maturity Date**) or any Interest Payment Date thereafter or (B) any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Class A Notes is equal to or less than 10 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on the Closing Date.
- (b) Any Class A Note redeemed pursuant to Condition 7.3(a) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Class A Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Class A Note up to, but excluding, the Optional Redemption Date.

7.4 **Optional Redemption of the Class A Notes for Taxation or Other Reasons**

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or the Paying Agents would be required to deduct or withhold from any payment of principal or interest on any Class A Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of such Class A Notes) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political sub-division thereof or any authority thereof or therein having power to tax; or
- (b) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on or before the next Interest Payment Date the Issuer or an Interest Rate Swap Provider would be required to deduct or withhold from any payment under an Interest Rate Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then the Issuer shall, if the same would avoid the effect of such relevant event described in subparagraph (a) or (b) above, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the

Note Trustee as principal debtor under the Class A Notes and the Trust Deed, provided that (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the interests of the Class A Noteholders (and in making such determination, the Note Trustee may rely, without further investigation or inquiry, on confirmation from the Rating Agencies that such substitution will not have an adverse effect on the then current rating of the Class A Notes) and (ii) such substitution would not require registration of any new security under U.S. securities laws or materially increase the disclosure requirements under U.S. law, provided further that if any taxes referred to in this Condition 7.4 arise in connection with FATCA, the requirement to avoid the effect of any event described in subparagraph (a) or (b) above shall not apply.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in subparagraph (a) or (b) above is continuing and that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days' notice to the Note Trustee, the Interest Rate Swap Provider, the Class A Noteholders in accordance with Condition 15 (*Notice to Noteholders*), redeem all (but not some only) of the Class A Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption provided that (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer (i) stating that one or more of the circumstances referred to in subparagraph (a) or (b) above prevail(s), (ii) setting out details of such circumstances and (iii) confirming that the appointment of a Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such appointment or substitution and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Paying Agents or an Interest Rate Swap Provider have or will become obliged to deduct or withhold amounts as a result of such change. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in the paragraph immediately above, in which event they shall be conclusive and binding on the all Noteholders and the Secured Creditors.

The Issuer may only redeem the Class A Notes as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Class A Notes as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments to be paid in priority to or *pari passu* with the Class A Notes outstanding in accordance with the Conditions, such certification to be provided by way of a certificate signed by two directors of the Issuer.

7.5 Principal Amount Outstanding

The **Principal Amount Outstanding**:

- (a) in respect of the Class A Notes on any date shall be their original principal amount of £2,300,000,000 less the aggregate amount of all principal payments in respect of such Class A Notes which have been made since the Closing Date; and
- (b) in respect of the Class Z VFN shall be, as at a particular day (the **Reference Date**), the total principal amount of all drawings under the Class Z VFN on and since the Closing Date less the aggregate amount of all principal payments in respect of such Class Z VFN which have been made since the Closing Date and not later than the Reference Date (such amounts to be notified in writing by the Class Z VFN Registrar to the Principal Paying Agent and any other Paying Agents).

7.6 Notice of Redemption

Any such notice as is referred to in Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) or Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation and, if so relied on, shall be conclusive and binding on the Noteholders.

7.7 No Purchase by the Issuer

The Issuer will not be permitted to purchase any of the Notes.

7.8 Cancellation

All Notes (other than the Class Z VFN) redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

On each Interest Payment Date on which the Class Z VFN is redeemed pursuant to Condition 7.2 (*Mandatory Redemption*), the Class Z VFN Registrar shall cancel the Class Z VFN in an amount equal to such mandatory redemption, thereby reducing the nominal principal amount of the Class Z VFN by an amount equal to such mandatory redemption.

Each Class Z VFN will be cancelled when redeemed in full after the Class Z VFN Commitment Termination Date and may not be resold or re-issued once cancelled.

8. TAXATION

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**), unless the withholding or deduction of the Taxes is required by applicable law, or in connection with FATCA. In that event, subject to Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Issuer or, as the case may be, the relevant Paying Agent or the Class Z VFN Registrar shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer, the Class Z VFN Registrar nor any Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

FATCA means Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or any law implementing an intergovernmental approach thereto.

9. PRESCRIPTION

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the **Relevant Date**, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 15 (*Notice to Noteholders*).

10. EVENTS OF DEFAULT

10.1 Class A Notes

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes then outstanding or if so directed by an Extraordinary Resolution of the Class A Noteholders shall, (subject to being indemnified and/or secured and/or prefunded to its satisfaction) give a notice (a **Note Acceleration Notice**) to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Principal Amount Outstanding, together with Accrued Interest as provided in the Trust Deed, in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes and the default continues for a period of (i) 7 days in the case of principal or (ii) 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or (in the opinion of the Note Trustee) a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolution of the Class A Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, diligence, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 30 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to

obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 Class Z VFN

This Condition 10.2 shall not apply as long as any Class A Note remains outstanding. Subject thereto, for so long as any Class Z VFN is outstanding, the Note Trustee shall if so directed by the sole Class Z VFN Holder or holders of all the Class Z VFN, (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give a Note Acceleration Notice to the Issuer in any of the following events (each, an **Event of Default**):

- (a) if default is made in the payment of any principal or interest due in respect of the Class Z VFN and the default continues for a period of seven days in the case of principal or 14 days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) (*Class A Notes*) occurs with references, where applicable, to the Class A Noteholders being read as to the Class Z VFN Holder.

10.3 General

Upon the service of a Note Acceleration Notice by the Note Trustee in accordance with Conditions 10.1 (*Class A Notes*) or Condition 10.2 (*Class Z VFN*) above, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amount Outstanding, together with Accrued Interest as provided in the Trust Deed.

11. ENFORCEMENT

11.1 General

Each of the Note Trustee and the Security Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of (in the case of the Note Trustee) the Notes or the Trust Deed (including these Conditions) or (in the case of the Security Trustee) the Deed of Charge or (in either case) any of the other Transaction Documents to which it is a party and, at any time after the service of a Note Acceleration Notice, the Security Trustee may, at its discretion and without notice, take such steps, actions and/or proceedings as it may think fit to enforce the Security, but neither of them shall be bound to take any such proceedings, action or steps unless:

- (a) subject in all cases to restrictions contained in the Trust Deed and the Deed of Charge to protect the interests of any higher ranking class or classes of Noteholders (including the provisions set out in Clause 10 and Schedule 4 of the Trust Deed), it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes or, if there are no Class A Notes then outstanding, the holders of all the Class Z VFN; and
- (b) in all cases, it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

11.2 Preservation of Assets

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security Trustee will not be entitled to dispose of any of the Charged Assets or any part thereof unless either (a) a sufficient amount would be realised to allow discharge in full on a *pro rata* and *pari passu* basis of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class

A Noteholders) or, once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto), or (b) the Security Trustee is of the opinion, which shall be binding on the Secured Creditors, reached after considering at any time and from time to time the advice of any financial adviser (or such other professional advisers selected by the Security Trustee for the purpose of giving such advice), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders) or, once all of the Class A Noteholders have been repaid, to the Class Z VFN Holder (and all persons ranking in priority thereto)). The fees and expenses of the aforementioned financial adviser or other professional adviser selected by the Security Trustee shall be paid by the Issuer.

11.3 Limitations on Enforcement

No Noteholder shall be entitled to take any steps or proceedings to procure the winding-up, administration or liquidation of the Issuer.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

11.4 Limited Recourse

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under the Deed of Charge (the **Charged Assets**). If:

- (a) there are no Charged Assets remaining which are capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Charged Assets have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and
- (c) there are insufficient amounts available from the Charged Assets to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any), interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any), interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each Class and, in certain cases, more than one Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

12.2 An Extraordinary Resolution (other than in relation to a Basic Terms Modification, which requires an Extraordinary Resolution of the relevant affected Classes of Notes and subject to the more detailed provisions of the Trust Deed) passed at any meeting of the Class A Noteholders shall be binding on the Class Z VFN Holder irrespective of the effect upon it, subject to Condition 12.3 (*Quorum*).

12.3 Quorum

- (a) Subject as provided below, the quorum at any meeting of the Class A Noteholders for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes, or, at any adjourned meeting, one or more persons being or representing a Class A Noteholder, whatever the aggregate Principal Amount Outstanding of the Class A Notes then outstanding held or represented by it or them.
- (b) Subject to the more detailed provisions set out in the Trust Deed, the quorum at any meeting of the Class A Noteholders for passing an Extraordinary Resolution to (i) sanction a modification of the date of maturity of any Notes, (ii) sanction a modification of the date of payment of principal or interest in respect of the Notes, or where applicable, of the method of calculating the date of payment of principal or interest in respect of the Notes, (iii) sanction a modification of the amount of principal or the rate of interest payable in respect of the Notes, or where applicable, of the method of calculating the amount payable of any principal or interest in respect of the Notes, (iv) alter the currency in which payments under the Notes are to be made (v) alter the quorum or majority required in relation to this exception, (vi) sanction any scheme or proposal or substitution for the sale, conversion or cancellation of the Notes or (vii) alter any of the provisions contained in this exception (each a **Basic Terms Modification**) shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding and any Extraordinary Resolution in respect of such a modification shall only be effective if duly passed at a meeting of the Class A Noteholders.

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing from the Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

12.4 Modification

Other than in respect of a Basic Terms Modification, the Note Trustee or, as the case may be, the Security Trustee, may agree with the Issuer and any other parties but without the consent of the Noteholders or the other Secured Creditors (but, in the case of the Security Trustee only, with the written consent of the Secured Creditors which are a party to the relevant Transaction Document):

- (a) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders of any Class; or
- (b) to any modification to these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error.

provided that in respect of any modifications to any of the Transaction Documents which would (in the opinion of the Interest Rate Swap Provider, which shall be confirmed in writing within twenty Business Days of the Interest Rate Swap Provider receiving notice of such modifications to the Note Trustee and the Security Trustee prior to such modification) have (A) the effect that immediately after such modification, the Interest Rate Swap Provider would be reasonably required to pay more or receive less under the Interest Rate Swap Agreement if the Interest Rate Swap Provider were to replace itself as swap counterparty under the Fixed Interest Rate Swap than it would otherwise have been required to prior to such modification; or (B) the effect of altering the amount, timing or priority of any payments or deliveries due from the Issuer to the Interest Rate Swap Provider or from the Interest Rate Swap Provider to the Issuer; or (C) a material adverse effect on the rights of the Interest Rate Swap Provider under the Transaction Documents (including for the

avoidance of doubt and without limitation, its rights and obligations under the Interest Rate Swap Agreement and its regulatory treatment of the Interest Rate Swap Agreement and the transactions thereunder), the prior written consent of the Interest Rate Swap Provider is required.

12.5 Additional Right of Modification

Notwithstanding the provisions of Condition 12.4 (*Modification*), the Note Trustee and/or the Security Trustee (as the case may be) shall be obliged, without any consent or sanction of the Noteholders, or, subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or whose ranking in any Priority of Payments is affected, any of the other Secured Creditors, to concur with the Issuer in making any modification (other than in respect of a Basic Terms Modification) to these Conditions and/or any other Transaction Document or enter into any new, supplemental or additional documents that the Issuer (in each case) considers necessary:

- (a) in order to enable the Issuer to comply with any requirements which apply to it under EMIR, subject to receipt by the Note Trustee and the Security Trustee of a certificate issued by (i) the Issuer or (ii) the Cash Manager on behalf of the Issuer certifying to the Note Trustee and the Security Trustee the requested amendments are to be made solely for the purpose of enabling the Issuer to satisfy its requirements under EMIR and have been drafted solely to that effect;
- (b) for the purpose of complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time, provided that in relation to any amendment under this Condition 12.5(b):
 - (i) the Issuer or the Cash Manager on behalf of the Issuer certifies in writing to the Note Trustee and the Security Trustee that such modification is necessary to comply with such criteria or, as the case may be, is solely to implement and reflect such criteria; and
 - (ii) in the case of any modification to a Transaction Document proposed by any of YBS, the Cash Manager, the Seller, the Servicer, the Account Bank, the GIC Provider, the Swap Collateral Account Bank and/or the Interest Rate Swap Provider (for the purposes of this Condition 12.5 only, each a **Relevant Party**) in order (x) to remain eligible to perform its role in such capacity in conformity with such criteria and/or (y) to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds):
 - (A) the Relevant Party certifies in writing to the Issuer, the Note Trustee and the Security Trustee that such modification is necessary for the purposes described in paragraph (ii)(x) and/or (y) above;
 - (B) either:
 - (I) the Issuer or Cash Manager (on behalf of the Issuer) obtains from each of the Rating Agencies a Ratings Confirmation and, if relevant, delivers a copy of each such confirmation to the Issuer, the Note Trustee and the Security Trustee; or
 - (II) the Issuer or the Cash Manager on behalf of the Issuer certifies in writing to the Note Trustee and the Security Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned

to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and

(C) YBS pays all costs and expenses (including legal fees) incurred by the Issuer and the Note Trustee and the Security Trustee or any other Transaction Party in connection with such modification,

- (c) for the purpose of complying with any changes in the requirements of Article 405 of the CRR, Article 17 of Directive 2011/61/EU (as amended), Article 51 of the AIFMR or Article 254 of the Solvency II Regulation, after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRR, the AIFMR, the Solvency II Regulation or any other risk retention legislation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (d) for the purpose of enabling the Class A Notes to be (or to remain) listed on the Irish Stock Exchange, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect;
- (e) for the purposes of enabling the Issuer or any of the other Transaction Parties to comply with FATCA, provided that the Issuer or the relevant Transaction Party, as applicable, certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect; or
- (f) for the purpose of complying with any changes in the requirements of the CRA Regulation after the Closing Date, including as a result of the adoption of regulatory technical standards in relation to the CRA Regulation or regulations or official guidance in relation thereto, provided that the Issuer certifies to the Note Trustee and the Security Trustee in writing that such modification is required solely for such purpose and has been drafted solely to such effect,

(the certificate to be provided by (i) the Issuer, (ii) the Cash Manager on behalf of the Issuer, and/or (iii) the Relevant Party, as the case may be, pursuant to Conditions 12.5(a) to (f) above being a **Modification Certificate**), provided that:

- (A) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Note Trustee, the Security Trustee and the Interest Rate Swap Provider;
- (B) the Modification Certificate in relation to such modification shall be provided to the Note Trustee and the Security Trustee both at the time the Note Trustee and the Security Trustee is notified of the proposed modification and on the date that such modification takes effect; and
- (C) the consent of each Secured Creditor which is party to the relevant Transaction Document or whose ranking in any Priority of Payments is affected has been obtained;

and provided further that, other than in the case of a modification pursuant to Condition 12.5(a) above and:

- (D) other than in the case of a modification pursuant to Condition 12.5(b)(ii) above, either:

- (I) the Issuer or Cash Manager (on behalf of the Issuer) obtains from each of the Rating Agencies a Ratings Confirmation; or
 - (II) the Issuer or the Cash Manager on behalf of the Issuer certifies in writing to the Note Trustee and the Security Trustee that the Rating Agencies have been informed of the proposed modification and none of the Rating Agencies has indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class A Notes by such Rating Agency or (y) such Rating Agency placing the Class A Notes on rating watch negative (or equivalent); and
- (E) the Issuer certifies in writing to the Note Trustee and the Security Trustee that (I) the Issuer has provided at least 30 days' notice to the Noteholders of each Class of the proposed modification in accordance with Condition 15 (*Notice to Noteholders*) and by publication on Bloomberg on the "Company News" screen relating to the Notes and (II) Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have not contacted the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within such notification period notifying the Issuer that such Noteholders do not consent to the modification.

If Noteholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the most senior Class of Notes then outstanding have notified the Issuer in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Notes may be held) within the notification period referred to above that they do not consent to the modification, then such modification will not be made unless an Extraordinary Resolution of the Noteholders of the most senior Class of Notes then outstanding is passed in favour of such modification in accordance with Condition 12 (*Meetings of Noteholders, Modification, Waiver*).

Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Issuer's satisfaction (having regard to prevailing market practices) of the relevant Noteholder's holding of the Notes.

12.6 Other than where specifically provided in Condition 12.5 (*Additional Right of Modification*) or any Transaction Document:

- (a) when implementing any modification pursuant to this Condition 12.5 (save to the extent the Note Trustee considers that the proposed modification would constitute a Basic Terms Modification), neither the Note Trustee nor the Security Trustee shall consider the interests of the Noteholders, any other Secured Creditor or any other person and the Note Trustee and the Security Trustee shall act and rely solely and without further investigation on any certificate or evidence provided to them by the Issuer or the relevant Transaction Party, as the case may be, pursuant to Condition 12.5 and shall not be liable to the Noteholders, any other Secured Creditor or any other person for so acting or relying, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such person; and
- (b) neither the Note Trustee nor the Security Trustee shall be obliged to agree to any modification which, in the sole opinion of the Note Trustee or the Security Trustee (as applicable) would have the effect of (i) exposing the Note Trustee or the Security Trustee to any liability against which is has not be indemnified and/or secured and/or pre-funded to its satisfaction or (ii) increasing the obligations

or duties, or decreasing the rights or protection, of the Note Trustee or the Security Trustee in the Transaction Documents and/or these Conditions.

- 12.7** The Note Trustee may also, without the consent or sanction of the Noteholders or the other Secured Creditors, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders of any Class, waive or authorise any breach or proposed breach or determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such provided that the Note Trustee shall not exercise any power conferred on it in contravention of any express direction given by Extraordinary Resolution or by a direction under Condition 10 (*Events of Default*) but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made.
- 12.8** Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified by the Issuer as soon as practicable thereafter to:
- (i) so long as the Class A Notes remain outstanding, each Rating Agency;
 - (ii) the Secured Creditors; and
 - (iii) the Noteholders in accordance with Condition 15 (*Notice to Noteholders*).
- 12.9** In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption of the Class A Notes for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors, to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, provided that such change would not, in the opinion of the Note Trustee and the Security Trustee be materially prejudicial to the interests of the Noteholders.
- 12.10** In determining whether a proposed action will not be materially prejudicial to the Noteholders or any Class thereof, the Note Trustee may in its absolute discretion, among other things, have regard to whether the Rating Agencies have confirmed in writing to the Issuer or any other party to the Transaction Documents that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Class A Notes. It is agreed and acknowledged by the Note Trustee and the Security Trustee that, notwithstanding the foregoing, a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders. In being entitled to take into account that each of the Rating Agencies have confirmed that the then current rating of the Notes would not be adversely affected, it is agreed and acknowledged by the Note Trustee and the Security Trustee this does not impose or extend any actual or contingent liability for each of the Rating Agencies to the Security Trustee, the Note Trustee, the Noteholders or any other person or create any legal relations between each of the Rating Agencies and the Security Trustee, the Note Trustee, the Noteholders or any other person whether by way of contract or otherwise.
- 12.11** Where, in connection with the exercise or performance by the Note Trustee of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to herein), the Note Trustee is required to have regard to the interests of the Noteholders of any Class or Classes, it shall have regard to the general interests of the Noteholders of such Class or Classes as a Class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being

for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

12.12 Extraordinary Resolution means in respect of the Class A Noteholders:

- (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed and these Conditions by a majority consisting of not less than three-quarters of the votes cast; or
- (b) (i) a resolution in writing signed by or on behalf of the Noteholders of not less than three-quarters in aggregate Principal Amount Outstanding of the Class A Notes then outstanding which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Class A Noteholders (a **Written Resolution**), or (ii) where the Class A Notes are held on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Issuer or the Note Trustee (as the case may be) given by way of electronic consents communicated through the electronic communication systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than three-quarters in aggregate Principal Amount Outstanding of the Class A Notes then outstanding (**Electronic Consent**).

A Written Resolution and/or an Electronic Consent, shall, in each case, for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of holders of the Class A Notes duly convened and held. Such a Written Resolution and/or Electronic Consent will be binding on all holders of the Class A Notes whether or not they participated in such Written Resolution and/or Electronic Consent.

12.13 Issuer Substitution Condition

The Note Trustee may concur, with the Issuer, subject to such amendment of these Conditions and of any of the Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Secured Obligations, provided that the conditions set out in the Trust Deed are satisfied including, *inter alia*, that the Notes are unconditionally and irrevocably guaranteed by the Issuer (unless all of the assets of the Issuer are transferred to such body corporate) and that such body corporate is a single purpose vehicle and undertakes itself to be bound by provisions corresponding to those set out in Condition 4 (*Covenants*). In the case of a substitution pursuant to this Condition 12.13, the Note Trustee may in its absolute discretion agree, without the consent of the Noteholders, to a change in law governing the Notes and/or any of the Transaction Documents unless such change would, in the opinion of the Note Trustee, be materially prejudicial to the interests of the Noteholders.

13. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security, unless indemnified and/or secured and/or prefunded to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. REPLACEMENT OF NOTES

If any Class A Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class A Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Class A Note must be surrendered before a new one will be issued.

15. NOTICE TO NOTEHOLDERS

15.1 Publication of Notice

- (a) Subject to paragraph (b) below, all notices to the Noteholders will be valid if published in a manner which complies with the rules and regulations of the Irish Stock Exchange (which includes delivering a copy of such notice to the Irish Stock Exchange) and any such notice will be deemed to have been given on the date sent to the Irish Stock Exchange. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Note Trustee may approve. The holders of any coupons will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.
- (b) Whilst the Class A Notes are represented by a Global Note, notices to Noteholders (other than the Class Z VFN Holder) will be valid if published as described above, or, at the option of the Issuer, if submitted to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class Z VFN Holder). Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.
- (c) In respect of the Class Z VFN, notices to the Class Z VFN Holder will be sent to it by the Issuer to the fax number or email address notified to the Issuer from time to time in writing.

15.2 Note Trustee's Discretion to Select Alternative Method

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or category of them if, in its sole opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchanges, competent listing authorities and/or quotation systems on or by which the Notes are then listed, quoted and/or traded and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

16. SUBORDINATION BY DEFERRAL

16.1 Interest

- (a) If, on any Interest Payment Date whilst any of the Class A Notes remain outstanding prior to the service of a Note Acceleration Notice, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 16, include any interest

previously deferred under this Condition 16.1 and any accrued Additional Interest thereon) payable in respect of the Class Z VFN after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of interest in respect of the Class Z VFN (unless there are no Class A Notes then outstanding) to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class Z VFN.

- (b) Any interest deferred in respect of the Class Z VFN under this Condition 16.1 shall be referred to as **Deferred Interest**.

16.2 General

Any amounts of Deferred Interest in respect of the Class Z VFN shall accrue interest (**Additional Interest**) at the same rate and on the same basis as scheduled interest in respect of the corresponding Class of Notes, but shall not be capitalised. Such Deferred Interest and Additional Interest shall, in any event, become payable on the next Interest Payment Date (unless and to the extent that Condition 16.1 (*Interest*) applies) or on such earlier date as the Class Z VFN becomes due and repayable in full in accordance with these Conditions.

16.3 Notification

As soon as practicable after becoming aware but no later than 5 Business Days prior to any Interest Payment Date that any part of a payment of interest on the Class Z VFN will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Class Z VFN Holder in accordance with Condition 15 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 16 will not constitute an Event of Default. The provisions of this Condition 16 shall cease to apply on the Final Maturity Date, or any earlier date on which the Notes are redeemed in full or required to be redeemed in full at which time all deferred interest and accrued Additional Interest thereon shall become due and payable.

17. INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF THE CLASS Z VFN AND ADJUSTING THE MAXIMUM CLASS Z VFN AMOUNT

17.1 Class Z VFN

- (a) If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Seller prior to the Class Z VFN Commitment Termination Date notifying the Issuer (i) that a Further Advance has been made in respect of which there are insufficient funds standing to the credit of the Principal Ledger to fund the purchase of the Further Advance Purchase Price and of the amount of the Further Advance Purchase Price and/or such shortfall which is insufficiently funded by amounts standing to the credit of the Principal Ledger, (ii) that amounts standing to the credit of the General Reserve Fund are less than the General Reserve Required Amount and/or (iii) of any premiums payable under the Interest Rate Swap Agreement the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class Z VFN (the **Class Z VFN Holder**) requesting that such Class Z VFN Holder further fund the Class Z VFN on the next following Monthly Pool Date or other Business Day specified in the Notice of Increase in an amount equal to the lower of:
- (i) (A) in respect of (i) above, the Further Advance Purchase Price less amounts standing to the credit of the Principal Ledger available to pay such Further Advance Purchase Price;

- (B) in respect of (ii) above, the General Reserve Required Amount less all amounts standing to the credit of the General Reserve Fund; or
 - (C) in respect of (iii) above, the amount of any premium payable under the Interest Rate Swap Agreement; and
 - (ii) the Maximum Class Z VFN Amount less the current Principal Amount Outstanding of the Class Z VFN (taking into account any predicted or forecast reductions to the Principal Amount Outstanding of the Class Z VFN on the following Interest Payment Date).
- (b) The Class Z VFN Holder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the Class Z VFN Commitment Termination Date requesting that the relevant Class Z VFN Holder further fund the Class Z VFN, shall notify the Issuer that the relevant Class Z VFN Holder is prepared to make such further funding (the **Further Class Z VFN Funding**), provided the relevant Class Z VFN Holder shall not be obliged to make any such further funding unless and until such time as the Issuer has complied with the requirements of Condition 17.1(d) below.
- (c) The proceeds of the Further Class Z VFN Funding shall be applied by the Issuer to fund (i) the Further Advance Purchase Price, (ii) the General Reserve Fund up to and including an amount equal to the General Reserve Required Amount and (iii) any premiums payable under the Interest Rate Swap Agreement (in accordance with Condition 17.1(a)(i)(C) above).
- (d) The Class Z VFN Holder shall advance the amount of such Further Class Z VFN Funding to the Issuer for value on the relevant Monthly Pool Date or other Business Day specified in the Notice of Increase, if the following conditions are satisfied:
- (i) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further Class Z VFN Funding (or such lesser time as may be agreed by the Class Z VFN Holder), the relevant Class Z VFN Holder has received from the Issuer a completed and irrevocable Notice of Increase therefor, receipt of which shall oblige the relevant Class Z VFN Holder to accept the amount of the Further Class Z VFN Funding therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (ii) as a result of the making of such Further Class Z VFN Funding, the aggregate amount plus all Further Class Z VFN Funding made in respect of the relevant Class Z VFN (provided no reference shall be made in respect of any principal amount due on the relevant Class Z VFN which has already been repaid) would not exceed the Maximum Class Z VFN Amount;
 - (iii) either:
 - (A) the Issuer confirms in the Notice of Increase that no Event of Default has occurred or will occur as a result of the Further Class Z VFN Funding; or
 - (B) the relevant Class Z VFN Holder agrees in writing (notwithstanding any matter mentioned at (iii)(A) above to make such Further Class Z VFN Funding available; and
 - (iv) the proposed date of such Further Class Z VFN Funding falls on a Business Day prior to the Class Z VFN Commitment Termination Date.

In this Condition 17.1, the expression:

Maximum Class Z VFN Amount for the Class Z VFN shall be £500,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class Z VFN Holder, and notified to the Note Trustee.

Notice of Increase means a notice, substantially in the form set out in the Trust Deed.

18. NON-RESPONSIVE RATING AGENCY

18.1 In respect of the exercise of any power, duty, trust, authority or discretion as contemplated hereunder or in relation to the Notes and any of the Transaction Documents, the Note Trustee and the Security Trustee shall be entitled but not obliged to take into account any written confirmation or affirmation (in any form acceptable to the Note Trustee and the Security Trustee) from the relevant Rating Agencies that the then current ratings of the Class A Notes will not be reduced, qualified, adversely affected or withdrawn thereby (a **Ratings Confirmation**).

18.2 If a Ratings Confirmation or other response by a Rating Agency is a condition to any action or step under any Transaction Document and a written request for such Ratings Confirmation or response is delivered to each Rating Agency by or on behalf of the Issuer (copied to the Note Trustee and the Security Trustee) and:

- (i) (A) one Rating Agency (such Rating Agency, a **Non-Responsive Rating Agency**) indicates that it does not consider such Ratings Confirmation or response necessary in the circumstances or that it does not, as a matter of practice or policy provide such Ratings Confirmation or response or (B) within 30 days of delivery of such request, no Ratings Confirmation or response is received and/or such request elicits no statement by such Rating Agency that such Ratings Confirmation or response could not be given; and
- (ii) one Rating Agency gives such Ratings Confirmation or response based on the same facts,

then such condition to receive a Ratings Confirmation or response from each Rating Agency shall be modified so that there shall be no requirement for the Ratings Confirmation or response from the Non-Responsive Rating Agency if the Cash Manager on behalf of the Issuer provides to the Note Trustee and the Security Trustee a certificate signed by two directors certifying and confirming that each of the events in paragraphs (i)(A) or (B) and (ii) above has occurred, following the delivery by or on behalf of the Issuer of a written request to each Rating Agency.

18.3 The Note Trustee and the Security Trustee shall be entitled to rely without liability to any person on any certificate delivered to it in connection with a Non-Responsive Rating Agency pursuant to this Condition 18. The Note Trustee and the Security Trustee shall not be required to investigate any action taken by the Issuer or such Non-Responsive Rating Agency and shall treat the applicable condition or requirement to receive a Ratings Confirmation or response from each Rating Agency as having been modified with the consent of all Noteholders and all parties to the relevant Transaction Documents so that there shall be no requirement for such Ratings Confirmation or response from the Non-Responsive Rating Agency.

19. GOVERNING LAW

The Trust Deed, the Deed of Charge, the Notes and these Conditions (and any non-contractual obligations arising out of or in connection with them) are governed by, and shall be construed in accordance with, English law.

20. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Class A Notes to pay a portion of the Initial Consideration payable by the Issuer for the Portfolio to be acquired from the Seller on the Closing Date.

The Issuer will use the gross proceeds of the issue of the Class Z VFN to fund (i) to the extent that the proceeds of the Class A Notes are insufficient to pay the Initial Consideration on the Closing Date, the remaining portion of the Initial Consideration, (ii) any Further Advance Purchase Price (to the extent not funded by amounts standing to the credit of the Principal Ledger), (iii) the establishment of the General Reserve Fund on the Closing Date, (iv) any increase in the General Reserve Fund up to the General Reserve Required Amount in order to satisfy the Asset Conditions for Further Advances, Product Switches and/or Tested Underpayment Options, (v) initial expenses of the Issuer incurred in connection with the issue of the Notes on the Closing Date, and (vi) any premiums payable under the Interest Rate Swap Agreement.

RATINGS

The Class A Notes, on issue, are expected to be assigned the following ratings by Fitch and Moody's. The Class Z VFN are not rated. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation if, in its judgement, circumstances (including, without limitation, a reduction in the credit rating of an Interest Rate Swap Provider and/or the Account Bank and/or the Swap Collateral Account Bank in the future) so warrant.

Class of Notes	Fitch	Moody's
Class A Notes	AAA sf	Aaa (sf)
Class Z VFN	Not rated	Not rated

As of the date of this Prospectus, each of the Rating Agencies is a credit rating agency established in the European Union and is registered under the CRA Regulation. As such each of the Rating Agencies is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at www.esma.europa.eu/page/list-registered-and-certified-CRAs) (this website and the contents thereof do not form part of this Prospectus). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 11 August 2015 (registered number 09728202) as a public limited company under the Companies Act 2006 (as amended). The registered office of the Issuer is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF. The telephone number of the Issuer's registered office is +44 (0)20 7397 3600. 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 such shares of £1 each are partly-paid up in cash as to 25p each and the remaining 1 share is a fully paid share of £1 and which is beneficially owned by Holdings (see "*Holdings*" below).

The Issuer has been established as a special purpose vehicle or entity for the purposes of issuing asset backed securities. The Issuer has no subsidiaries. The Seller does not own directly or indirectly any of the share capital of Holdings or the Issuer. The Issuer was established solely for the purpose of issuing the Notes. The Issuer is permitted pursuant to the terms of its articles of association, *inter alia*, to issue the Notes. The Issuer will covenant to observe certain restrictions on its activities which are set out in Condition 4 (Covenants).

Under the Companies Act 2006 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer certain directors (under certain circumstances), a registered and administrative office, the arrangement of meetings of directors and shareholders and procure the service of a company secretary. No other remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer, since its incorporation, has not commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. The Issuer has not prepared financial statements up to the date of this Prospectus. The Issuer has made a notification under the Data Protection Act 1998. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2016.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the General Reserve Ledger, the Issuer Profit Ledger and the Liquidity Reserve Ledger, if established).

Directors

The directors of the Issuer and their respective business addresses and occupations are:

Name	Business Address	Business Occupation
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Corporate Director

The directors of Wilmington Trust SP Services (London) Limited and their principal activities are as follows:

Name	Business Address	Principal Activities
John Merrill Beeson	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
William James Farrell II	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Nicolas Patch	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Alan Geraghty	Fourth Floor, 3 George's Dock, International Financial Services Centre, Dublin 1 Ireland	Director

The company secretary of the Issuer is Wilmington Trust SP Services (London) Limited whose principal office is at Third Floor, 1 King's Arms Yard, London EC2R 7AF. The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus.

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 11 August 2015 (registered number 09728166) as a private limited company under the Companies Act 2006 (as amended). The registered office of Holdings is c/o Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London, EC2R 7AF. The issued share capital of Holdings comprises 1 ordinary share of £1. Wilmington Trust SP Services (London) Limited (the **Share Trustee**) holds the entire beneficial interest in the issued share under a discretionary trust for discretionary purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

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

Pursuant to the terms of its articles of association, Holdings is permitted, *inter alia*, to hold shares in the Issuer.

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

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

Name	Business Address	Business Occupation
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Wilmington Trust SP Services (London) Limited	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Corporate Director

The directors of Wilmington Trust SP Services (London) Limited and their principal activities are as follows:

Name	Business Address	Principal Activities
John Merrill Beeson	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Mark Howard Filer	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
William James Farrell II	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Nicolas Patch	Third Floor, 1 King's Arms Yard, London EC2R 7AF	Director
Alan Geraghty	Fourth Floor, 3 George's Dock, International Financial Services Centre, Dublin 1 Ireland	Director

The company secretary of Holdings is Wilmington Trust SP Services (London) Limited whose principal office is at Third Floor, 1 King's Arms Yard, London EC2R 7AF.

The accounting reference date of Holdings is 31 December and the first statutory accounts of Holdings will be drawn up to 31 December 2016.

Holdings has no employees.

ACCORD MORTGAGES LIMITED

Accord is the Seller and the Class Z VFN Holder under the transaction and is a wholly owned subsidiary of YBS. Accord was incorporated and registered under the laws of England and Wales as a private limited company with company registration number 02139881. The registered address of Accord is Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ. Accord was established by YBS in 2003 to deal with borrowers introduced through financial intermediaries for the purpose of originating residential mortgage loans to borrowers in England, Wales, Scotland and Northern Ireland. It is the dedicated intermediary-only brand of the YBS Group and is a well established force in the UK intermediary market. Accord borrowers do not become borrowing members of YBS.

Accord is authorised and regulated by the FCA and is entered in the Financial Services Register with registration number 305936.

Accord offers a range of products which are made available to borrowers through its intermediary partners. Further details of the products offered from time to time by Accord are available on the Accord website at www.accordmortgages.com (this website and the contents thereof do not form part of this Prospectus). Accord's approach is to recognise the intermediary's relationship with their customer and to work in partnership with the intermediary to meet the customer's needs through the provision of competitive products and service excellence. As at 31 December 2015, Accord had 95,752 customers.

Directors

Accord's directors are:

Charles Canning, Director
RS Wells, Director
Rob Purdy, Director
Mike Regnier, Director

As a wholly owned subsidiary of YBS, Accord utilises the YBS Group's Shared Services team, who deliver processing and first line quality control and the Accord marketing teams, strategic product development and sales teams are integrated within the YBS Group. Accord is also subject to the YBS Group Governance framework including risk management policies and techniques. The YBS Group Risk Committee, consisting of non-executive directors and senior executives, considers all risk matters relating to the YBS Group and its subsidiaries, including credit risk, operational risk, statement of financial position risk and regulatory and prudential requirements.

YORKSHIRE BUILDING SOCIETY

Yorkshire Building Society (**YBS** and the **Society** and, together with its consolidated subsidiaries undertakings from time to time, the **YBS Group**) will be appointed as Servicer pursuant to the Servicing Agreement, as Cash Manager pursuant to the Cash Management Agreement, as Account Bank and GIC Provider under the Bank Account Agreement, as Interest Rate Swap Provider pursuant to the Interest Rate Swap Agreement as Class Z VFN Registrar pursuant to the Conditions and will be the guarantor of the repurchase obligations of the Seller under the Mortgage Sale Agreement.

Introduction

The Society's principal office is at Yorkshire House, Yorkshire Drive, Bradford, West Yorkshire BD5 8LJ (telephone number: 01274 740740). The YBS Group was, in terms of total assets, at 30 June 2016 the second largest building society in the United Kingdom with total assets of £39.6 billion.

The Society was formed in 1884 as The Bradford Self-Help Permanent Building Society. It was incorporated in England in 1885 under the Building Societies Act 1874. In 1975 it merged with the Huddersfield Building Society (incorporated in 1864) to become the Huddersfield and Bradford Building Society. The present name was adopted following a further merger with the West Yorkshire Building Society in 1982. The engagements of Haywards Heath Building Society were transferred to the Society on 31 December 1992. On 31 December 2001 the Gainsborough Building Society merged with the Society. The engagements of Barnsley Building Society were transferred to the Society on 31 December 2008, on 1 April 2010 the engagements of Chelsea Building Society were transferred to the Society and on 1 November 2011 the engagements of Norwich and Peterborough Building Society were transferred to the Society, all under section 94 of the Building Societies Act 1986.

On 31 October 2011, the Society acquired the mortgages and savings business of Egg Banking plc, comprising a £2.1 billion savings book and a £0.4 billion mortgage book. Except as otherwise stated, financial information contained herein is either (i) extracted from the audited consolidated annual accounts of the YBS Group, or (ii) calculated using financial information extracted from such annual accounts.

Constitution

The Society is regulated by the PRA and the FCA and operates in accordance with the Building Societies Act 1986 and the Society's memorandum and rules. It is an authorised building society within the meaning of the Building Societies Act and is registered under the FSMA with registered number 66B.

The Society, as a building society, is a mutual organisation and, unlike a company incorporated under the Companies Act 1985 or the Companies Act 2006, does not have equity shareholders in the usual sense. A share in the Society is not the same as a share in a company and voting power is not weighted according to the number or value of shares held. No individual member is entitled to more than one vote on any resolution proposed at a general meeting. Holders of investment shares may withdraw funds from their share accounts subject to the rules of the Society and the terms upon which their shares are issued. Depositors with and lenders to the Society are not members and accordingly have no voting rights.

A building society may, subject to the approval of its members (by a requisite shareholders' resolution of investing members and a borrowing members' resolution) and confirmation by the relevant regulatory authority, transfer its business to a specially formed public company limited by shares incorporated in the United Kingdom or an EEA company which has power to offer its shares or debentures to the public in a procedure commonly referred to as "conversion" or to an existing successor company which is a public company limited by shares incorporated in the United Kingdom or an EEA company with power to offer its shares or debentures to the public in a procedure commonly referred to as a "takeover".

The Mutual Societies Transfer Order modifies section 97 of the Building Societies Act 1986 to permit a building society to transfer the whole of its business to a relevant subsidiary of a building society, friendly society or industrial provident society incorporated in the United Kingdom or other EEA mutual society (as defined in that legislation). The Society's corporate strategy includes a commitment to its existing status as a mutual building society run for the benefit of its current and future members. During 1998 the Society announced the establishment of a charitable foundation. Since the date of its establishment, new members of the Society have to agree to assign to the foundation their rights to any windfall benefits arising from a conversion to plc status during the period of five years from commencement of their membership. Members retain their full rights to vote on any conversion resolution during the five year assignment period.

The affairs of the Society are conducted and managed by a board of directors who are elected by members of the Society and who serve in accordance with the rules of the Society. The board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises the senior executives of the Society who are responsible to the board for the day-to-day management of the Society. Eligibility to vote at general meetings is governed by the Building Societies Act 1986 and the rules of the Society.

Business and Strategy of the Society

The YBS Group's vision is to be the most trusted provider of financial services in the UK. The vision is underpinned by 5 strategic priorities: to attract and retain the best talent; to deliver a market-leading customer experience; to deliver sustainable financial performance; to deliver easy and simple procedures, processes and systems for all channels and brands, and to be locally famous.

Financial management of the YBS Group is aimed at achieving a balance between delivering value and service to its members whilst maintaining financial strength for the long term. This means that products are priced to deliver long term value to members whilst generating sufficient profits to maintain the YBS Group's strong capital position since retained profits are the YBS Group's primary source of capital.

The YBS Group's strategy is reflected in its business model, focused on the provision of retail financial services in the UK. The primary markets in which the Society operates are retail deposit taking, residential mortgage lending (both direct and intermediary via its wholly owned subsidiary, Accord Mortgages Limited), buy to let lending, current accounts and the sale of related general insurance, protection and investment products through third party product providers.

Further details of the Society's strategy, and the steps being taken by the YBS Group to implement the strategy, are set out in the Annual Report and the Accounts of the Society for the financial year ended 31 December 2015.

The other purposes and powers of the Society are specified in the Memorandum.

Recent Developments

During 2015, the YBS Group invested £65 million in its continuing change programme (commenced in 2012) to enhance service and product delivery. Further details of the YBS Group's investment programme are set out in the Annual Report and Accounts of the Society for the financial year ended 31 December 2015.

THE NOTE TRUSTEE AND SECURITY TRUSTEE

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

U.S. Bank Trustees limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services DAC (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association, (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$410 billion in assets as of March 31, 2015, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States. The company operates 3,172 banking offices in 25 states and 5,016 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at usbank.com.

THE CORPORATE SERVICES PROVIDER

Wilmington Trust SP Services (London) Limited (registered number 03478559), having its principal address at Third Floor, 1 King's Arms Yard, London, EC2R 7AF will be appointed to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement.

Wilmington Trust SP Services (London) Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the Corporate Services Agreement, provided that a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

The Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Issuer or, following delivery of a Note Acceleration Notice, the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

THE SWAP COLLATERAL ACCOUNT BANK

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services DAC (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U.S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services DAC from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services DAC is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services DAC is authorised by the Central Bank of Ireland and the activities of its U.K. Branch are also subject to the limited regulation of the U.K. Financial Conduct Authority and Prudential Regulation Authority.

U.S. Bank Global Corporate Trust Services in combination with U.S. Bank National Association, the legal entity through which the Corporate Trust Division conducts business in the United States, is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$410 billion in assets as of March 31, 2015, is the parent company of U.S. Bank National Association, the 5th largest commercial bank in the United States. The company operates 3,172 banking offices in 25 states and 5,016 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at usbank.com.

THE LOANS

The Portfolio

Introduction

The following is a description of some of the characteristics of the Loans originated by the Seller and comprised in the Cut-Off Date Portfolio including details of loan types, the underwriting process, lending criteria and selected statistical information.

The Seller will select the Loans for transfer into the Portfolio using a system containing defined data on each of the qualifying loans in the Seller's overall portfolio of loans available for selection. This system allows the setting of exclusion criteria corresponding to, *inter alia*, relevant Loan Warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans (see "*Summary of Key Transaction Documents – Mortgage Sale Agreement – Representations and Warranties*"). This system also allows a limit to be set on some criteria. Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, loans are selected at random until the target balance for Loans has been reached, or the subset has been exhausted. After a pool of Loans is selected in this way, the constituent Loans are monitored to ensure their compliance with the Loan Warranties on the Closing Date.

Unless otherwise indicated, the description that follows relates to types of loans that have been or could be sold to the Issuer as part of the Portfolio as at the Closing Date.

Any Loans sold to the Seller will be selected from the Portfolio. In addition, the Seller may offer a Borrower under a Loan comprised in the Portfolio, or a Borrower may request, a Product Switch. If this occurs the loan which the original Loan is switched into may have mortgage terms different from those Loans forming the Portfolio (including characteristics that are not currently being offered to Borrowers or that have not yet been developed) and may have been originated according to different Lending Criteria. All Product Switches will be required to comply with the Asset Conditions set out in the Mortgage Sale Agreement on their Switch Date. The material warranties in the Mortgage Sale Agreement to be given as at the Closing Date and the Asset Conditions (which include satisfaction of the warranties) which must be met on each Switch Date are described in this Prospectus. See "*Summary of Key Transaction Documents – Mortgage Sale Agreement*", above.

Characteristics of the Loans

(1) Repayment Terms

Loans may combine one or more of the features listed in this section. Other customer incentives may be offered with the product, for example, free valuations and payment of legal fees. Additional features such as payment holidays (temporary suspension of monthly payments) and the ability to make underpayments are also available to borrowers under certain circumstances on selected products. Overpayments are allowed on all products, within certain limits. See "(4) *Overpayments; Underpayments, Payment, Holidays and Credit Arrear Positions*" and "(7) *Underpayment Option*" below.

Loans are **Repayment Loans**, whereby 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;

The required accrued rate of interest on the Loans will vary from month to month as a result of changes in interest rates. However, as a result of the operation of the Annual Review (as to which see "*Annual Interest Rate Review*" below) the amount paid by a Borrower in respect of its Monthly Payment will only change on an annual basis.

Principal prepayments may be made in whole or in part at any time during the term of a Loan, subject to the payment of any Early Repayment Charges (as described in "(3) *Early Repayment Charges*" below). A prepayment of the entire outstanding balance of a loan discharges the mortgage. Any prepayment in full must be made together with all Accrued Interest, Arrears of Interest, any unpaid expenses and any applicable repayment fee(s).

Various methods are available to Borrowers for making payments on the Loans, including:

- direct debit instruction from a bank or building society account, and
- standing order from a bank or building society account.

(2) *Interest payments and interest rate setting*

The Seller has responded to the competitive mortgage market by developing a range of products that are used to attract new borrowers and retain existing customers. Interest on the Loans is charged on one of the following bases and the Seller is able to combine these to suit the requirements of the Borrower:

- **SVR Loans** are loans which are subject to the **Standard Variable Rate** or **SVR**. As at the Closing Date, the Seller's Discretionary Rate is SVR at 5.54 per cent. The Standard Variable Rate is currently only available to customers at the end of their mortgage product. Where the loan is a discount rate loan, the Borrower receives an initial discount from the SVR. Certain discount rate loans are subject to an interest rate floor of 3%. There are no discount rate loans in the Portfolio.
- **Fixed Rate Loans** are loans which are subject to a fixed rate of interest for a specified period of time, usually, but not exclusively, for 2, 3 or 5 years.

The Seller Standard Variable Rate and some fixed rates may apply for the life of the Loan. Otherwise, each of the above rates is offered for a predetermined period, usually between 2 and 5 years, at the commencement of the Loan (the **Product Period**). At the end of the Product Period the rate of interest charged will either (a) move to some other interest rate type for a predetermined period or (b) revert to, or remain at, the Discretionary Rate (which at the Closing Date is SVR), a fixed rate of interest or to some other interest rate type. The Seller may introduce other or alter the Discretionary Rate in the future. In certain instances, early repayment charges are payable by the Borrower if the Loan is redeemed within the Product Period. See "(3) *Early Repayment Charges*" below.

All loans originated by the Seller provide for interest to be calculated on a daily basis. The interest calculated at the end of each day on the outstanding balance of the loan is added to the amount of the loan on which the Borrower will pay interest the following day. Consequently any payment by the Borrower will immediately reduce the Borrower's balance on which interest will be calculated the following day.

Except in limited circumstances as set out in "*Summary of Key Transaction Documents – Servicing Agreement – Undertakings by the Servicer*", the Servicer is responsible for setting the Discretionary Rates on the Loans in the Portfolio that are sold to the Issuer. Under the December 2011 version of the Mortgage Loan Terms (the **2011 Loan Terms**) the Seller has a right to vary the interest rate for any one or more of the following reasons:

- (a) to take account of, in a proportionate manner, any change in the costs reasonably incurred by the Seller in managing its mortgage business and in particular providing and administering its mortgage accounts;
- (b) to take account of, in a proportionate manner, changes in the law or the interpretation of the law, decisions or recommendations of an ombudsman, regulator or similar person, or any code of practice applicable to the conduct of the Seller's business;

- (c) to take account of, in a proportionate manner, changes to the cost of money which the Seller has to borrow from time to time in order to finance its lending;
- (d) to take account of, in a proportionate manner, changes in the Bank of England base rate;
- (e) to take account of, in a proportionate manner, changes in interest rates charged by the Seller's competitors in the mortgage industry;
- (f) to enable the Seller to harmonise, in a reasonable manner, the interest rates being paid by the Seller's borrowers following any acquisition or transfer of mortgages or any takeover of, or merger with, another mortgage provider; and
- (g) to enable the Seller to manage its business (and its growth) prudently.

These reasons may relate to circumstances existing at the time or which the Seller reasonably expects to apply in the near future.

If the Seller wishes to increase the interest rate applicable to a SVR Loan (including any Loan subject to an initial discounted rate), the Seller will advertise the change in the national press. Such change will however only result in a change in the Monthly Payments made by a Borrower as a result of and following the next following Annual Review.

In addition to changes to the Discretionary Rates there may be circumstances where the Seller charges more interest to the Borrower as a result of action by the Borrower. For example, the rate of interest charged to a Borrower would rise by 1% for authorised lettings and (from 31 March 2014) 1.15% for unauthorised lettings of the property by the Borrower. On and before 31 March 2014 the rate of interest charged to a Borrower would rise by 2% for unauthorised lettings. The change from 2% to 1.15% was made to all unauthorised lets in existence before 31 March 2014.

During the course of its mortgage origination business, the Seller has originated mortgage loans since April 2003 under a number of standard conditions, however, the 2011 Loan Terms represent the most recent origination policy of the Seller relating to the Loans comprised in the Cut-Off Date Portfolio and dictate the specified reasons to change the interest rate.

(3) Early Repayment Charges

The Borrower may be required to pay an early repayment charge (an **Early Repayment Charge**) if certain events occur during the predetermined Product Period and the loan agreement states that the Borrower is liable for Early Repayment Charges and the Seller has not waived or revised its policy with regards the payment of Early Repayment Charges. These events include a full or partial unscheduled repayment of principal, or an agreement between the Seller and the Borrower to switch to a different mortgage product. If all or part of the principal owed by the Borrower, other than the scheduled monthly payments, is repaid before the end of the Product Period or the Borrower switches to another product, the Borrower will be liable to pay to the Seller a repayment fee based on the amount repaid or switched to another product. If the Borrower has more than one product attached to the mortgage loan, the Borrower may choose under which product the principal should be allocated.

The Seller permits Borrowers during a fixed/special rate period to make a lump sum repayment to reduce the loan amount in each 12 month period up to a maximum of 10% of the balance outstanding on the loan amount without incurring an Early Repayment Charge.

If the Borrower repays its mortgage during an Early Repayment Charge period to move house, the Borrower may not have to pay the charge if the Borrower takes out a new loan for the new home with the Seller, subject to certain qualifying criteria.

Some mortgage products do not include any provisions for the payment of an Early Repayment Charge by the Borrower.

(4) Overpayments, Underpayments, Payment Holidays and Credit Arrears Positions

Overpayments – Overpayments are allowed on all products, although an Early Repayment Charge may be payable (as described in "(3) *Early Repayment Charges*" above). Borrowers may either increase their regular monthly payments above the normal monthly payment then applicable or make lump sum payments at any time.

Since interest is calculated on a daily basis, if Borrowers pay more than the scheduled monthly payment, the balance on their mortgage loan will be reduced. The Seller will charge interest on the reduced balance, which reduces the amount of interest the Borrower must pay.

Underpayments and Payment Holidays – some products have an underpayment and payment holiday feature where the Borrower can apply to defer monthly payments or apply to underpay. The terms of the mortgage loans provide that the Borrower can (with Accord's prior written approval) make Underpayments or take Payment Holidays for as long as there is an Overpayment Reserve which is equal to or greater than the proposed underpayment or stopped payments. Approval may also be subject to conditions set by Accord from time to time. See "(7) *Underpayment Option*" below.

(5) Further Advances

If a Borrower wishes to take out a further loan secured by the same mortgage the Borrower will need to make a further advance application and the Seller will use the lending criteria applicable to further advances at that time in determining whether to approve the application. The original mortgage deed is expressed to cover all amounts due under the relevant loan which would cover any Further Advances. (See "*Summary of the Key Transaction Documents – Further Advances, Product Switches and Underpayment Options*").

Some Loans in the Portfolio may have Further Advances made on them prior to their being sold to the Issuer on the Closing Date.

If a Loan is subject to a Further Advance after being sold to the Issuer, the Seller (or, as applicable, YBS or one of its subsidiaries) will be required to repurchase the Loan and its Related Security from the Issuer to the extent that the Issuer does not have sufficient funds from the Principal Ledger or from a drawing under the Class Z VFN to fund the purchase of such Further Advance.

See "*Summary of the Key Transaction Documents – Further Advances, Product Switches and Underpayment Options*").

(6) Product Switches

From time to time, Borrowers may request or the Servicer may send an offer of a variation in the financial terms and conditions applicable to the Borrower's loan. In limited circumstances, if a Loan is subject to a Product Switch as a result of a variation, then the Seller (or, as applicable, YBS or one of its subsidiaries) may be required to repurchase the Loan or Loans and their Related Security from the Issuer. (See "*Summary of the Key Transaction Documents – Further Advances, Product Switches and Underpayment Options*").

(7) Underpayment Option

From time to time, Borrowers whose account has an Overpayment Reserve may request to exercise an Underpayment Option. If a Loan is subject to a Underpayment Option in an amount greater than £25, then the Seller (or, as applicable, YBS or one of its subsidiaries) may be required to repurchase the related Loan

or Loans and their Related Security from the Issuer. (See "*Summary of the Key Transaction Documents – Further Advances, Product Switches and Underpayment Options*").

Annual Interest Rate Review

In respect of floating rate Loans, the terms and conditions of the Loans provide that a Borrower's monthly payments in respect of their mortgage will remain fixed (the **Fixed Monthly Amount**) for a period of 12 months (each a **Fixed Payment Period**) irrespective of any interest rate changes during such period. The amount of a Borrower's Fixed Monthly Amount will only vary on an annual basis in accordance with the terms of an annual interest rate review (the **Annual Review**) (although we note that a Borrower may opt out of the Annual Review).

During any Fixed Payment Period, although a Borrower's monthly payments remain fixed, the Loan will continue to accrue interest at the **Accrual Rate** (being the actual rate of interest chargeable on a Loan as determined on a daily basis). The difference between the amounts calculated using the Accrual Rate (the **Monthly Accrual Amount**) and the Fixed Monthly Amount will be taken into account during the Annual Review in recalculating the Fixed Monthly Amounts due by Borrowers during the next Fixed Payment Period.

If, due to decreasing interest rates, the aggregate Fixed Monthly Amounts paid by a Borrower during a Fixed Payment Period is greater than the aggregate Monthly Accrual Amounts due in respect of their Loan during such period, then, in effect, the Borrower has overpaid during such Fixed Payment Period. During the next Annual Review, the Borrower's Fixed Monthly Amount will be recalculated taking into account the overpayments made during the previous Fixed Payment Period which may result in lower Fixed Monthly Amounts being due from the Borrower during the next Fixed Payment Period.

If, on the other hand due to rising interest rates, the aggregate Fixed Monthly Amounts paid by a Borrower during a Fixed Payment Period is less than the aggregate Monthly Accrual Amounts due in respect of their Loan (the **Contractual Difference**) during such period, then, in effect, the Borrower has underpaid during such Fixed Payment Period. The amount of such Contractual Difference will be capitalised and added to the outstanding balance of the Loan on each monthly payment date under the relevant Loan. During the next Annual Review, the Borrower's Fixed Monthly Amounts will be recalculated taking into account the Contractual Difference during the previous Fixed Payment Period which will result in higher Fixed Monthly Amounts being due from the Borrower during the next Fixed Payment Period (and potentially over future Fixed Payment Periods).

Origination channels

The Seller currently derives the majority of its mortgage-lending business through a network of intermediaries throughout the United Kingdom (except for certain loan related features, such as Further Advances, which are originated directly by the Seller) and from internet and telephone sales.

Once an application for a mortgage loan is received from a prospective new customer (through whichever origination channel) it is processed by the channel staff and the Servicer's New Business Department. The details of the application are entered into the Servicer's relevant computer system, and arrangements are made to obtain such references and/or other proof of income, valuation, survey or other evidence of value (if any and as appropriate) that may be required by the Seller under its lending policy. A mortgage offer may then be issued to the prospective new customer and instructions are despatched to the relevant solicitor or licensed or qualified conveyancer to investigate title and issue a report on the same to the Seller. Once a satisfactory certificate of title has been received (if appropriate) and no other matters in relation to the application are outstanding, mortgage funds can be released to the solicitor or licensed conveyancer.

The Seller is subject to the FSMA, MCOB (and other rules under the FSMA) and the Financial Ombudsman Service, (which is a statutory scheme under the FSMA).

Underwriting

The underwriting approach of the Seller has changed over time. Loans in the Portfolio may have been originated in accordance with different underwriting criteria from those set out here, depending on their date of origination. The Seller currently adopts a system based approach to lending assessment. This assessment is made with reference to a number of components including:

- (a) credit score: calculation of propensity to default based on a combination of customer supplied, internal performance and credit bureau data; and
- (b) affordability: calculation of an individualised lending amount that reflects the applicant's income net of tax, credit commitments and assumed living expenses, which vary according to income, number of applicants and dependants. However some older Loans in the Portfolio will not take specific account of credit commitments and assumed living expenses.

The lending system is supported by a structure, which allows originators to approve varying lending limits depending on seniority. The Delegated Lending Mandate (**DLM**) structure is split between the system and people within the new lending area and those in the Underwriting Department. DLM applicable to new lending areas can only approve those originations that have been accepted on the systems in accordance with standard origination guidelines. The ability to override the declining of a mortgage applicant, based on a system decline in accordance with standard origination standards lies only with underwriters in the Underwriting Department. However all underwriters in the new lending area can override any "accept" and "refer" decisions made by underwriters with more limited mandates, and replace with a "decline" decision. Mortgage underwriting decisions, are subject to internal monitoring by the Seller in order to ensure the Seller's procedures and policies regarding underwriting are being followed by staff.

Lending Criteria

On the Closing Date, the Seller will represent that each Loan being sold to the Issuer was originated according to the lending criteria of the Seller at the time the Loan was offered (the **Lending Criteria**), in all material respects, subject only to exceptions made on a case-by-case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender. Policy and risk appetite varies in line with a number of internal and external factors, in particular expectations of the housing market and wider economy and the Seller retains the right to revise its lending criteria from time to time, so the criteria applicable to any Loans which are the subject of a Further Advance, Product Switch or an Underpayment Option may not be the same as those currently used or used at the time of the Initial Advance in relation to such mortgage loan.

The summary below and in this Prospectus reflects the lending criteria applied for originations between 2003 and the date of this Prospectus. The Seller's current policy reflects the uncertainty of the economy and in certain areas is more restrictive than the historic lending criteria.

(1) Type of property

Properties may be either freehold or leasehold or commonhold. In the case of leasehold properties, there must be at least 35 years left on the lease at the end of the mortgage term and a minimum of 60 years remaining on inception of the mortgage. The property must be used solely as a single residential dwelling, although second homes and holiday homes have previously been considered. Properties must be of good quality, in sound structural condition and in a reasonable state of repair. House boats, mobile homes, and any property on which buildings insurance cannot be arranged are not acceptable. All persons who are to be legal owners of the property on completion must be named as Borrowers under the Mortgage.

All properties have been valued by a valuer approved by the Seller. Further Advances may (but will not in all circumstances) have been assessed using HPI Statistics or other evidence, including the relevant Borrower's estimate of value, to the standards of a Reasonable, Prudent Mortgage Lender.

(2) *Term of loan*

The minimum term of a loan is generally 5 years for new residential mortgages and home owner loans. The maximum term for residential loans is generally 35 years. A repayment period for a Further Advance that would extend beyond the term of the original advance may also be accepted at the Seller's discretion. However, Further Advances may only be sold to the Issuer subject to the Asset Conditions being met on the relevant Advance Date.

(3) *Details of applicant*

All Borrowers must be aged 18 or over and the mortgage term must normally end before the Borrower reaches 75. If the Borrower is within 10 years of planned retirement and the mortgage term will extend into the borrowers' retirement, the Seller will consider the Borrower's income in retirement within the affordability assessment. If the Seller determines the Borrower will not be able to afford the mortgage into retirement, the application will be declined.

The maximum number of applicants on any one residential mortgage application is 2.

Under the Seller's current Lending Criteria, to be accepted for a mortgage, generally all applicants must be UK or EU nationals or non-UK/EU nationals who have been resident in the UK for the last 12 months and have a permanent right to reside in the UK. For earlier originations borrowers had to have a legal right to reside in the UK but the length of that right varied.

(4) *Loan-to-value (or LTV) ratio*

Normally, the maximum original LTV ratio of loans in the Portfolio would be 90%. Where fees were added to the loan, they may have taken the total lending over the specified LTV limit.

When the Seller makes a loan on a property which requires repairs, the property is either valued on a "when done" basis and the loan retained until works have been completed, or if the property is acceptable security in its existing condition, it may be valued on that basis and the loan released prior to works commencing.

(5) *Status of applicant(s)*

Lending assessment is currently made using the lending system outlined in the underwriting section.

Employed applicant(s):

Where an applicant is in PAYE employment and the income of that applicant is required to support the loan, the Seller generally requires the applicant to be in a permanent position and not under notice of termination. However, fixed term/temporary workers are accepted where the applicant meets certain minimum requirements. The Seller requires with certain limited exceptions either the employer's reference or pay slips as evidence of income.

Self Employed Applicant(s):

The applicant must have been trading for at least 2 years. The Seller requires with certain limited exceptions evidence of income (for example, accounts, accountant's projections, tax assessments or other suitable evidence).

(6) Credit history

The current policy is as follows:

Credit search:

A credit search is carried out in respect of all new applicants (and in relation to Further Advances, to existing Borrowers) with a bureau of the Seller's choice at a level of the Seller's choice.

With certain limited exceptions approved by the Seller acting as a Reasonable, Prudent Mortgage Lender (including loans to existing borrowers and investors), all applications must pass the Seller's credit score test which will be carried out at the same time as the credit search. Applications may be declined where an adverse credit history is revealed (for example, certain unsatisfied or material (in quantum) county court judgements and bankruptcy notices).

Existing lender's reference:

Any reference must satisfy the Seller that the account has been properly conducted and that no history of material arrears exists.

Applicants in rented accommodation:

Where applicants currently reside in rented accommodation, the seller may seek sight of a bank statement or rent record book.

(7) Bank reference/Proof of income

Subject to the results of the Seller's credit score test (where applied) and subject to certain exceptions applied by the Seller acting as a Reasonable, Prudent Mortgage Lender in accordance with the Seller's practice and procedures from time to time, the Seller will seek and review satisfactory bank statements and references from existing or previous lenders. Additionally, under the current policy, the Seller will require applicants to produce pay slips or similar documentation to prove income received. A formal reference may be requested from the applicant's employer. If the applicant is self-employed, normally a reference from a qualified accountant will be obtained.

Some applications where the LTV did not exceed 75%, were underwritten on a 'Fast Track' basis, whereby in order to streamline processing times, evidence of the declared incomes was not requested providing the application passed a reasonability test based upon comparing the declared income to the job type and the applicant's age.

(8) Scorecard

Under the current policy, the Seller uses some of the criteria described here and various other criteria to produce an overall score for the application that reflects a statistical analysis of the risk of advancing the mortgage loan. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Full use is made of software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data and customer-provided data to assess the likelihood of an account going into arrears.

The Seller reserves the right to decline an application that has received a passing score. The Seller does have an appeals process if a potential borrower believes his or her application has been unfairly denied. It is the Seller's policy to allow only authorised individuals to exercise discretion in granting variances from the scorecard.

Changes to the underwriting policies and the Lending Criteria

The Seller's underwriting policies and Lending Criteria were and are subject to change within the Seller's sole discretion. Loans were and are originated by way of exception to the lending criteria where the Seller determined that the exception would have been acceptable to a Reasonable Prudent Mortgage Lender. Further Advances, Product Switches and Underpayment Options that are originated under Lending Criteria that are different from the criteria set out here may be sold to the Issuer.

Insurance policies

(1) Insurance on the property

Each mortgaged property is required to be insured with buildings insurance. The property may be insured by the Seller at the expense of the Borrower or, the insurance may be purchased by the Borrower or (in the case of leasehold property) by a landlord or by a property management company. If the Seller becomes aware that no adequate insurance is in place, it has the power to arrange insurance on the property and charge the premiums for this to the Borrower's mortgage account.

Subject as set out above, the Seller only insures a property once it has repossessed the property from a defaulting Borrower. See "(3) Properties in possession cover" below.

(2) Borrower-arranged buildings insurance

The Seller requires that a Borrower maintains home insurance for the duration of the mortgage and Accord checks that such insurance is in place at the time when the mortgage commences. The Seller issues warnings on each annual statement to Borrowers that home insurance must be in place. The Seller maintains a policy which indemnifies them for any losses incurred due to the failure of a Borrower to maintain home insurance.

(3) Properties in possession cover

When a mortgaged property is taken into possession by the Seller, the Seller takes the necessary actions to ensure that the property is placed on to its block properties in possession insurance policy (the **Properties in Possession Cover**) so that appropriate insurance cover is provided on the property. The Seller may claim under this policy for any damage occurring to the property while in the Seller's possession.

(4) Title and Search insurance

Search insurance is obtained in some instances on remortgage cases, in these instances a solicitor does not undertake a Local Search. Local searches are undertaken on all new mortgages.

Title insurance is obtained in respect of certain limited title defects (e.g. restrictive covenants, absence of rights of way) from all solicitors on new mortgages and remortgages. An investigation of title is always undertaken and insurance obtained if an investigation of title has taken place and a defect discovered.

Arrears policy

The Seller identifies a Loan as being in arrears where any amount remains unpaid on its due payment date. The Borrower will receive an initial arrears letter from the Seller where the arrears are equal to or greater than £100 or 1 month in arrears (whichever the smaller in value). Arrears letters are created either 7 or 10 days after the due payment date, dependent upon the risk categorisation. The Seller will attempt to contact the Borrower initially by letter and then by telephone if such payments remain unpaid. The Seller will upon establishing the Borrower's circumstances offer options specifically tailored to return the account to order, where possible. These options may include, loan modification, concessionary payment and repayment

plans. A field agent may also be offered to a borrower. Where a satisfactory arrangement cannot be reached or maintained, possession proceedings may be instigated to enable the Seller to enforce its security.

Governing law

Each of the Loans and the Related Security are governed by English law.

Compliance with the CRD

YBS is a credit institution and as such is bound by the requirements of the CRD. The policies and procedures of YBS in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation are in compliance with the requirements of the CRD. YBS maintains the same such policies and procedures across its wholly-owned subsidiary companies (including the Seller) and as such the policies and procedures of the Seller in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation are also in compliance with the requirements of the CRD.

YBS has internal policies and procedures in relation to the granting of credit, administration of credit-risk bearing portfolios and risk mitigation. The policies and procedures of YBS in this regard broadly include the following:

- (a) criteria for the granting of credit and the process for approving, amending, renewing and re-financing credits (as to which, please see the information set out earlier in this sections of this Prospectus headed "*The Loans – Lending Criteria*" and "*Summary of the Key Transaction Documents – Servicing Agreement*");
- (b) systems in place to administer and monitor the various credit-risk bearing portfolios and exposures, as to which we note that the Portfolio will be serviced in line with the usual servicing procedures of YBS and the Seller (please see further the section of this Prospectus headed "*Summary of the Key Transaction Documents – Servicing Agreement*");
- (c) diversification of credit portfolios taking into account YBS and the Seller's target market and overall credit strategy, as to which, in relation to the Portfolio (as to which, in relation to the Portfolio, please see the section of this Prospectus headed "*Characteristics of the Cut-Off Date Portfolio*");
- (d) policies and procedures in relation to risk mitigation techniques (as to which, please see the sections of this Prospectus headed "*The Loans – Lending Criteria*" and "*Summary of the Key Transaction Documents – Servicing Agreement*").

CHARACTERISTICS OF THE CUT-OFF DATE PORTFOLIO

The statistical and other information contained in this Prospectus has largely been compiled by reference to certain Loans in a portfolio as at the Cut-Off Date (the **Cut-Off Date Portfolio**). The Cut-Off Date Portfolio will consist of 14,910 Loans originated by the Seller between 3 August 2006 and 15 July 2016 and secured over properties located in England and Wales. The Current Balance of the Cut-Off Date Portfolio is £2,947,170,029. The Portfolio has been randomly selected from the Cut-Off Date Portfolio. Columns may not add up to 100 per cent. due to rounding. A Loan will be removed from the Cut-Off Date Portfolio if in the period from (and including) the Cut-Off Date up to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not comply with the Loan Warranties on the Closing Date. Except as otherwise indicated, these tables have been prepared using the Current Balance as at the Cut-Off Date, which includes all principal and Accrued Interest for the Loans in the Portfolio.

In this section:

Mortgage Accounts means the totality of the relevant loans granted by the Seller secured on the same Property and their related Security; and

Sub-Accounts means the individual relevant loans granted by the Seller secured on the same Property and their related Security.

Further information in respect of individual loan level data may be obtained on the following website: www.ybs.co.uk. The website and the contents thereof do not form part of this Prospectus.

The Issuer makes no representation as to the accuracy of the information sourced from any third party websites (including, without limitation, cash flow models, commentary and other materials). Such third party websites and the contents thereof do not form part of this Prospectus.

Original balances as at the Cut-Off Date

The following table shows the range of Mortgage Account original balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Cut-Off Date.

Range of original balances (£)	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
≥ 50,000 and < 100,000	£153,306,315	5.2%	1,917	12.9%
≥ 100,000 and < 150,000	£493,948,793	16.8%	4,070	27.3%
≥ 150,000 and < 200,000	£565,845,946	19.2%	3,353	22.5%
≥ 200,000 and < 300,000	£782,697,690	26.6%	3,351	22.5%
≥ 300,000 and < 400,000	£408,351,420	13.9%	1,239	8.3%
≥ 400,000 and < 500,000	£245,322,129	8.3%	568	3.8%
≥ 500,000	£297,697,738	10.1%	412	2.8%
Totals	£2,947,170,029	100.0	14,910	100.0

The maximum, minimum and average original balance of the Loans as of the Cut-Off Date is £2,301,845, £51,000 and £204,776 respectively.

Current Balances as at the Cut-Off Date

The following table shows the range of Mortgage Account Current Balances (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Cut-Off Date.

Range of Current Balances (£)	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
≥ 50,000 and < 100,000	£183,125,859	6.2%	2,239	15.0%
≥ 100,000 and < 150,000	£511,628,054	17.4%	4,087	27.4%
≥ 150,000 and < 200,000	£579,920,547	19.7%	3,340	22.4%
≥ 200,000 and < 300,000	£775,346,459	26.3%	3,215	21.6%
≥ 300,000 and < 400,000	£389,207,822	13.2%	1,142	7.7%
≥ 400,000 and < 500,000	£233,552,593	7.9%	526	3.5%
≥ 500,000	£274,388,696	9.3%	361	2.4%
Totals.....	£2,947,170,029	100.0	14,910	100.0

The maximum, minimum and average Current Balance of the Loans as of the Cut-Off Date is £1,970,461, £50,008 and £197,664, respectively.

Loan to Value Ratios at Origination

The following table shows the range of loan to value ratios or LTV ratios, which express the outstanding balance of the aggregate of Loans (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) in the Mortgage Accounts (which incorporate all Loans secured on the same Property) as at the Cut-Off Date based on the original amount of the initial advance on the date of origination of the Loan divided by the value of the Property securing the Loans in the Mortgage Account as at that date. The Seller has not revalued any of the mortgaged properties since the date of the origination of the related Loan other than where additional lending has been applied for or advanced, and in certain product switch and re-arrangement application cases (where such case is completed or not). In these cases the original valuation may have been updated with a more recent valuation. However, the revised valuation has not been used in formulating this data.

Range of LTV Ratios at Origination	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
< 45.00%	£95,384,115	3.2%	807	5.4%
≥ 45.00% and < 55.00%	£101,988,066	3.5%	652	4.4%
≥ 55.00% and < 65.00%	£319,715,585	10.8%	1,790	12.0%
≥ 65.00% and < 75.00%	£829,567,212	28.1%	4,339	29.1%
≥ 75.00% and < 85.00%	£1,137,964,630	38.6%	5,102	34.2%
≥ 85.00% and < 95.00%	£462,550,422	15.7%	2,220	14.9%
Totals.....	£2,947,170,029	100.0	14,910	100.0

The maximum, minimum and average original weighted average Loan to Value Ratio as at the Cut-Off Date of the Loans in the Cut-Off Date Portfolio is 90.00, 8.67 and 74.16 per cent respectively.

Current Indexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan (including capitalised interest, capitalised high LTV fees, insurance fees, booking fees and valuation fees and incorporating all Loans secured on the same Property) as at the Cut-Off Date by the indexed original valuation of the Property securing that Loan at the same date.

Range of Current Indexed LTV Ratios*	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
< 45.00%	£179,089,368	6.1%	1,290	8.7%
≥ 45.00% and < 55.00%	£233,298,667	7.9%	1,220	8.2%
≥ 55.00% and < 65.00%	£714,092,303	24.2%	3,444	23.1%
≥ 65.00% and < 75.00%	£1,166,671,784	39.6%	5,553	37.2%
≥ 75.00% and < 85.00%	£564,895,776	19.2%	2,875	19.3%
≥ 85.00% and < 95.00%	£89,122,132	3.0%	528	3.5%
Totals	£2,947,170,029	100.0	14,910	100.0

* Most recent property valuation was indexed using the average of the Halifax and Nationwide House Price Indexes based on quarterly data as at 30 April 2015

The maximum, minimum and average weighted average current Loan to Value Ratio as at the Cut-Off Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 89.99, 5.26 and 66.36 per cent respectively.

Current Unindexed Loan to Value Ratios

The following table shows the range of Loan to Value Ratios, which are calculated by dividing the Current Balance of a Loan as at the Cut-Off Date by the latest full valuation prior to the Cut-Off Date of the Property securing that Loan.

Range of Current unindexed LTV Ratios	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
< 45.00%	£120,621,668	4.1%	991	6.6%
≥ 45.00% and < 55.00%	£130,417,035	4.4%	789	5.3%
≥ 55.00% and < 65.00%	£403,936,185	13.7%	2,212	14.8%
≥ 65.00% and < 75.00%	£1,001,150,534	34.0%	4,923	33.0%
≥ 75.00% and < 85.00%	£1,044,139,942	35.4%	4,662	31.3%
≥ 85.00% and < 95.00%	£246,904,665	8.4%	1,333	8.9%
Totals	£2,947,170,029	100.0	14,910	100.0

The maximum, minimum and average weighted average current unindexed Loan to Value Ratio as at the Cut-Off Date of all the Loans (including any capitalised interest, capitalised high LTV fees, insurance fees, valuation fees and booking fees) is 89.88, 8.12 and 71.76 per cent respectively.

Arrears Analysis of Non Repossessed Mortgage Accounts

Month(s) in Arrears*	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
0	£2,947,170,029	100.0	14,910	100.0
Totals	£2,947,170,029	100.0	14,910	100.0

* Arrears are calculated in accordance with standard market practice in the UK. A mortgage is identified as being in arrears when, on any due date, the overdue amounts which were due on previous due dates equal, in the aggregate, one or more full monthly payments. In making an arrears determination, the servicer calculates as of the date of determination the difference between the sum of all monthly payments that were due and payable by a borrower on any due date up to that date of determination (less the aggregate amount of all authorised underpayments made by such borrower up to such date of determination) and the sum of all payments actually made by that borrower up to that date of determination. If the result arrived at by dividing that difference (if any) by the amount of the required monthly payment equals or exceeds 1 the loan is deemed to be in arrears. Arrears classification is determined based on the number of full monthly payments that have been missed. A borrower that has missed payments that in the aggregate equal or exceeding 2 monthly payments (but for which the aggregate of missed payments is less than 3 monthly payments) would be classified as being between 2 – 3 months in arrears, and so on.

Geographical Distribution

The following table shows the distribution of Properties securing the Loans throughout England and Wales as at the Cut-Off Date. No properties are situated outside England or Wales.

Region	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
East Anglia	£147,994,068	5.0%	923	6.2%
East Midlands	£208,409,305	7.1%	1,258	8.4%
North East	£103,893,918	3.5%	787	5.3%
North West	£242,213,953	8.2%	1,584	10.6%
Greater London	£751,603,003	25.5%	2,213	14.8%
South East	£753,668,414	25.6%	3,329	22.3%
South West	£199,725,695	6.8%	1,139	7.6%
Wales	£84,580,271	2.9%	602	4.0%
West Midlands	£231,555,156	7.9%	1,524	10.2%
Yorkshire and Humberside	£223,526,247	7.6%	1,551	10.4%
Totals	£2,947,170,029	100.0	14,910	100.0

Seasoning of Loans

The following table shows the number of months since the date of origination of the initial Loan. The ages of the Loans in this table have been taken as at the Cut-Off Date and are calculated with respect to the initial advance.

Seasoning (months)	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
< 12.0	£1,877,083,534	63.7%	9,929	66.6%
≥ 12.0 and < 24.0	£899,157,547	30.5%	4,038	27.1%
≥ 24.0 and < 36.0	£106,495,216	3.6%	482	3.2%
≥ 36.0 and < 60.0	£23,200,049	0.8%	122	0.8%
≥ 60.0	£41,233,683	1.4%	339	2.3%
Totals	£2,947,170,029	100.0	14,910	100.0

The maximum, minimum and weighted average seasoning of Loans in the Cut-Off Date Portfolio as at the Cut-Off Date is 120, 1.2 and 11.9 months, respectively.

Years to Maturity of Loans

The following table shows the number of remaining years of the term of the Loans in a Mortgage Account as at the Cut-Off Date and are calculated with respect to the initial advance.

Years to Maturity	Aggregate Current Balance	% of Total	Number of Mortgage Accounts	% of Total
< 5.0	£497,299	0.0%	7	0.0%
≥ 5.0 and < 10.0	£26,907,461	0.9%	246	1.6%
≥ 10.0 and < 15.0	£143,643,288	4.9%	1,104	7.4%
≥ 15.0 and < 20.0	£406,732,231	13.8%	2,614	17.5%
≥ 20.0 and < 25.0	£1,024,640,190	34.8%	5,062	34.0%
≥ 25.0	£1,344,749,559	45.6%	5,877	39.4%
Totals	£2,947,170,029	100.0	14,910	100.0

The maximum, minimum and weighted average remaining term of the Loans in the Cut-Off Date Portfolio as at the Cut-Off Date is 34.9, 4.1 and 25.1 years, respectively.

Purpose of Loan

The following table shows whether the purpose of the initial Loan in a Mortgage Account on origination was to finance the purchase of a new Property or to remortgage a Property already owned by the borrower.

Use of Proceeds	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
Mortgage	£1,940,042,671	65.8%	8,757	58.7%
Remortgage	£1,007,127,358	34.2%	6,153	41.3%
Totals	£2,947,170,029	100.0	14,910	100.0

As at the Cut-Off Date, the average balance of Loans used to finance the purchase of a new Property was £221,542 and the average balance of Loans used to remortgage a Property already owned by the borrower was £163,681.

Repayment Terms

As at the Cut-Off Date, 100 per cent. of the aggregate Current Balance as at the Cut-Off Date in the Cut-Off Date Portfolio are capital repayment Loans.

Repayment Terms and Product Type	Aggregate Current Balance (£)	% of Total	Number of Mortgage Accounts	% of Total
Repayment	£2,947,170,029	100.0	15,131	100.0
Totals	£2,947,170,029	100.0	15,131	100.0

As at the Cut-Off Date, the average balance of capital repayment Loans in the Cut-Off Date Portfolio is £194,777.

Fixed Rate Loans

As at the Cut-Off Date, 100 per cent. of the aggregate Current Balance as at the Cut-Off Date in the Cut-Off Date Portfolio are Fixed Rate Loans. The following tables shows the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Loans cease to bear a fixed rate of interest and instead bear a floating rate of interest. The figures in these tables have been calculated on the basis of Sub-Accounts rather than Mortgage Accounts.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to the Standard Variable Rate or some other rate as specified in the offer conditions.

Fixed Interest Rates	Aggregate Current Balance (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Reversion Date
≥ 1.00% and < 2.00%	£1,339,022,186	45.4%	6,947	45.9%	10-Dec-17
≥ 2.00% and < 3.00%	£1,199,143,805	40.7%	6,024	39.8%	02-Oct-18
≥ 3.00% and < 4.00%	£345,727,693	11.7%	1,787	11.8%	12-Nov-18
≥ 4.00% and < 5.00%	£60,413,628	2.0%	352	2.3%	08-Oct-18
≥ 5.00% and < 6.00%	£2,862,718	0.1%	21	0.1%	11-Jan-18
Totals	£2,947,170,029	100.0	15,131	100.0	N/A

The maximum, minimum and weighted average fixed interest rate in the Cut-Off Date Portfolio as at the Cut-Off Date is 5.99 per cent., 1.39 per cent. and 2.31 per cent., respectively.

Reversion Year	Aggregate Current Balance (£)	% of Total	Number of Sub-Accounts	% of Total	W.A. Interest Rate
2016	£125,641,177	4.3%	636	4.2%	2.91%
2017	£1,221,198,877	41.4%	6,187	40.9%	2.08%
2018	£999,574,062	33.9%	5,526	36.5%	2.12%
2019	£200,716,066	6.8%	948	6.3%	3.32%
2020	£327,467,898	11.1%	1,481	9.8%	2.78%
2021	£72,571,950	2.5%	353	2.3%	2.81%
Totals	£2,947,170,029	100.0	15,131	100.0	N/A

HISTORICAL AMORTISATION RATES OF ACCORD PRIME MORTGAGE LOANS

Month	Average of Monthly Amortisation Rate (Annualised)	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Jan 08	21.04%		
Feb 08	18.12%		
Mar 08	12.28%		
Apr 08	17.08%		
May 08	12.52%		
Jun 08	11.55%		
Jul 08	12.04%		
Aug 08	13.45%		
Sep 08	9.26%		
Oct 08	13.11%		
Nov 08	8.43%		
Dec 08	5.15%	2008	12.84%
Jan 09	9.91%		
Feb 09	15.37%		
Mar 09	10.70%		
Apr 09	13.74%		
May 09	8.93%		
Jun 09	9.09%		
Jul 09	11.08%		
Aug 09	9.31%		
Sep 09	10.19%		
Oct 09	18.74%		
Nov 09	11.12%		
Dec 09	11.85%	2009	11.67%
Jan 10	8.97%		
Feb 10	16.91%		
Mar 10	13.72%		
Apr 10	12.38%		
May 10	27.04%		
Jun 10	16.34%		
Jul 10	14.79%		
Aug 10	10.82%		
Sep 10	17.92%		
Oct 10	12.26%		
Nov 10	16.50%		
Dec 10	11.62%	2010	14.94%
Jan 11	15.11%		
Feb 11	13.16%		
Mar 11	11.98%		
Apr 11	11.69%		
May 11	11.20%		
Jun 11	16.66%		
Jul 11	13.03%		
Aug 11	9.82%		
Sep 11	14.37%		
Oct 11	10.75%		
Nov 11	12.48%		
Dec 11	9.58%	2011	12.49%
Jan 12	6.95%		
Feb 12	11.58%		
Mar 12	13.44%		
Apr 12	9.76%		
May 12	15.95%		

Month	Average of Monthly Amortisation Rate (Annualised)	Year	Average of Monthly Amortisation Rate (Annualised) Over Year
Jun 12	9.15%	2012	12.74%
Jul 12	17.00%		
Aug 12	9.89%		
Sep 12	18.75%		
Oct 12	11.86%		
Nov 12	18.86%		
Dec 12	9.73%		
Jan 13	14.26%		
Feb 13	12.05%		
Mar 13	9.68%		
Apr 13	16.41%		
May 13	12.41%		
Jun 13	21.68%	2013	16.68%
Jul 13	15.93%		
Aug 13	10.75%		
Sep 13	32.39%		
Oct 13	15.72%		
Nov 13	26.84%		
Dec 13	12.03%		
Jan 14	12.42%		
Feb 14	23.59%		
Mar 14	10.17%		
Apr 14	22.15%	2014	16.64%
May 14	12.02%		
Jun 14	25.38%		
Jul 14	15.77%		
Aug 14	11.28%		
Sep 14	26.86%		
Oct 14	12.89%		
Nov 14	11.75%		
Dec 14	15.43%		
Jan 15	9.00%		
Feb 15	9.50%	2015	17.71%
Mar 15	21.45%		
Apr 15	11.48%		
May 15	9.35%		
Jun 15	28.04%		
Jul 15	17.61%		
Aug 15	21.29%		
Sep 15	14.52%		
Oct 15	27.94%		
Nov 15	19.92%		
Dec 15	22.46%		
Jan 16	14.20%		
Feb 16	14.88%		
Mar 16	27.45%		
Apr 16	30.63%		
May 16	13.54%		
Jun 16	14.10%		
Jul 16	31.45%		
Aug 16	16.47%		
Sep 16	16.93%		

Note: the monthly amortisation rate above has been calculated by the following formula $1 - (1 - A)^{\frac{365}{\text{number of days in the month}}}$ where $A = (B/C)$ where B = Accord prime mortgage repayments within the month and C = Accord prime mortgage balance at the beginning of the relevant month. The yearly

average amortisation rate has been calculated by dividing the sum of the 12 relevant monthly amortisation rates for each individual year by 12.

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market.

Industry CPR rates

In the following tables, quarterly industry constant repayment rate (**industry CPR**) data was calculated by dividing the 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. These quarterly repayment rates were then annualised using standard methodology.

Quarter	Industry CPR Rate for the Quarter (%)	12-month rolling average (%)	Quarter	Industry CPR Rate for the Quarter (%)	12-month rolling average (%)
March 1999	12.56	14.67	December 2007	24.36	25.22
June 1999	16.27	15.12	March 2008	20.26	24.15
September 1999	17.88	15.50	June 2008	21.65	23.15
December 1999	16.79	15.88	September 2008	20.94	21.80
March 2000	13.91	16.21	December 2008	15.99	19.71
June 2000	15.63	16.05	March 2009	13.49	18.02
September 2000	16.31	15.66	June 2009	11.90	15.58
December 2000	16.02	15.47	September 2009	13.34	13.68
March 2001	15.76	15.93	December 2009	12.53	12.81
June 2001	18.67	16.69	March 2010	9.97	11.94
September 2001	20.74	17.80	June 2010	11.01	11.71
December 2001	20.56	18.93	September 2010	11.76	11.32
March 2002	19.24	19.80	December 2010	11.39	11.03
June 2002	21.63	20.54	March 2011	10.40	11.14
September 2002	24.22	21.41	June 2011	11.00	11.14
December 2002	23.47	22.14	September 2011	12.37	11.29
March 2003	21.80	22.78	December 2011	11.86	11.41
June 2003	23.00	23.12	March 2012	10.97	11.55
September 2003	24.63	23.22	June 2012	11.27	11.62
December 2003	25.49	23.73	September 2012	11.53	11.41
March 2004	21.77	23.72	December 2012	11.82	11.40
June 2004	23.52	23.85	March 2013	11.38	11.50
September 2004	24.90	23.92	June 2013	13.00	11.93
December 2004	21.37	22.89	September 2013	14.67	12.72
March 2005	18.44	22.06	December 2013	14.94	13.50
June 2005	21.89	21.65	March 2014	13.53	14.03
September 2005	24.96	21.66	June 2014	14.21	14.34
December 2005	25.32	22.65	September 2014	15.16	14.46
March 2006	22.95	23.78	December 2014	14.24	14.28
June 2006	24.11	24.34	March 2015	13.01	14.15
September 2006	25.73	24.53	June 2015	13.99	14.10
December 2006	25.63	24.61	September 2015	15.19	14.11
March 2007	24.56	25.01	December 2015	15.45	14.41
June 2007	25.64	25.39	March 2016	15.10	14.93
September 2007	26.32	25.54	June 2016	15.11	15.21
			September 2016	15.85	15.38

Source of repayment and outstanding mortgage information: Council of Mortgage Lenders and Bank of England

You should note that the CPR table above presents the historical CPR experience only of building societies in the United Kingdom. During the late 1990s, a number of former building societies converted stock to form UK banks and the CPR experience of these banks is therefore not included in the foregoing building society CPR data.

Repossession rate

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

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
1985	0.25	1995	0.47	2005	0.12
1986	0.30	1996	0.40	2006	0.18
1987	0.32	1997	0.31	2007	0.22
1988	0.22	1998	0.31	2008	0.34
1989	0.17	1999	0.27	2009	0.43
1990	0.47	2000	0.20	2010	0.34
1991	0.77	2001	0.16	2011	0.33
1992	0.69	2002	0.11	2012	0.30
1993	0.58	2003	0.07	2013	0.26
1994	0.47	2004	0.07	2014	0.19
				2015	0.09

Source: Council of Mortgage Lenders

House price to earnings ratio

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

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
1994	4.52	2005	7.73
1995	4.36	2006	7.96
1996	4.38	2007	8.34
1997	4.58	2008	7.68
1998	4.77	2009	7.01
1999	5.06	2010	7.24
2000	5.61	2011	6.98
2001	5.65	2012	6.91
2002	6.42	2013	7.01
2003	7.13	2014	7.47
2004	7.59	2015	7.73

Source: Council of Mortgage Lenders

House price index

UK residential property prices, as measured by the Nationwide House Price Index and Halifax House Price Index (collectively the **Housing Indices**), have generally followed the UK Retail Price Index over an

extended period. (Nationwide is a UK building society and Halifax is a brand of Bank of Scotland plc which is an indirect subsidiary of Lloyds Banking Group plc)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and large decreases occurring in the early 1990s and from 2007 to 2013.

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
March 1989.....	111.7	7.7	118.8	32.0	217.8	32.1
June 1989.....	114.9	8.2	124.2	27.2	226.8	25.9
September 1989.....	116.0	7.7	125.2	15.5	227.3	14.3
December 1989.....	118.3	7.6	122.7	7.4	222.8	5.1
March 1990.....	120.4	7.8	118.9	0.1	220.7	1.3
June 1990.....	126.0	9.7	117.7	-5.2	224.3	-1.1
September 1990.....	128.1	10.4	114.2	-8.8	224.2	-1.4
December 1990.....	130.1	10.0	109.6	-10.7	222.9	0.0
March 1991.....	130.8	8.6	108.8	-8.5	220.2	-0.2
June 1991.....	133.6	6.0	110.6	-6.0	223.2	-0.5
September 1991.....	134.2	4.8	109.5	-4.1	220.8	-1.5
December 1991.....	135.50	4.2	107.0	-2.3	217.5	-2.4
March 1992.....	136.2	4.1	104.1	-4.3	210.6	-4.4
June 1992.....	139.1	4.1	105.1	-5.0	210.4	-5.7
September 1992.....	139.0	3.6	104.2	-4.8	208.4	-5.6
December 1992.....	139.6	3.0	100.1	-6.5	199.3	-8.4
March 1993.....	138.7	1.8	100.0	-3.9	196.9	-6.5
June 1993.....	140.9	1.3	103.6	-1.4	203.2	-3.4
September 1993.....	141.3	1.7	103.2	-1.0	204.2	-2.0
December 1993.....	141.8	1.6	101.8	1.8	202.5	1.6
March 1994.....	142.0	2.4	102.4	2.4	202.3	2.7
June 1994.....	144.5	2.6	102.5	-1.1	204.3	0.5
September 1994.....	144.6	2.3	103.2	0.0	204.3	0.0
December 1994.....	145.5	2.6	104.0	2.1	200.9	-0.8
March 1995.....	146.8	3.4	101.9	-0.5	200.3	-1.0
June 1995.....	149.5	3.5	103.0	0.5	201.0	-1.6
September 1995.....	149.9	3.7	102.4	-0.8	199.0	-2.6
December 1995.....	150.1	3.2	101.6	-2.3	197.8	-1.5
March 1996.....	150.9	2.8	102.5	0.6	200.9	0.3
June 1996.....	152.8	2.2	105.8	2.7	208.6	3.8
September 1996.....	153.1	2.1	107.7	5.2	209.8	5.4
December 1996.....	154.0	2.6	110.1	8.3	212.6	7.5
March 1997.....	154.9	2.7	111.3	8.6	215.3	7.2
June 1997.....	156.9	2.7	116.5	10.1	222.6	6.7
September 1997.....	158.4	3.5	121.2	12.5	223.6	6.6
December 1997.....	159.7	3.7	123.3	12.1	224.0	5.4
March 1998.....	160.2	3.4	125.5	12.7	226.4	5.2
June 1998.....	163.2	4.0	130.1	11.7	234.9	5.5
September 1998.....	163.7	3.3	132.4	9.2	236.1	5.6
December 1998.....	164.4	2.9	132.3	7.3	236.3	5.5
March 1999.....	163.7	2.2	134.6	7.3	236.3	4.4
June 1999.....	165.5	1.4	139.7	7.3	247.7	5.4
September 1999.....	165.6	1.2	144.4	9.0	256.7	8.7
December 1999.....	166.8	1.5	148.9	12.6	263.4	11.5
March 2000.....	167.5	2.3	155.0	15.1	270.5	14.5
June 2000.....	170.6	3.1	162.0	16.0	275.6	11.3
September 2000.....	170.9	3.2	161.5	11.8	277.6	8.1

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
December 2000	172.0	3.1	162.8	9.4	278.3	5.7
March 2001	171.8	2.6	167.5	8.1	279.0	3.1
June 2001	173.9	1.9	174.8	7.9	297.0	7.8
September 2001	174.0	1.8	181.6	12.5	305.0	9.9
December 2001	173.8	1.0	184.6	13.4	310.9	11.7
March 2002	173.9	1.2	190.2	13.6	324.3	16.2
June 2002	176.0	1.2	206.5	18.1	346.6	16.7
September 2002	176.6	1.5	221.1	21.7	369.1	21.0
December 2002	178.2	2.5	231.3	25.3	393.0	26.4
March 2003	179.2	3.0	239.3	25.8	400.1	23.4
June 2003	181.3	3.0	250.1	21.1	422.5	21.9
September 2003	181.8	2.9	258.9	17.1	437.6	18.6
December 2003	182.9	2.6	267.1	15.5	453.5	15.4
March 2004	183.8	2.6	277.3	15.9	474.0	18.5
June 2004	186.3	2.8	296.2	18.4	513.2	21.5
September 2004	187.4	3.1	306.2	18.3	527.2	20.5
December 2004	189.2	3.4	304.1	13.9	522.0	15.1
March 2005	189.7	3.2	304.8	9.9	520.2	9.7
June 2005	191.9	3.0	314.2	6.1	532.1	3.7
September 2005	192.6	2.8	314.4	2.7	543.1	3.0
December 2005	193.7	2.4	314.0	3.2	548.4	5.1
March 2006	194.2	2.4	319.8	4.9	552.6	6.2
June 2006	197.6	3.0	329.2	4.8	582.1	9.4
September 2006	199.3	3.5	336.1	6.9	586.7	8.0
December 2006	201.4	4.0	343.2	9.3	602.8	9.9
March 2007	203.0	4.5	350.2	9.5	613.9	11.1
June 2007	206.3	4.4	362.7	10.2	644.1	10.7
September 2007	207.1	3.9	367.3	9.3	649.3	10.7
December 2007	209.8	4.2	367.0	6.9	634.4	5.2
March 2008	211.1	4.0	357.8	2.2	620.9	1.1
June 2008	215.3	4.4	348.1	-4.0	605.1	-6.1
September 2008	217.4	5.0	329.5	-10.3	568.9	-12.4
December 2008	215.5	2.7	312.9	-14.7	531.5	-16.2
March 2009	210.9	-0.1	298.7	-16.5	512.5	-17.5
June 2009	212.6	-1.3	307.3	-11.7	514.3	-15.9
September 2009	214.4	-1.4	319.5	-3.0	526.5	-7.5
December 2009	216.9	0.6	323.4	3.4	537.3	1.1
March 2010	219.3	4.0	324.9	8.8	539.0	5.2
June 2010	223.5	5.1	336.6	9.5	546.6	6.3
September 2010	224.5	4.7	333.9	4.5	540.4	2.6
December 2010	227.0	4.7	325.1	0.5	528.8	-1.6
March 2011	230.9	5.3	323.9	-0.3	523.2	-2.9
June 2011	234.9	5.1	332.7	-1.2	527.2	-3.5
September 2011	236.2	5.2	332.3	-0.5	528.0	-2.3
December 2011	238.6	5.1	328.7	1.1	522.0	-1.3
March 2012	239.6	3.8	324.6	0.2	520.1	-0.6
June 2012	242.2	3.1	329.1	-1.1	524.7	-0.5
September 2012	243.1	2.9	327.0	-1.6	521.8	-1.2
December 2012	246.0	3.1	325.0	-1.1	520.5	-0.3
March 2013	247.4	3.3	325.3	0.2	525.7	1.1
June 2013	249.7	3.1	333.7	1.4	544.4	3.8
September 2013	250.9	3.2	341.0	4.3	554.2	6.2
December 2013	252.5	2.6	348.0	7.1	559.5	7.5
March 2014	253.9	2.6	355.3	9.2	571.2	8.7
June 2014	256.0	2.5	372.1	11.5	592.2	8.8

Quarter	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
	Index	% annual change	Index	% annual change	Index	% annual change
September 2014	256.9	2.4	376.7	10.5	607.6	9.6
December 2014	257.4	1.9	377.0	8.3	602.9	7.8
March 2015	256.4	1.0	376.2	5.9	617.3	8.1
June 2015	258.5	1.0	387.5	4.1	648.9	9.6
September 2015	259.3	0.9	390.5	3.7	659.7	8.6
December 2015	260.0	1.0	393.1	4.3	660.0	9.5
March 2016	260.0	1.4	396.1	5.3	692.4	12.2
June 2016	262.2	1.4	407.4	5.1	701.4	8.1
September 2016	264.9	2.2	411.6	5.4	692.7	5.0

Source: Office for National Statistics, Nationwide Building Society and HBOS plc, respectively.

The percentage annual change in the table above is calculated in accordance with the following formula:

x divided by y where x is equal to the current quarter's index value and y is equal to the index value of the previous year's corresponding quarter.

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society, which is available on their website, <http://www.nationwide.co.uk/hpi/>, but which is not incorporated by reference into this Prospectus. All information contained in this Prospectus in respect of the Halifax House Price Index has been reproduced from information published by HBOS plc, which is available on their website, <http://www.lloydsbankinggroup.com/media/economic-insight/halifax-house-price-index/>, but which is not incorporated by reference into this Prospectus. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and HBOS plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor Nationwide Building Society nor HBOS plc makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information. Anyone relying on the information does so at their own risk.

WEIGHTED AVERAGE LIVES OF THE NOTES

The average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Mortgages and a number of other relevant factors are unknown. However, calculations of the possible average lives of the Notes can be made based on certain assumptions. For example, the table below is prepared based on the assumptions that:

- (a) the Issuer exercises its option to redeem the Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in Full*) on the Step-Up Date, in the first scenario, or the Issuer does not exercise its option to redeem the Notes on or after the Step-Up Date, in the second scenario;
- (b) the Loans are subject to a constant annual rate of repayment (inclusive of scheduled and unscheduled principal redemptions) of between 5 per cent. and 35 per cent. per annum as shown on the table below;
- (c) the assets of the Issuer are not sold by the Security Trustee except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes in accordance with Condition 7.3 (*Optional Redemption of the Class A Notes in full*);
- (d) no Note Acceleration Notice has been served on the Issuer and no Event of Default has occurred;
- (e) no Borrowers are offered and accept different mortgage products or Further Advances by the Seller or any of its subsidiaries and the Seller is not required to repurchase any Loan (including any Further Advance thereon since the Closing Date) in accordance with the Mortgage Sale Agreement;
- (f) the Security is not enforced;
- (g) the Mortgages continue to be fully performing;
- (h) the ratio of the Principal Amount Outstanding of the Class A Notes to the Current Balance of the Portfolio as at day before the Closing Date is 91.5 per cent.; and
- (i) the Notes are issued on or about 18 November 2016.

	Assuming Issuer call on Step-Up Date	Assuming no Issuer call
Annual Repayment Rate	Possible Average Life of Class A Notes (years)	Possible Average Life of Class A Notes (years)
5%	4.40	14.89
10%	3.86	7.49
15%	3.38	4.92
20%	2.95	3.63
25%	2.57	2.85
30%	2.24	2.33
35%	1.94	1.96

Assumption (a) (in relation to the Issuer exercising its option to redeem the Class A Notes on the Step-Up Date) in accordance with Condition 7.3 reflects the current intention of the Issuer but no assurance can be given that such assumption will occur as described.

Assumption (b) is stated as an average annualised repayment rate as the repayment rate for one Interest Period may be substantially different from that for another. The constant repayment rates shown above are purely illustrative and do not represent the full range of possibilities for constant repayment rates.

Assumptions (b) to (g) (inclusive) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic. They must therefore be viewed with considerable caution. For more information in relation to the risks involved in the use of the average lives estimated above, see "*Risk Factors – Considerations relating to yield, prepayments, mandatory redemption and optional redemption*", above.

TAXATION

United Kingdom Taxation

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue & Customs (**HMRC**) practice in the United Kingdom relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Each prospective purchaser is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Notes under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the prospective purchaser may be subject to tax.*

In this summary references to "Notes" and "Noteholder" excludes the Class Z VFN and the Class Z VFN Holder. The Class Z VFN Holder is urged to consult its own tax advisers about the tax consequences under its circumstances of purchasing, holding and selling the Class Z VFN under the laws of the United Kingdom, its political subdivisions and any other jurisdiction in which the Class Z VFN Holder may be subject to tax.

Interest on the Notes

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Irish Stock Exchange is a recognised stock exchange for such purposes. The Notes will satisfy this requirement if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Main Market of the Irish Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest that has a United Kingdom source on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent), subject to any available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to that Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Foreign Account Tax Compliance Act

FATCA imposes a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a **Recalcitrant Holder**). The Issuer may be classified as an FFI.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to **foreign passthru payments** (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued

The United States and a number of other jurisdictions entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the United Kingdom have entered into an agreement (the **US-UK IGA**) based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-UK IGA, it does not anticipate being obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI or a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

While the Class A Notes are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Class A Notes by the Issuer, any paying agent and the common safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Class A Notes. The documentation expressly contemplates the possibility that the Class A Notes may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, Definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form.

SUBSCRIPTION AND SALE

Yorkshire Building Society (**YBS**), Accord Mortgages Limited (**Accord**), Barclays Bank PLC (**Barclays**, the **Arranger**) and a **Joint Lead Manager**) and Lloyds Bank plc (a **Joint Lead Manager** and, together with Barclays, the **Joint Lead Managers** have, pursuant to a subscription agreement dated on or about 16 November 2016 between YBS, the Seller, the Arranger, the Joint Lead Managers and the Issuer (the **Subscription Agreement**), agreed with the Issuer (subject to certain conditions) to subscribe and pay for:

(A) in the case of the Arranger and the Joint Lead Managers:

£300,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes; and

(B) in the case of YBS:

£2,000,000,000 of the Class A Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A Notes; and

(C) in the case of Accord:

£500,000,000 (of which £251,510,000 shall be subscribed for as at the Closing Date) of the Class Z VFN at the issue price of 100 per cent. of the aggregate principal amount of the Class Z VFN as at the Closing Date.

The Arranger and the Joint Lead Managers may sell their allocations of any of the Notes to subsequent purchasers in individually negotiated transactions at negotiated prices which may vary among different purchasers and which may be greater or less than the issue price of the Notes.

The Issuer has agreed to indemnify YBS, Accord and the Arranger and the Joint Lead Managers against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

No action has been taken by the Issuer or YBS, or the Joint Lead Managers, which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

Pursuant to the Subscription Agreement, Accord, as originator, has undertaken that it will, *inter alia*, (i) retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of each of Article 405(1) of the CRR, Article 51(1) of AIFMR and Article 254(2) of the Solvency II Regulation and (ii) comply with the disclosure obligations imposed on sponsor and originator credit institutions under Article 409 of the CRR, subject always to any requirement of law, provided that Accord will not be in breach of such undertaking if Accord fails to so comply due to events, actions or circumstances beyond Accord's control. As at the Closing Date, such retention requirement will be satisfied by Accord holding the first loss tranche as required by paragraph (d) of Article 405(1) of the CRR, paragraph (d) of Article 51(1) of the AIFMR and paragraph (d) of Article 254(2) of the Solvency II Regulation (comprising the Class Z VFN). Any change to the manner in which such interest is held will be notified to the Noteholders.

United States

The Notes have not been and will not be registered under the Securities Act or securities laws or “blue sky” laws of any state of the United States or any other relevant federal jurisdiction and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

The Class A Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

Each of the Arranger, the Joint Lead Managers, Accord and YBS has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. See "*Transfer Restrictions and Investor Representations*", below.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act. Terms used in this section that are defined in Regulation S under the Securities Act are used herein as defined therein.

United Kingdom

Each of the Arranger, the Joint Lead Managers, Accord and YBS has represented to and agreed with the Issuer that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in any activity (within the meaning of Section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each of the Arranger, the Joint Lead Managers, Accord and YBS has acknowledged that, no further action has been or will be taken in any jurisdiction by the Arranger, the Joint Lead Managers, Accord or YBS that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

General

No action has been taken by the Issuer, YBS or Accord or the Arranger or the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each of the Arranger, the Joint Lead Managers, Accord and YBS has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document

or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations.

Retail Investor Restriction

Each of the Arranger and Joint Lead Managers has represented and agreed, and each further Arranger or Joint Lead Manager appointed under the subscription agreement (as applicable) will be required to represent and agree, that it has not made the Notes available, or sold the Notes, to a retail investor and that it will not make the Notes available, or sell the Notes, to a retail investor. For these purposes, a retail investor means (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of Directive 2014/65/EU.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Each purchaser (other than the Class Z VFN Holder) of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; provided, that the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control; and
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing.

The Issuer, the Arranger, the Joint Lead Managers, the Class Z VFN Registrar and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), 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.

THIS LEGEND WILL CEASE TO APPLY UPON THE EXPIRY OF THE PERIOD OF 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF ALL THE NOTES "

Additional representations and restrictions applicable to a Class Z VFN

Any holder of a Class Z VFN may only make a transfer of the whole of its Class Z VFN or create or grant any encumbrance in respect of such Class Z VFN if all of the following conditions are satisfied:

- (a) the holder of such Class Z VFN making such transfer or subjecting the Class Z VFN to such encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the holder of such Class Z VFN or any other person in relation to such transfer or encumbrance;
- (b) the holder of such Class Z VFN has received the prior written consent of the Issuer and (for so long as any Class A Notes are outstanding) the Note Trustee (the Note Trustee shall give its consent to such a transfer if the same has been sanctioned by an Extraordinary Resolution of the Class A Noteholders);
- (c) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A of the Insolvency Act 1986;
- (d) the transferee of such Class Z VFN is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and
- (e) the transferee is a Qualifying Noteholder.

The Class Z VFN Registrar shall not pay any relevant Interest Amount to the holder of a Class Z VFN and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 1 (Form of Tax Certificate) of the Agency Agreement (the **Tax Certificate**) and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the Class Z VFN Registrar that such Interest Amount in respect of the Class Z VFN can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The Class Z VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the Class Z VFN Register.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Class A Notes to the Official List of the Irish Stock Exchange and the admission of the Class A Notes to trading on the Irish Stock Exchange's Main Securities Market will be granted on or around 18 November 2016. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction. The Class Z VFN will not be listed.
2. Neither the Issuer nor the Holdings has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 11 August 2015 (being the date of incorporation of the Issuer and Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).
3. The auditors of the Issuer are Deloitte LLP. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales. No statutory or non-statutory accounts within the meaning of Section 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as any of the Class A Notes are admitted to trading on the Irish Stock Exchange's Main Securities Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
4. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.
5. Since 11 August 2015 (being the date of incorporation of the Issuer and Holdings), there has been (a) no material adverse change in the financial position or prospects of the Issuer or Holdings and (b) no significant change in the financial or trading position of the Issuer or Holdings.
6. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 10 November 2016.
7. The Class A Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under the following ISIN and Common Code:

Class of Notes	ISIN	Common Code
Class A Notes	XS1520308518	152030851

8. From the date of this Prospectus and for so long as the Class A Notes are listed on the Irish Stock Exchange's Main Securities Market, copies of the following documents (in both electronic and hard copy format) may be inspected at the registered office of the Issuer during usual business hours, on any weekday (public holidays excepted):
 - (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
 - (b) copies of the following documents:
 - (i) the Agency Agreement;
 - (ii) the Deed of Charge;
 - (iii) the Cash Management Agreement;

- (iv) the Master Definitions and Construction Schedule;
- (v) the Mortgage Sale Agreement;
- (vi) the Corporate Services Agreement;
- (vii) the Bank Account Agreement;
- (viii) the Guaranteed Investment Contract;
- (ix) the Servicing Agreement;
- (x) the Interest Rate Swap Agreement;
- (xi) the Swap Collateral Account Bank Agreement; and
- (xii) the Trust Deed.

9. The Cash Manager on behalf of the Issuer will publish the monthly Investor Report detailing, *inter alia*, certain aggregated loan data in relation to the Portfolio. Such Investor Reports will be published on the following website at www.ybs.co.uk. In addition, further information in respect of individual loan level data may be obtained on the www.ybs.co.uk website. The website and the contents thereof do not form part of this Prospectus. Investor Reports will also be made available to the Seller, the Security Trustee and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes or the Loans.
10. The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.
11. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent in connection with the Class A Notes and is not itself seeking admission of the Class A Notes to the Official List of the Irish Stock Exchange or to trading on its Main Securities Market for the purposes of the Prospectus Directive.

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