

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER UNITED STATES SECURITIES ACT OF 1933, AS AMENDED) OR TO ANY PERSON OR ADDRESS IN THE U.S.**

**IMPORTANT: You must read the following before continuing.** The following applies to the prospectus (the "**Prospectus**") attached to this electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them at 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 THE TRUSTEE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE CERTIFICATES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE CERTIFICATES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF AL RAYAN BANK PLC OR WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**U.S. RISK RETENTION RULES**"), THE CERTIFICATES OFFERED AND SOLD BY THE TRUSTEE MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "U.S. PERSON" IN REGULATION S AND PERSONS WHO ARE NOT "U.S. PERSONS" UNDER REGULATION S MAY BE U.S. PERSONS UNDER THE U.S. RISK RETENTION RULES. EACH PURCHASER OF CERTIFICATES, INCLUDING BENEFICIAL INTERESTS THEREIN, WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT IT (1) IS NOT A RISK RETENTION U.S. PERSON, (2) IS ACQUIRING SUCH CERTIFICATE OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH CERTIFICATE, AND (3) IS NOT ACQUIRING SUCH CERTIFICATE OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES.

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 and you may not, nor are you authorised to, deliver this Prospectus to any other person. In order to be eligible to view this Prospectus or make an investment decision with respect to the securities, investors must not be U.S. persons (within the meaning of Regulation S under the Securities Act). This Prospectus is being sent at your request and by accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (i) you have understood and agree to the terms set out herein, (ii) you consent to delivery of the Prospectus by electronic transmission, (iii) you are not a U.S. person within the meaning of Regulation S under the Securities Act or acting for the account or benefit of a U.S. person (within the meaning of Regulation S under the Securities Act), 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 (iv) if you are a person in the United Kingdom, then you are a person who (A) has professional experience in matters relating to

investments within Article 19 of the Financial Services and Markets Act (Financial Promotion) Order 2005 (the "**FPO**") or (B) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

THE CERTIFICATES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTORS. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "**MIFID II**"); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC (AS AMENDED "**THE INSURANCE MEDIATION DIRECTIVE**"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC, AS AMENDED (THE "**PROSPECTUS DIRECTIVE**"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (THE "**PRIIPS REGULATION**") FOR OFFERING OR SELLING THE CERTIFICATES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EUROPEAN ECONOMIC AREA (THE "**EEA**") HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE CERTIFICATES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

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 neither Tolkien Funding Sukuk No.1 Plc, the Joint Lead Managers (as defined herein) nor any person who controls any of them respectively (nor any director, officer, employee or 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 Joint Lead Managers (as defined herein).

## TOLKIEN FUNDING SUKUK NO.1 PLC

(Incorporated under the laws of England and Wales with limited liability under registered number 11084430)

<u>Certificates</u>	<u>Initial Principal Amount</u>	<u>Issue Price</u>	<u>Reference Rate on Certificates</u>	<u>Relevant Margin prior to Step-Up Date (20 April 2021)</u>	<u>Relevant Margin from and including Step-Up Date (20 April 2021)</u>	<u>Final Dissolution Date</u>	<u>Ratings Moody's/S&amp;P</u>
.....	£250,000,000	100%	Three-Month Sterling LIBOR	0.8% per annum	1.6% per annum	20 July 2052	Aaa by Moody's and AAA by S&P

The date of this Prospectus is 16 February 2018

*Arranger*

**Al Rayan Bank PLC**

*Joint Lead Managers*

**Al Rayan Bank PLC**

**Standard Chartered Bank**

<b>Issue Date</b> .....	The Trustee expects to issue the Certificates on 22 February 2018 (the " <b>Issue Date</b> ").
<b>Underlying Assets</b> .....	<p>The Trustee will make payments on the Certificates from, <i>inter alia</i>, rental and acquisition payments received from a portfolio comprising Home Purchase Plans originated by Al Rayan Bank PLC ("<b>Al Rayan</b>") and their related residential properties located in England and Wales which will be purchased by the Trustee on the Issue Date.</p> <p>Please refer to the section entitled "<i>Constitution of the Portfolio Assets Pool - The Portfolio Assets Pool</i>" for further information.</p>
<b>Credit Enhancement</b> .....	<ul style="list-style-type: none"> <li>• the Deferred Purchase Price, paid in accordance with the Pre-Enforcement Principal Priority of Payments from Available Principal Funds;</li> <li>• amounts standing to the credit of the Reserve Ledger; and</li> <li>• any Available Revenue Funds available for distribution in accordance with items (vi) to (viii) of the Pre-Enforcement Revenue Priority of Payments on each Periodic Distribution Date ("<b>Excess Spread</b>") (if any).</li> </ul> <p>Please refer to the section entitled "<i>Credit Structure</i>" for further information.</p>
<b>Liquidity Support</b> .....	<ul style="list-style-type: none"> <li>• Available Principal Funds applied to meet unpaid profit on the Certificates and the fees and expenses of the Security Trustee, the Delegate, the Cash Manager, the Agents, the Account Bank, the Corporate Services Provider, the Standby Servicer and the Sharia Compliance Fee if not paid from Available Revenue Funds; and</li> <li>• amounts standing to the credit of the Reserve Ledger.</li> </ul> <p>Please refer to the section entitled "<i>Credit Structure</i>" for further information.</p>
<b>Redemption Provisions</b> .....	Information on any optional and mandatory redemption of the Certificates is summarised on page 13 (" <i>Transaction Overview - Terms and Conditions of the Certificates - Dissolution</i> ") and set out in full in Condition 5 ( <i>Certificate Redemption and Dissolution of Trust</i> ).
<b>Credit Rating Agencies</b> .....	<p>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 Community and registered under the CRA Regulation.</p> <p>Each of Moody's and S&amp;P is established in the EU and is registered under the CRA Regulation.</p>
<b>Credit Ratings</b> .....	Ratings are expected to be assigned to the Certificates as set out above on or before the Issue Date.

The ratings assigned by Moody's address, *inter alia*, the probability of default and expected severity of loss given default of the Certificates held by the Certificateholder.

The ratings assigned by S&P address, *inter alia*, the likelihood of:

- full and timely payment of profit due to the holders of the Certificates on each Periodic Distribution Date; and
- full payment of the Principal Amount Outstanding of the Certificates by a date that is not later than the Final Dissolution Date for the Certificates.

**The assignment of ratings to the Certificates is not a recommendation to invest in the Certificates. Any credit rating assigned to the Certificates may be revised or withdrawn at any time.**

**Listing**..... This document comprises a prospectus (the "**Prospectus**"), for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**"). This Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Certificates which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU and/or which are to be offered to the public in any Member State of the EEA. Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Certificates to be admitted to the official list and to trading on its regulated market. There can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The regulated market (the "**Main Securities Market**") of the Irish Stock Exchange is a regulated market for the purposes of Directive 2014/65/EU (the "**Markets in Financial Instruments Directive II**").

Application may also be made to the United Kingdom Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for Certificates to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Certificates to be admitted to trading on the London Stock Exchange's Regulated Market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive II), once the UK Listing Authority has been provided with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

**Obligations**..... The Certificates will be obligations of the Trustee alone and will not be guaranteed by, or be the responsibility of, any other entity.

**Definitions**..... Please refer to the section entitled "*Glossary of Defined*"

*Terms*" for definitions of defined terms.

**EU Risk Retention**..... The Seller will retain a material net economic interest of at least five per cent. of the securitised exposures, in accordance with Article 405(1)(d) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), Article 51(1)(d) of the AIFMD Level 2 Regulation and Article 254(2)(d) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**") (the "**EU Retention Requirement**") in the form of Deferred Purchase Price, which the Seller covenants to retain pursuant to the Sale Agreement.

**U.S. Risk Retention Rules**..... The credit risk retention regulations implemented by U.S. Federal regulatory agencies including the U.S. Securities and Exchange Commission pursuant to section 15G of the U.S. Securities Exchange Act (the "**U.S. Risk Retention Rules**") generally require the "sponsor" of a "securitization transaction" to retain at least five per cent. of the "credit risk" of the "securitized assets", as such terms are defined for the purposes of that statute, and generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

The Seller, as the sponsor under the U.S. Risk Retention Rules, does not intend to retain at least five per cent. of the credit risk of the securitised assets for the purposes of compliance with the U.S. Risk Retention Rules, but rather intends to rely on an exemption provided for in s.20 of the U.S. Risk Retention Rules regarding non-U.S. transactions.

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

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

THE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE CERTIFICATES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR ANY STATE SECURITIES LAWS. THE CERTIFICATES MAY NOT BE OFFERED OR SOLD DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). THE CERTIFICATES WILL ONLY BE OFFERED AND SOLD OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS PURSUANT TO THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT. THERE IS NO UNDERTAKING TO REGISTER THE CERTIFICATES UNDER STATE OR FEDERAL SECURITIES LAW. THE CERTIFICATES CANNOT BE SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT).

THE CERTIFICATES OFFERED AND SOLD BY THE TRUSTEE ARE NOT DESIGNED TO INVOLVE THE RETENTION BY A SPONSOR OF AT LEAST FIVE PER CENT. OF THE CREDIT RISK OF THE PORTFOLIO ASSETS FOR PURPOSES OF COMPLIANCE WITH THE U.S. RISK RETENTION RULES (AS DEFINED BELOW) REGARDING NON-U.S. TRANSACTIONS OTHER THAN THE EXEMPTION UNDER SECTION 20 OF THE U.S. RISK RETENTION RULES (AS DEFINED BELOW), AND NO OTHER STEPS WILL BE TAKEN BY THE TRUSTEE, THE SELLER, THE JOINT LEAD MANAGERS OR ANY OF THEIR AFFILIATES OR ANY OTHER PARTY TO ACCOMPLISH SUCH COMPLIANCE.

EXCEPT WITH THE PRIOR WRITTEN CONSENT OF AL RAYAN BANK PLC AND WHERE SUCH SALE FALLS WITHIN THE EXEMPTION PROVIDED BY SECTION 20 OF THE FINAL RULES PROMULGATED UNDER SECTION 15G OF THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE "**U.S. RISK RETENTION RULES**"), ANY CERTIFICATES OFFERED AND SOLD BY THE TRUSTEE MAY NOT BE PURCHASED BY, OR FOR THE ACCOUNT OR BENEFIT OF, ANY "U.S. PERSON" AS DEFINED IN THE U.S. RISK RETENTION RULES ("**RISK RETENTION U.S. PERSONS**"). PROSPECTIVE INVESTORS SHOULD NOTE THAT THE DEFINITION OF "U.S. PERSON" IN THE U.S. RISK RETENTION RULES IS SUBSTANTIALLY SIMILAR TO, BUT NOT IDENTICAL TO, THE DEFINITION OF "U.S. PERSON" IN REGULATION S AND PERSONS WHO ARE NOT "U.S. PERSONS" UNDER REGULATION S MAY BE U.S. PERSONS UNDER THE U.S. RISK RETENTION RULES. ANY PURCHASER OF THE CERTIFICATES OR A BENEFICIAL INTEREST THEREIN ACQUIRED IN THE INITIAL SUBSCRIPTION OF THE CERTIFICATES, BY ITS ACQUISITION OF THE CERTIFICATES OR A BENEFICIAL INTEREST THEREIN, WILL BE REQUIRED TO MAKE CERTAIN REPRESENTATIONS AND AGREEMENTS, INCLUDING THAT (1) IT IS NOT A RISK RETENTION U.S. PERSON, (2) IT IS ACQUIRING SUCH CERTIFICATES OR A BENEFICIAL INTEREST THEREIN FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE SUCH CERTIFICATES, AND (3) WHERE SUCH PURCHASER HAS CONFIRMED THAT IT IS NOT A RISK RETENTION U.S. PERSON, IS NOT ACQUIRING SUCH CERTIFICATES OR A BENEFICIAL INTEREST THEREIN AS PART OF A SCHEME TO EVADE THE REQUIREMENTS OF THE U.S. RISK RETENTION RULES (INCLUDING ACQUIRING SUCH CERTIFICATES OR A BENEFICIAL INTEREST THEREIN THROUGH A NON-RISK RETENTION U.S. PERSON, RATHER THAN A RISK RETENTION U.S. PERSON, AS PART OF A SCHEME TO EVADE THE 10 PER CENT. RISK RETENTION U.S. PERSON LIMITATION IN THE EXEMPTION PROVIDED FOR IN SECTION 20 OF THE U.S. RISK RETENTION RULES).

Each initial and subsequent purchaser of the Certificates will be deemed, by its acceptance of such Certificates, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer thereof 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 or other transfer restrictions in certain cases.

The information contained in this Prospectus was obtained from the Trustee and other sources, but no assurance is or can be given by the Joint Lead Managers, the Agents or the Delegate or the Security Trustee or anyone other than the Trustee as to the adequacy, accuracy or completeness of such information and this Prospectus does not constitute and shall not be construed as any representation or warranty by the Joint Lead Managers, the Agents or the Security Trustee or the Delegate or anyone other than the Trustee as to the adequacy, accuracy or completeness of such information contained herein. None of the Joint Lead Managers, the Agents or the Security Trustee or the Delegate or anyone other than the Trustee have independently verified any of the information contained herein (financial, legal or otherwise) and in making an investment decision, investors must rely on their own examination of the terms of this Prospectus, including the merits and risks involved. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Certificates is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Certificates is strictly prohibited. A prospective investor shall not be entitled to, and must not rely on, this Prospectus unless it was furnished to such prospective investor directly by the Trustee and the Joint Lead Managers.

The Trustee accepts responsibility for the information contained in this Prospectus. To the best of its knowledge and belief (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.

The information contained in this Prospectus in the section headed "*Characteristics of the Portfolio Assets Pool*" has been extracted from information provided by the Seller and reproduced herein. The Trustee accepts responsibility for the accurate reproduction of such extracted information. So far as the Trustee is aware and/or able to ascertain from such reproduced information, no facts have been omitted which would render the information inaccurate or misleading. The Trustee has not been responsible for, nor has it undertaken, any investigation or verification of statements, including statements as to foreign law, contained in the reproduced information. The Trustee does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the reproduced information and prospective investors in the Certificates should not rely upon, and should make their own independent investigations and enquiries in respect of, the same.

Where third party information has been used in this Prospectus, the source of such information has been identified. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Where information has been sourced from a third party, such publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed. As far as the Trustee is aware and able to ascertain from the information published by such third party sources, this information has been accurately reproduced and no facts have been omitted that would render the reproduction of this information inaccurate or misleading.

None of the Trustee, the Joint Lead Managers, the Agents, the Security Trustee, the Delegate or any other person makes any representation to any prospective investor or purchaser of the Certificates regarding the legality of investment therein by such prospective investor or purchaser under applicable legal investment or similar laws or regulations and prospective investors should consult their legal advisers to determine whether and to what extent the investment in the Certificates constitute a legal investment for them.

EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT (I) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (II) SUCH PERSON HAS NOT RELIED ON THE JOINT LEAD MANAGERS OR ANY PERSON AFFILIATED WITH THE JOINT LEAD MANAGERS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (III) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE CERTIFICATES OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED



UPON AS HAVING BEEN AUTHORISED, AND (IV) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE CERTIFICATES.

AL RAYAN BANK PLC ACCEPTS RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE SELLER, THE SERVICER AND THE SHARIA COMPLIANCE ADVISER*", "*CONSTITUTION OF THE PORTFOLIO ASSETS POOL*" AND "*CHARACTERISTICS OF THE PORTFOLIO ASSETS POOL*" TO THE BEST OF THE KNOWLEDGE AND BELIEF OF AL RAYAN BANK PLC (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.

U.S. BANK TRUSTEES LIMITED, ELAVON FINANCIAL SERVICES DAC, UK BRANCH, HOMELOAN MANAGEMENT LIMITED AND LAW DEBENTURE CORPORATE SERVICES LIMITED ACCEPT RESPONSIBILITY FOR THE INFORMATION SET OUT IN THE SECTIONS HEADED "*THE CASH MANAGER, THE ACCOUNT BANK, THE AGENT BANK, THE PRINCIPAL PAYING AGENT AND THE REGISTRAR*", "*THE SECURITY TRUSTEE AND THE DELEGATE*", "*THE STANDBY SERVICER*" AND "*THE CORPORATE SERVICES PROVIDER*" RESPECTIVELY. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF U.S. BANK TRUSTEES LIMITED, ELAVON FINANCIAL SERVICES DAC, UK BRANCH, HOMELOAN MANAGEMENT LIMITED AND LAW DEBENTURE CORPORATE SERVICES LIMITED (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THE RELEVANT 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.

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Trustee and the Certificates, which according to the particular nature of the Trustee and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee. The Trustee accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Trustee (which has 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.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Trustee or the Joint Lead Managers to subscribe for or purchase any of the Certificates. The distribution of this Prospectus and the offering of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Trustee and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

For a description of further restrictions on offers and sales of the Certificates and distribution of this Prospectus, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Trustee, the Agents, the Security Trustee, the Delegate or the Joint Lead Managers. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Agents, the Security Trustee, the Delegate or anyone other than the Trustee accepts any responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Joint Lead Managers or the Security Trustee or any other person or on their behalf in connection with the Trustee or the issue and offering of the Certificates. Each of the Joint Lead Managers, the Agents, the Security Trustee, the Delegate or anyone other than the Trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

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 Trustee 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.

The Certificates have not been and will not be registered under the Securities Act and are subject to U.S. tax law requirements. Subject to certain exceptions, the Certificates may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulation S under the Securities Act).

Payments of profit and principal in respect of the Certificates will be subject to any applicable withholding taxes without the Trustee being obliged to pay additional amounts thereof. References in this Prospectus to "**GBP**", "**£**", "**pounds**" or "**sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to "**Euro**", "**EUR**" and "**€**" are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty on the Functioning of the European Union, as amended from time to time.

## PRIIPs REGULATION

The Certificates are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, 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 MiFID II, or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY

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

## BENCHMARKS

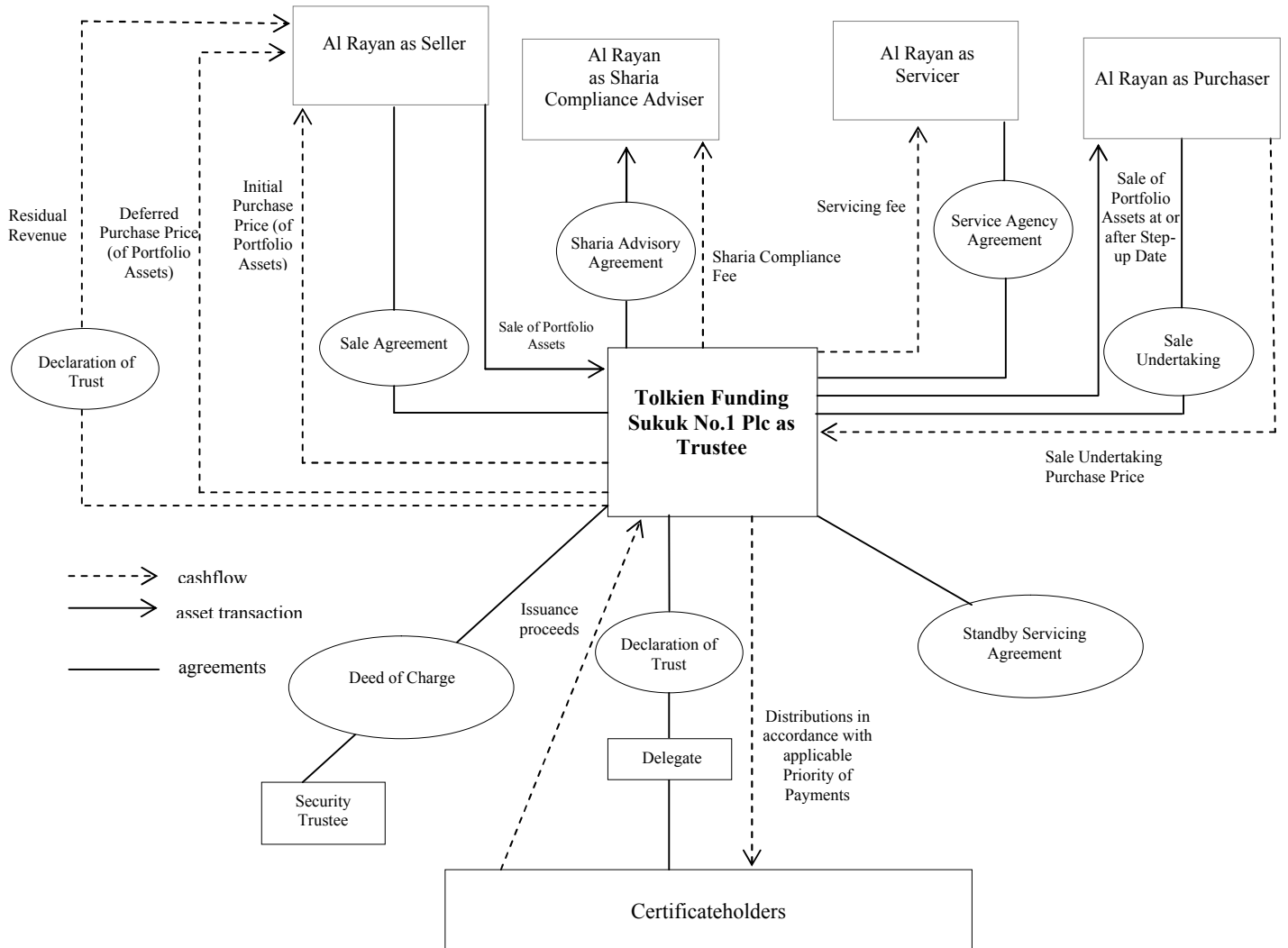
Amounts payable under the Certificates are calculated by reference to LIBOR, which is provided by ICE Benchmark Administration Limited. As at the date of this Prospectus, the ICE Benchmark Administration Limited does not appear on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authorities ("**ESMA**") pursuant to Article 36 of Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**"). As far as the Trustee is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that the ICE Benchmark Administration Limited is not currently required to obtain authorisation or registration.

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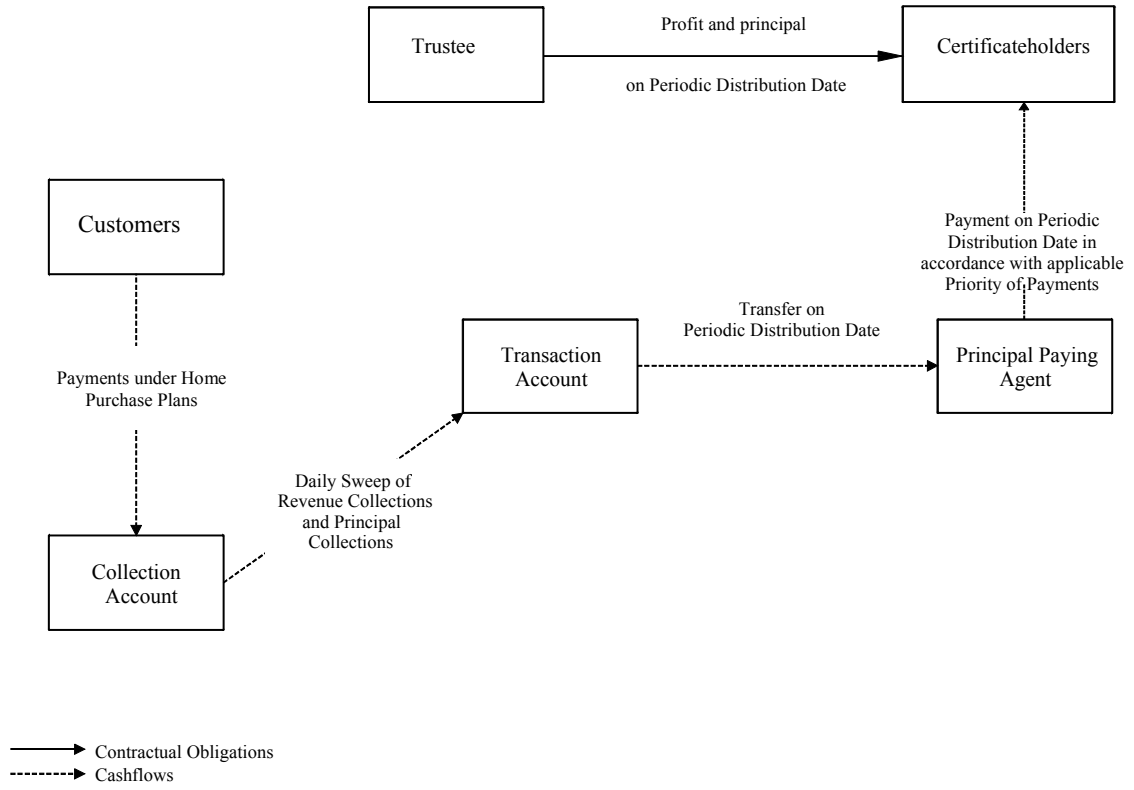
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## TRANSACTION OVERVIEW

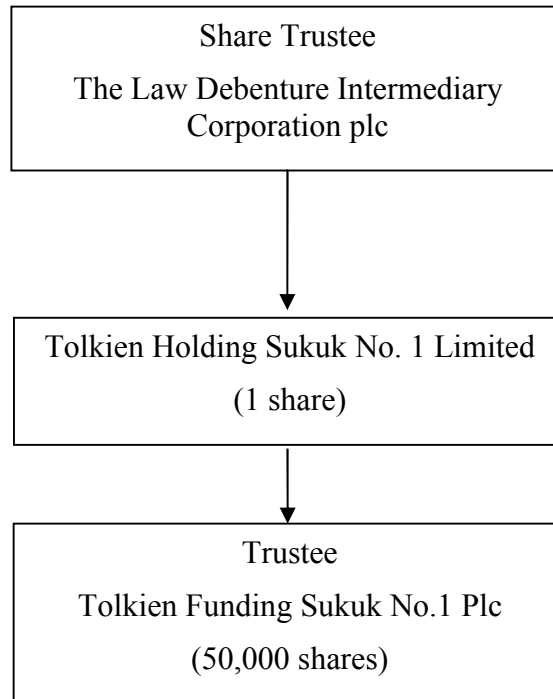
### DIAGRAMMATIC OVERVIEW OF THE TRANSACTION



## DIAGRAMMATIC OVERVIEW OF ONGOING CASH FLOW



**DIAGRAMMATIC OVERVIEW OF THE OWNERSHIP STRUCTURE**



## PARTIES

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

### Transaction Parties on the Issue Date

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
Arranger	Al Rayan Bank PLC ("Al Rayan")	44 Hans Crescent, London SW1X 0LZ, United Kingdom	N/A.
Joint Lead Managers	Al Rayan	44 Hans Crescent, London SW1X 0LZ, United Kingdom	Subscription Agreement.
	Standard Chartered Bank	1 Basinghall Avenue, London EC2V 5DD, United Kingdom	Subscription Agreement.
Trustee	Tolkien Funding Sukuk No.1 Plc	Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom	N/A.
Parent	Tolkien Holding Sukuk No. 1 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom	N/A.
Share Trustee	The Law Debenture Intermediary Corporation plc	Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom	N/A.
Seller	Al Rayan	44 Hans Crescent, London SW1X 0LZ, United Kingdom	Sale Agreement.
Servicer	Al Rayan	44 Hans Crescent, London SW1X 0LZ, United Kingdom	Service Agency Agreement. See the sections entitled " <i>The Seller and the Servicer</i> " and " <i>Administration, Servicing and Cash Management of the Portfolio Assets Pool</i> " for further information.
Sharia Compliance Adviser	Al Rayan	44 Hans Crescent, London SW1X 0LZ, United Kingdom	Sharia Advisory Agreement. See the sections entitled " <i>The Seller and the Servicer</i> " and



<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
			<i>"Administration, Servicing and Cash Management of the Portfolio Assets Pool"</i> for further information.
Security Trustee	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom	Deed of Charge.
Delegate	U.S. Bank Trustees Limited	125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom	Declaration of Trust. See the section entitled <i>"Terms and Conditions of the Certificates"</i> for further information.
Corporate Services Provider	Law Debenture Corporate Services Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom	Corporate Services Agreement.
Cash Manager	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom	Cash Management Agreement. See the sections entitled <i>"The Cash Manager"</i> and <i>"Administration, Servicing and Cash Management of the Portfolio Assets Pool"</i> for further information.
Standby Servicer	Homeloan Management Limited	The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom	Standby Servicing Agreement. See the section entitled <i>"The Standby Servicer"</i> .
Account Bank	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom	Account Bank Agreement.
Principal Paying Agent	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom	Paying Agency Agreement.
Agent Bank	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom	Paying Agency Agreement.

<b>Party</b>	<b>Name</b>	<b>Address</b>	<b>Document under which appointed/Further information</b>
	Branch	Kingdom	
Registrar	Elavon Financial Services DAC, acting through its UK Branch	125 Old Broad Street, Fifth Floor, London EC2N 1AR, United Kingdom	Paying Agency Agreement.
Listing Agent	Walkers Listing Services Limited	The Anchorage, 17-19 Sir John Rogerson's Quay, Dublin 2, Ireland	N/A.
Listing Authority and Stock Exchange	Irish Stock Exchange	28 Anglesea Street, Dublin 2, Ireland	N/A.
Clearing Systems	Euroclear Bank SA/NV	33 Cannon Street, London EC4M 5SB, United Kingdom	N/A.
	Clearstream Banking S.A.	42 Avenue JF Kennedy, L-1855 Luxembourg	N/A.
Rating Agencies	Moody's Investors Service Ltd	1 Canada Square, London E14 5FA, United Kingdom	N/A.
	Standard & Poor's Credit Market Services Europe Limited	20 Canada Square, London E14 5LH, United Kingdom	N/A.
Auditors	Deloitte LLP	2 New Street Square, London EC4A 3BZ, United Kingdom	N/A.

## PORTFOLIO ASSETS POOL AND SERVICING

Please refer to the sections entitled "*Constitution of the Portfolio Assets Pool*", "*Title to the Portfolio Assets*" and "*Sale of the Portfolio Assets*" for further detail in respect of the characteristics of the Portfolio Assets Pool and the sale and the servicing arrangements in respect of the Portfolio Assets Pool.

### Sale of Portfolio Assets Pool

The Portfolio Assets Pool will consist of the Portfolio Assets, the Ancillary Rights, and all monies derived therein from time to time, which will be sold by the Seller to the Trustee on the Issue Date pursuant to the Sale Agreement.

The Portfolio Assets Pool comprises Portfolio Assets in relation to properties located in England and Wales.

Each Portfolio Asset and Ancillary Right is governed by English law.

In this Prospectus, unless otherwise noted, all references to specified percentages of the Portfolio Assets are references to those Portfolio Assets as a percentage of the aggregate finance balances of the Provisional Completion Portfolio Assets Pool.

### Features of Portfolio Assets

The following is a summary of certain features of the Portfolio Assets in the Provisional Completion Portfolio Assets Pool as at the Cut-Off Date and investors should refer to, and carefully consider, further details in respect of the Portfolio Assets set out in "*Characteristics of the Portfolio Assets Pool*".

Type of Customers	Prime
Type of Home Purchase Plans	Owner occupied
Charge ranking	First charges only
Geographic region	England and Wales
Self-certified Portfolio Assets	No
Fast track Portfolio Assets	No
Buy-to-Let Portfolio Assets	No
Number of Portfolio Assets	1,672

See the section entitled "*Characteristics of the Portfolio Assets Pool*" for further information.

### Consideration

Consideration payable by the Trustee to the Seller in respect of the sale of the Portfolio Assets by the Seller pursuant to the Sale Agreement shall be (i) an amount of GBP245,000,000 (being (the "**Initial Purchase Price**") and (ii) the Deferred Purchase Price.

The Initial Purchase Price may be settled by way of set-off in the event Al Rayan agrees to subscribe for some of the Certificates on its own account.

The Deferred Purchase Price will be payable in accordance with the Pre-Enforcement Principal Priority of Payments or the Post-Enforcement Priority of Payments, as applicable. In order to comply with the EU Retention Requirement, the Seller is subject to restrictions on its dealings with the Deferred Purchase Price.

In the event:

- (i) of a breach of any Warranties given in respect of the Portfolio Assets in the Portfolio Assets Pool which could have a material adverse effect on the value of the relevant Portfolio Asset (other than where such breach was disclosed at the point of sale to the Trustee), and which if capable of remedy, is not so remedied by the Seller within 21 days of notification of such breach to the Seller by the Trustee;
- (ii) that the Seller provides any further financing to a Customer under a Portfolio Asset;
- (iii) that the Servicer or the Seller, as applicable agrees to extend the payment term of any Portfolio Asset (other than extension to a payment term granted by the Servicer as part of a default recovery or Customer rehabilitation process);
- (iv) of an SVR Repurchase Event; or
- (v) of a Fixed Threshold Repurchase Event,

the Seller will be required to make a cash payment to the Trustee in an amount equal to the Repurchase Price of such relevant Portfolio Asset.

#### **Representations and Warranties**

The Seller will make the Warranties to the Trustee, the Security Trustee and the Delegate on the Issue Date, in relation to the Portfolio Assets in the Completion Pool.

The Warranties include (without limitation) the following warranties in respect of each relevant Portfolio Assets:

- (i) each Home Purchase Plan relates to a Property located in England or Wales;
- (ii) each Customer is a natural person and was aged 21 years or older at the date that he or she executed the relevant Home Purchase Plan; and
- (iii) subject to the legal reservations, each Home Purchase Plan is non-cancellable and constitutes a valid and binding obligation of the Customer enforceable in accordance with its terms.

See the section entitled "*Sale of the Portfolio Assets Pool - Warranties and Repurchase*" for further information.

#### **Repurchase of the Portfolio Assets and Ancillary Rights**

The Seller shall repurchase the relevant Portfolio Asset and its Ancillary Rights (i) upon breach of any Warranties given in respect of the Portfolio Assets in the Portfolio Assets Pool which could have a material adverse effect on the value of the relevant Portfolio Asset (other than where such breach was disclosed at the point of sale to the Trustee) and which, if capable of remedy, is not so remedied by the Seller within 21 days of notification of such breach to the Seller by the Trustee; (ii) if the Seller provides further finance under such Home Purchase Plan; (iii) if the Servicer or the Seller, as applicable agrees to extend the payment term of any Portfolio Asset (other than extension to a payment term granted by the Servicer as part of a default recovery or Customer rehabilitation process); (iv) if an SVR Repurchase Event occurs; or (v) if a Fixed Threshold Repurchase

Event occurs.

**Consideration for repurchase**

Consideration payable by the Seller in respect of the repurchase of any relevant Portfolio Asset and its Ancillary Rights shall be equal to the Repurchase Price of such relevant Portfolio Asset.

**Perfection Events**

See "*Perfection Events*" in the section entitled "*Triggers Tables - Non Rating Triggers Table*" below.

Legal title to the Portfolio Assets will not be vested in the Trustee until the Trustee (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee so decides, which it may do upon the occurrence of certain perfection events under the terms of the Sale Agreement ("**Perfection Events**"). Prior to the completion of the transfer of the legal title to the Portfolio Assets, the Trustee will be subject to certain risks as set out in the sections entitled "*Risk Factors - Set-off risk*".

**Servicing of the Portfolio Assets Pool, the Servicer, the Standby Servicer**

The Servicer agrees to service the Portfolio Assets on behalf of the Trustee in accordance with the Service Agency Agreement.

In respect of certain specified items, such as the discretionary and non-discretionary aspects of the enforcement of Portfolio Assets and their Ancillary Rights against Customers in arrears and other discretionary matters, the Trustee has delegated certain decision-making powers to the Servicer, who will exercise such decision making powers pursuant to and in accordance with the Service Agency Agreement.

Under the Service Agency Agreement, the Trustee will grant the Servicer full right, liberty and authority from time to time to determine and set the rate or rates of rent applicable to the Portfolio Assets in accordance with the terms of such Portfolio Assets and subject to the terms and conditions of the Home Purchase Plan Agreements and the Service Agency Agreement.

Other than with respect to the appointment of the Standby Servicer under the Standby Service Agency Agreement where no notification or approval is required, provided prior written consent has been provided by the Trustee, the Security Trustee and the Delegate, the Servicer is permitted to sub-contract or delegate its obligations under the Service Agency Agreement.

See the sections entitled "*The Servicer and the Cash Manager*" and "*Administration, Servicing and Cash Management of the Portfolio Assets Pool*".

Upon the occurrence of a Servicer Termination Event, the Trustee (prior to the service of an Enforcement Notice and with the consent of the Security Trustee) or (after the service of an Enforcement Notice) the Security Trustee may terminate the agency and, simultaneously, the rights of the Servicer. Following the occurrence of such a Servicer Termination Event, the Trustee (prior to the service of an Enforcement Notice and with the consent of the Security Trustee) or the Security Trustee (after the service of an Enforcement Notice) may give notice in writing to the Standby Servicer of such termination and the Standby Servicer shall comply with its obligations under the Standby Servicing Agreement accordingly, or may appoint an alternative replacement servicer in accordance with the terms of the Service Agency Agreement.

In accordance with the terms of the Deed of Charge, the Security Trustee shall, in its exercise of its powers, trusts, authorities, duties, rights and discretions, act on the instructions of the Delegate where such instructions are provided and otherwise have regard only to the interests of the Certificateholders when exercising its powers, trusts, authorities, duties, rights and discretions.

See "*Servicer Termination Events*" in the section entitled "*Rights of Certificateholders and Relationship with Other Secured Creditors - Triggers Tables - Non-Rating Triggers Table*" below.

The Servicer may also resign upon giving six months' notice provided, *inter alia*, a replacement servicer has been appointed.

## **Cash Manager**

The Cash Manager agrees to perform certain cash management duties in relation to the Portfolio Assets on behalf of the Trustee in accordance with the Cash Management Agreement.

Such duties include administering the Transaction Account and the relevant Ledgers, producing the Quarterly Report and applying funds in accordance with the applicable Priority of Payment on each Periodic Distribution Date.

Upon the occurrence of a Cash Manager Termination Event, the Trustee (prior to the service of an Enforcement Notice and with the consent of the Security Trustee) or (after the service of an Enforcement Notice) the Security Trustee may terminate the appointment of the Cash Manager under the Cash Management Agreement.

The Cash Manager may also resign upon giving 12 months' notice provided, *inter alia*, a substitute cash management has been appointed.

The Cash Manager may sub-contract or delegate certain of its responsibilities and obligations under the Cash Management Agreement in relation to cash management and reporting to a sub-contractor or delegate, provided that a Rating Agency Confirmation has been obtained. However, the Cash Manager remains liable at all times for the administration and investor reporting of the Trustee and for the acts or omissions of any delegate or sub-contractor.

## FULL CAPITAL STRUCTURE OF THE CERTIFICATES

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

	<b>Certificates</b>
<b>Currency</b>	GBP
<b>Initial Principal Amount</b>	GBP250,000,000
<b>Credit Enhancement</b>	Excess Spread; Reserve Fund; Overcollateralisation
<b>Liquidity Support</b>	Available Principal Funds applied to meet unpaid profit on the Certificates and the fees and expenses of the Security Trustee, the Delegate, the Cash Manager, the Agents, the Account Bank, the Corporate Services Provider, the Standby Servicer and the Sharia Compliance Fee if not paid from Available Revenue Funds. Reserve Fund
<b>Issue Price</b>	100 per cent.
<b>Profit Reference Rate on Certificates</b>	3 Month Sterling LIBOR
<b>Relevant Margin prior to Step-Up Date.....</b>	0.8 per cent. per annum
<b>Relevant Margin from and including Step-Up Date</b>	1.6 per cent. per annum
<b>Step-Up Date</b>	Periodic Distribution Date falling in April 2021.
<b>Profit Accrual Method</b>	Actual/365
<b>Expected Revenue Collections</b>	In relation to any Collection Period, the amount of Revenue Collections that the Seller expects to be collected during that Collection Period based on the historical performance of the Portfolio Assets prior to the Sale Date
<b>Periodic Distribution Dates</b>	Profit will be payable in respect of the Certificates quarterly in arrear on the 20 <sup>th</sup> day of April, July, October and January in each year or, if such day is not a Business Day, the next following Business Day
<b>Business Day Convention</b>	Following
<b>First Periodic Distribution Date</b>	Periodic Distribution Date falling in July 2018
<b>First Return Accumulation Period</b>	The period from the Issue Date to the first Periodic Distribution Date.
<b>Pre-Enforcement Redemption Profile</b>	Sequential pass-through redemption. Please refer to Condition 5 ( <i>Certificate Redemption and Dissolution of Trust</i> ).
<b>Post-Enforcement Redemption Profile</b>	Pass-through redemption in accordance with the Post-Enforcement Priority of Payments. Please refer to Condition 5(b) ( <i>Mandatory Redemption of the Certificates</i> ).
<b>Sale Undertaking</b>	On the Step-Up Date and on any Periodic Distribution Date thereafter, the Trustee may redeem the Certificates with the proceeds of a sale of the Charged Property pursuant to the Sale Undertaking <b>provided that</b> such sale proceeds, together with any amounts standing to the credit of the Transaction Account and/or the Reserve Fund and/or any other cash held by or on behalf of the Trustee, are sufficient to (I) redeem all of the Certificates then outstanding in full together with accrued and unpaid profit on such Certificates and, (II) pay amounts required under the Post-Enforcement Priority of Payments ranking in priority or <i>pari passu</i> with the Certificates on such redemption date, and (III) any other costs associated with the exercise of the Sale Undertaking. See Condition 5(d) ( <i>Dissolution Following a Trustee Call</i> ).
<b>Clean Up Call</b>	Not applicable
<b>Pre-Call Redemption</b>	Sequential pass-through
<b>Post-Call Redemption Profile</b>	Sequential pass-through in accordance with the Post-Enforcement Priority of Payment
<b>Other Early Redemption in Full Events</b>	Tax call. Please refer to Condition 5(e) ( <i>Dissolution for Taxation or Other Reasons</i> ).
<b>Final Dissolution Date</b>	Periodic Distribution Date falling in July 2052
<b>Form of the Certificates</b>	Registered Global Certificate
<b>Application for Listing</b>	Irish Stock Exchange
<b>ISIN</b>	XS1756356298
<b>Common Code</b>	175635629
<b>Clearance/Settlement</b>	Euroclear/ Clearstream, Luxembourg
<b>Minimum Denomination</b>	GBP100,000 and integral multiples of GBP1,000 in excess thereof

## TERMS AND CONDITIONS OF THE CERTIFICATES

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

### **Form, registration and transfer of the Certificates** .....

The Certificates will be issued in registered form and will be represented by the Global Certificate.

The Global Certificate will be deposited on or about the Issue Date with, and will represent Certificates registered in the name of, a nominee of a Common Safekeeper for Euroclear and Clearstream, Luxembourg and effectuated by the Common Safekeeper acting on the instructions of the Registrar.

Beneficial interests in the Certificates represented by the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream and their respective Participants. See "*Summary of Provisions Relating to the Certificates While in Global Form*" below.

Except in the limited circumstances described herein, definitive certificates evidencing holdings of Certificates ("**Definitive Certificates**") will not be issued to holders of Certificates. See "*Summary of Provisions Relating to the Certificates While in Global Form - Issuance of Definitive Certificates*". Any Definitive Certificates issued in exchange for Book-Entry Interests in the Global Certificate will be recorded in the Register by the Registrar in such name or names as the Trustee shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg.

Transfers of interests in the Certificates are subject to certain restrictions and must be made in accordance with the procedures set forth in the Declaration of Trust. See "*Summary of Provisions Relating to the Certificates While in Global Form - Form*" and "*Summary of Provisions Relating to the Certificates While in Global Form - Book-Entry Interests*". Each purchaser of Certificates in making its purchase will be required to make, or will be deemed to have made, certain acknowledgements, representations and agreements. The transfer of Certificates in breach of certain of such representations and agreements will result in affected Certificates becoming subject to certain forced transfer provisions. See Condition 1(b) (*Title and transfer*).

### **Ranking** .....

The Certificates will rank *pari passu* and rateably without any preference or priority among themselves as to payment of profit and principal at all times.

### **Dissolution Event and Redemption Event** .....

Payments of profit and principal on the Certificates will be made in accordance with the Post-Enforcement Priority of Payments from (and including) (i) following a Dissolution Event, the date on which the Security Trustee serves an Enforcement Notice on the Trustee pursuant to Condition 9 (*Dissolution Events*) declaring the Certificates to be due and payable, (ii) the Final Dissolution Date and (iii) the Periodic Distribution Date on which the relevant Certificates are to be redeemed in accordance with Condition 5(d) (*Dissolution Following a Trustee Call*) or Condition 5(e) (*Dissolution for Taxation or Other Reasons*) (in the case of (ii) to (iii) (inclusive) each such date a "**Redemption Event**").



See Condition 5 (*Certificate Redemption and Dissolution of Trust*) for further information.

The Trustee undertakes to dispose of all of its assets promptly following the Final Dissolution Date.

**Security** .....

The Certificates are secured and will share the Security with other Secured Creditors as set out in, and created pursuant to, the Deed of Charge described in Condition 2(b) (*Security*). The Security granted by the Trustee pursuant to the Deed of Charge includes:

- (a) first fixed equitable charges and security in favour of the Security Trustee over the Trustee's present and future right, title, benefit and interest in, to and under the Portfolio Assets and their related Ancillary Rights;
- (b) an equitable assignment in favour of the Security Trustee of the Trustee's interests in the Insurance Contracts to the extent that they relate to the Properties;
- (c) an assignment in favour of the Security Trustee of the Trustee's right, title, interest and benefit in, to and under the Charged Obligation Documents (other than the Declaration of Trust);
- (d) a first fixed charge in favour of the Security Trustee over (i) the Trustee's interest in the Bank Accounts, (ii) the Trustee's beneficial interest in the Collection Account, and (iii) any other accounts with any bank or financial institution in which the Trustee now or in the future has an interest (to the extent of its interest); and
- (e) a first floating charge in favour of the Security Trustee (ranking after the security referred to in (a) to (d) (inclusive) above) over the whole of the undertaking, property, assets and rights of the Trustee.

Some of the other secured obligations rank senior to the Trustee's obligations to pay principal and make payments representing profit under the Certificates in respect of the allocation of proceeds as set out in the Post-Enforcement Priority of Payments.

See also the Risk Factor "*Risk Factors - Fixed charges may take effect under English law as floating charges*".

**Profit Provisions** .....

Please refer to "*Transaction Overview - Portfolio Assets Pool and Servicing - Full Capital Structure of the Certificates*" and Condition 4 (*Profit*).

**Gross-up** .....

None of the Trustee, the Principal Paying Agent, any other Paying Agent, the Delegate, the Security Trustee nor any other person will be obliged to gross up payments to the Certificateholders if there is any withholding or deduction for or on account of taxes, or in connection with FATCA, from any payments made to the Certificateholders.

**Dissolution** .....

The Certificates are subject to the following optional or mandatory Redemption Events:

- (a) mandatory redemption in whole on the Final Dissolution Date, as fully set out in Condition 5(a) (*Final Dissolution*)

of Trust);

- (b) mandatory redemption in part on any Periodic Distribution Date, other than a Dissolution Date, commencing on the first Periodic Distribution Date, subject to the availability of Available Principal Funds on the basis of sequential pass through redemption, as fully set out in Condition 5(b) (*Mandatory Redemption of Certificates*); and
- (c) optional redemption exercisable by the Trustee in accordance with the Sale Undertaking in whole (but not in part) (i) for tax reasons, as fully set out in Condition 5(e) (*Dissolution for Taxation or Other Reasons*) or (ii) on the Step-up Date or on any Periodic Distribution Date thereafter following a Trustee call as fully set out in Condition 5(d) (*Dissolution following a Trustee Call*).

Any Certificate redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Certificate together with accrued (and unpaid) profit on the Principal Amount Outstanding of the relevant Certificates to be redeemed, in each case up to (but excluding) the date of redemption.

**Relevant Dates and Periods.....**

Issue Date:	The date of initial issuance for the Certificates will be 22 February 2018.
Periodic Distribution Date:	Each Certificate will bear profit on its Principal Amount Outstanding from, and including, the Issue Date. Profit will be payable in respect of the Certificates quarterly in arrear on the 20 <sup>th</sup> day in April, July, October and January in each year or, if such day is not a Business Day, the next following Business Day. The first Periodic Distribution Date in respect of the Certificates will be the Periodic Distribution Date falling in July 2018.
Return Accumulation Period:	The period from (and including) a Periodic Distribution Date to (but excluding) the next Periodic Distribution Date <b>provided that</b> the first Return Accumulation Period shall be the period from (and including) the Issue Date to (but excluding) the first Periodic Distribution Date.
Business Day:	A day on which commercial banks and foreign exchange markets settle payments in London.
Determination Date:	The fifth Business Day prior to each Periodic Distribution Date or, if such day is not a Business Day, the immediately preceding Business Day.  The Determination Date is the date on which the Cash Manager will be

required to calculate, among other things, the amounts required to pay profit distribution and principal in respect of the Certificates (as set out in the Cash Management Agreement).

Collection Period: Means each three month period as follows:  
(i) 1 January to 31 March;  
(ii) 1 April to 30 June;  
(iii) 1 July to 30 September;  
and  
(iv) 1 October to 31 December,  
  
(each inclusive) provided that the first Collection Period shall be the period from (and including) the Issue Date to (and including) 30 June 2018.

Profit Determination Date: The first day of the Return Accumulation Period for which the rate will apply.

**Dissolution Events** ..... As fully set out in Condition 9 (*Dissolution Events*), which includes (where relevant subject to the applicable grace period):

- (a) non-payment by the Trustee of principal on the Certificates within 10 Business Days following the due date;
- (b) breach of contractual obligations by the Trustee under the Certificates or the Declaration of Trust where such failure continues for a period of 30 days following the service by the Delegate on the Trustee of notice requiring the same to be remedied;
- (c) certain insolvency events of the Trustee (as more fully set out in Conditions 9(c) to 9(e) (*Dissolution Events*)); or
- (d) it is or will become unlawful for the Trustee to perform or comply with its obligations,

**provided that**, in respect of (b) above, the Delegate shall have certified to the Trustee that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders.

**Enforcement** ..... If a Dissolution Event has occurred and is continuing, the Delegate may, and shall, if so instructed (a) in writing by the holders of at least 25 per cent. of the Principal Amount Outstanding of the Certificates or (b) by an Extraordinary Resolution of the Certificateholders (but, in each case, only if the Delegate has been indemnified and/or secured and/or pre-funded to its satisfaction) deliver an Enforcement Notice to the Security Trustee and in accordance with Condition 10 (*Enforcement of Security, Limited Recourse and Non-Petition*) instruct the Security Trustee to and institute such proceedings or take such action or steps as it may think fit to enforce payment of the Certificates together with accrued profit as set out further in the Deed of Charge.

**Limited Recourse** ..... All the Certificates are limited recourse obligations of the Trustee and, if the Trustee has insufficient funds to pay amounts in full,

amounts outstanding will cease to be due and payable as described in more detail in Condition 10(b) (*Limited Recourse*).

**Non-Petition** ..... The Certificateholders shall not be entitled to take any corporate action or other steps or legal proceedings for the winding up, dissolution, arrangement, reconstruction or reorganisation of the Trustee. Please see Condition 10(c) (*Non-Petition*).

**Governing Law** ..... English law.

## RIGHTS OF CERTIFICATEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

Please refer to the section entitled "*Terms and Conditions of the Certificates*" for further detail in respect of the rights of Certificateholders, conditions for exercising such rights and relationships with other Secured Creditors.

**Prior to a Dissolution Event** The Trustee or the Delegate may convene Certificateholder meetings (at the cost of the Trustee) for any purpose, including consideration of Extraordinary Resolutions and Ordinary Resolutions and the Delegate shall be obliged to do so, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, upon the request in writing of Certificateholders holding more than 10 per cent. of the aggregate Principal Amount Outstanding of the Certificates then outstanding.

However, the Certificateholders are not entitled to instruct or direct the Security Trustee to take any action, either directly or through the Delegate, without the consent of the Delegate and, if applicable, certain other Transaction Parties, unless the Delegate has an obligation to take such action under the relevant Transaction Documents.

**Following a Dissolution Event** If a Dissolution Event occurs and is continuing, the holders of the Certificates may, if they hold more than 25 per cent. of the Principal Amount Outstanding of the Certificates or if they pass an Extraordinary Resolution, direct the Delegate to give an Enforcement Notice to the Trustee pursuant to which the Certificates shall become immediately due and payable at their respective Principal Amount Outstanding together with any accrued profit and the Delegate shall give such Enforcement Notice to the Trustee (copy to, among others, the Security Trustee) subject to the Delegate and the Security Trustee being indemnified and/or secured and/or pre-funded to its satisfaction.

### Certificateholders Meeting Provisions

	<u>Initial Meeting</u>	<u>Adjourned Meeting</u>
Notice period:	21 clear days for the initial meeting.	10 days for meeting adjourned through want of quorum.  Adjourned meeting must be convened not less than 14 nor more than 42 clear days later than the initial meeting.
Quorum for Ordinary Resolution:	One or more persons holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Certificates outstanding for the initial meeting.	One or more persons holding or representing not less than 10 per cent. of the Principal Amount Outstanding of the Certificates outstanding for the adjourned meeting.
Quorum for Extraordinary Resolution (other than to approve a	One or more persons holding or representing not	One or more persons holding or representing not

Basic Modification):	Terms	less than 25 per cent. of the Principal Amount Outstanding of the Certificates for the initial meeting.	less than 25 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting.
Quorum Extraordinary Resolution to approve a Basic Terms Modification:	for	One or more persons holding or representing not less than 50 per cent. of the Principal Amount Outstanding of the Certificates for the initial meeting.	One or more persons holding or representing not less than 50 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting.
Required majority Ordinary Resolution:	for	More than 50 per cent. of the persons voting at the meeting upon a show of hands or, if a poll is demanded, more than 50 per cent. of the votes cast on such poll.	
Required majority Extraordinary Resolution:	for	Not less than 75 per cent. of the persons voting at the meeting upon a show of hands or, if a poll is demanded, not less than 75 per cent. of the votes cast on such poll.	
Written Resolution:		In the case of an Extraordinary Resolution, not less than 75 per cent. of the Principal Amount Outstanding of the Certificates. In the case of an Ordinary Resolution, more than 50 per cent. of the Principal Amount Outstanding of the Certificates.	
		A written resolution has the same effect as an Ordinary Resolution or an Extraordinary Resolution (as applicable).	
Electronic consents:		In the case of an Extraordinary Resolution, not less than 75 per cent. of the Principal Amount Outstanding of the Certificates. In the case of an Ordinary Resolution, more than 50 per cent. of the Principal Amount Outstanding of the Certificates.	
		Consent given by electronic consent through the relevant clearing system(s) (in a form satisfactory to the Delegate) has the same effect as an Ordinary Resolution or an Extraordinary Resolution (as applicable).	

**Basic Terms Modification**

Any modification to the following matters, which requires an Extraordinary Resolution of the Certificateholders:

- (a) the maturity of the Certificates or the dates on which profits are payable in respect of the Certificates;
- (b) any reduction of the amount due in respect of or cancellation of the principal amount of, or profit on or variation of the

method of calculating the rate of profit on, the Certificates (other than any LIBOR Modification (as defined in Condition 11(g) (*Additional Right of Modification in Relation to LIBOR Cessation*)));

- (c) the Priority of Payment of profit or principal on the Certificates;
- (d) the currency of payment of the Certificates;
- (e) the definition of Basic Terms Modification; or
- (f) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Basic Terms Modification or to pass an Extraordinary Resolution.

**Matters Requiring  
Extraordinary Resolution**

The following matters require an Extraordinary Resolution unless otherwise specified in the Transaction Documents:

- (a) to sanction any Basic Terms Modification;
- (b) to agree any modification of the Transaction Documents, including of the Conditions;
- (c) to authorise or direct anyone to concur in and do anything necessary to carry out or give effect to an Extraordinary Resolution;
- (d) to approve any persons (whether Certificateholders or not) as a committee or committees to represent Certificateholders' interests and to confer on them powers or discretions which the Certificateholders themselves could exercise by Extraordinary Resolution;
- (e) to waive any breach, or authorise any proposed breach by the Trustee or any other persons of its obligations under or in respect of this Declaration of Trust, the Certificates, or the other Transaction Documents or any act or omission which might otherwise constitute a Dissolution Event under the Certificates;
- (f) to approve a proposed new Delegate and to remove a Delegate;
- (g) to approve the substitution of any entity for the Trustee (or any previous substitute) as trustee under the Declaration of Trust or obligor under the Deed of Charge; and
- (h) to discharge and exonerate the Trustee or the Delegate from liability in respect of any act or omission from which it may be responsible under the Declaration of Trust, the Certificate, or other Transaction Documents,

provided that the quorum provisions shall apply to any Extraordinary Resolution, including to approve a Basic Terms Modification.

**Ordinary Resolution**

Any matter that is not required to be passed by Extraordinary Resolution may be passed by Ordinary Resolution, provided that the quorum provisions shall apply to any Ordinary Resolution.

**The Seller and/or their**

Any of the Seller and/or its subsidiaries and/or affiliates may subscribe

**subsidiaries and/or affiliates  
as Certificateholder**

for, purchase and hold any Certificates. As holder of any Certificates, the Seller and/or its subsidiaries and/or affiliates will have a right to vote on any resolution or determination put to Certificateholders and the interests of the Seller and/or their subsidiaries and/or affiliates may differ from those of other Certificateholders. In the absence of actual knowledge or express notice to the contrary, the Delegate may assume without enquiry (other than requesting a Certificate under Clause 18.5 of the Declaration of Trust) that no Certificates are for the time being held by or on behalf of the Trustee, the Parent, Al Rayan or any of their affiliates.

**Relationship between  
Certificateholders and other  
Secured Creditors**

So long as any Certificates are outstanding and there is a conflict between the interests of the Certificateholders and the other Secured Creditors, the Security Trustee and the Delegate will have regard solely to the interests of the Certificateholders and the Secured Creditors shall have no claim against the Security Trustee or the Delegate for doing so.

**Provision of Information to  
the Certificateholders**

The Cash Manager will further provide an investor report on a quarterly basis in the form of the Quarterly Report containing information in relation to the Certificates including, but not limited to, ratings of the Certificates, amounts paid by the Trustee pursuant to the relevant Priority of Payments in respect of the relevant period and required counterparty information (as set out in the Cash Management Agreement).

**Modification**

The Delegate may, without the consent or sanction of any of, or any liability to, the Certificateholders:

- (a) concur with the Trustee and any other relevant parties in making or sanctioning:
  - (i) any modification of any of the provisions of the Declaration of Trust, the Conditions or any of the other Transaction Documents which is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or an error proven to the satisfaction of the Delegate or to comply with mandatory provisions of law or regulation;
  - (ii) any other modification (excluding a Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Certificates, of any of the provisions of the Declaration of Trust, the Conditions or any of the other Transaction Documents which is in the sole opinion of the Delegate not materially prejudicial to the interests of the holders of the Certificates; or
  - (iii) amendments pursuant to Condition 11(g) (*Additional Right of Modification in Relation to LIBOR Cessation*),
- (b) determine that a Dissolution Event will not be treated as such where in the opinion of the Delegate such waiver, authorisation or determination is not materially prejudicial to the interests of Certificateholders,

**provided that** the Delegate will not do so in contravention of an



express direction given by an Extraordinary Resolution of the Certificateholders or request made pursuant to Condition 9 (*Dissolution Events*). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and, if the Delegate so requires, the Trustee will arrange for it to be notified to Certificateholders as soon as practicable.

Subject to the Declaration of Trust, the Delegate shall be obliged, without any consent or sanction of the Certificateholders or (subject to the receipt of consent from any of the Secured Creditors party to the Transaction Document being modified or whose ranking on any Priority of Payments is affected) any of the other Secured Creditors, to concur with the Trustee 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 to or enter into any new, supplemental or additional documents that the Trustee considers necessary in order to facilitate the appointment of a replacement servicer appointed by the Trustee in accordance with the terms of the Service Agency Agreement, subject to receipt by the Delegate of a certificate issued by (i) the Trustee or (ii) the Corporate Services Provider on behalf of the Trustee certifying to the Delegate the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement servicer appointed by the Trustee in accordance with the terms of the Service Agency Agreement and have been drafted solely to that effect.

Subject to the Declaration of Trust, the Delegate shall be obliged, without any consent or sanction of the Certificateholders or any of the other Secured Creditors, to concur with the Trustee 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 to or enter into any new, supplemental or additional documents that the Trustee considers necessary in order to facilitate the appointment of a replacement Cash Manager appointed by the Trustee in accordance with the terms of the Cash Management Agreement, subject to receipt by the Delegate of a certificate issued by the Trustee certifying to the Delegate that the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Cash Manager appointed by the Trustee in accordance with the terms of the Cash Management Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to Condition 11(d) (*Modification and Waiver*), the Delegate shall, in relation only to its obligation to make an amendment related to a replacement servicer and/or a replacement Cash Manager, not consider the impact of such modifications on the interests of any Certificateholder, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Trustee or relevant party, as the case may be and shall not be liable to the Certificateholders, any other Secured Creditors 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 such person.

Any such modifications permitted above shall be binding on the Certificateholders, the other Secured Creditors and, unless the Delegate otherwise agrees, the Trustee shall cause such modification to be notified to the Certificateholders as soon as practicable thereafter

in accordance with Condition 13 (*Notice to Certificateholders*). So long as the Certificates, are rated by the Rating Agencies the Trustee shall notify each of the Rating Agencies of any modification made by it in accordance with the above as soon as reasonably practicable thereafter.

The Delegate shall not be obliged to agree to any modification to the Declaration of Trust, the Conditions or any other Transaction Document which (in the sole opinion of the Delegate) would have the effect of (x) exposing the Delegate to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction, or (y) increasing the obligations or duties, or decreasing the protections of the Delegate in the Transaction Documents, the Declaration of Trust and/or the Conditions.

**Communication with Certificateholders**

Any notice to be given by the Trustee to Certificateholders shall be given in the following manner:

- (a) for so long as the Certificates are in global form:
  - (i) through the regulated information service maintained or recognised by the Irish Stock Exchange (and any notice containing material, non-public information will be given in this manner); or
  - (ii) by delivery to Euroclear and/or Clearstream, Luxembourg for communication by them to their Participants and for communication by such Participants to entitled account holders.
- (b) if the Certificates are in definitive form, published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be *The Irish Times*).

The Delegate may approve some other method of giving notice to the Certificateholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which the Certificates are listed and provided that notice of that other method is given to the Certificateholders in a manner required by the Delegate.

A copy of each notice given in accordance with Condition 13 (*Notice to Certificateholders*) will be provided to (for so long as any Certificate is outstanding) the Rating Agencies and for so long as the Certificates are listed on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, the Irish Stock Exchange.

**Provision of Information to the Certificateholders**

Information in respect of the underlying Portfolio Assets Pool will be provided to the investors on an ongoing basis. See the section entitled "*General Information*" for further information.

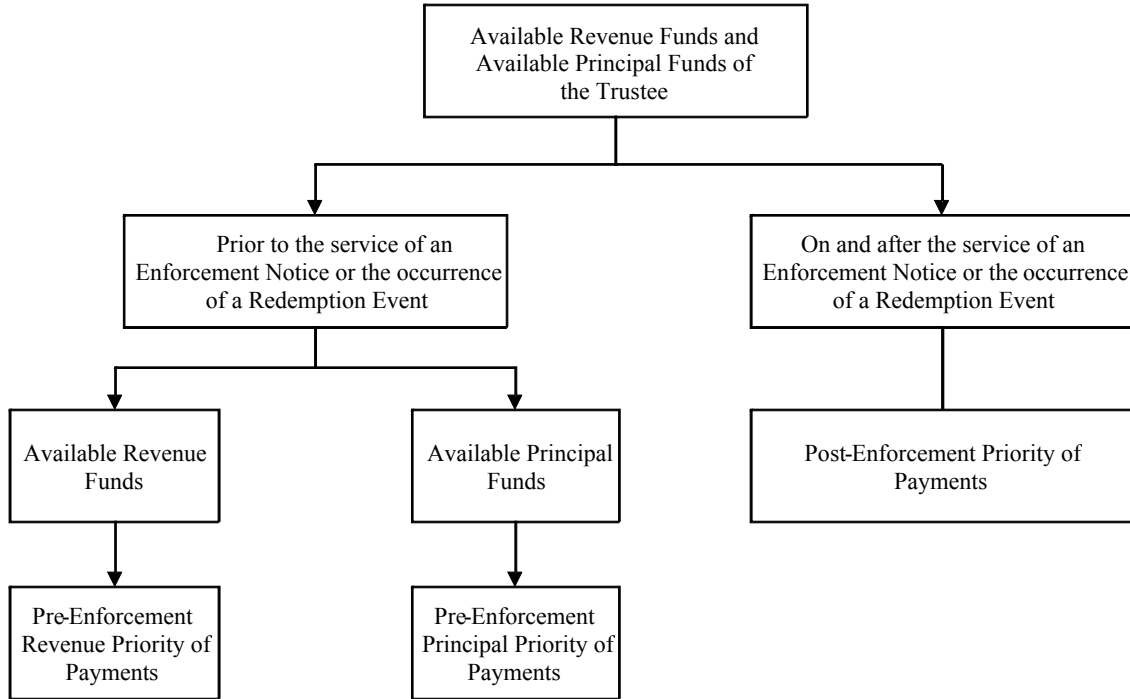
**Rating Agency Confirmation**

The implementation of certain matters will, pursuant to the Transaction Documents, be subject to (i) the receipt of written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of Certificates rated thereby being qualified, downgraded or withdrawn or (ii) certification in writing from the Trustee (or the Servicer on the Trustee's behalf) to the Delegate that the Trustee has been unable to obtain such written confirmation but that the Rating Agencies then rating the Certificates have been informed of the implementation of

such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of the Certificates.

## CREDIT STRUCTURE AND CASH FLOW

Please refer to sections entitled "*Credit Structure*" and "*Administration, Servicing and Cash Management of the Portfolio Assets Pool*" for further detail in respect of the credit structure and cash flows of the transaction.



**Available funds of the Trustee** ..... The Trustee expects to have Available Revenue Funds and Available Principal Funds for the purposes of making profit and principal payments under the Certificates and the other Transaction Documents.

"**Available Principal Funds**" will include the following amounts:

- (a) the Principal Collections received for the preceding Collection Period; and
- (b) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledger is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Periodic Distribution Date.

"**Available Revenue Funds**" will include the following amounts:

- (a) the Revenue Collections received for the Collection Period immediately preceding the relevant Determination Date; and
- (b) any amount standing to the credit of the Reserve Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Periodic Distribution Date after application of all other Available Revenue Funds; less
- (c) any amounts payable pursuant to Clause 7.3.5 of the Service Agency Agreement, being clawback of any amount received by way of direct debit or any other clawed back amounts including any Unpaid Items.

**Summary of Priority of Payments** ..... Below is a summary of the Priority of Payments. Full details of the Pre-Enforcement Revenue Priority of Payments are set out in Condition 2(c) (*Pre-Enforcement Revenue Priority of Payment*). Full details of the Pre-Enforcement Principal Priority of Payments are set out in Certificate Condition 5(b) (*Mandatory Redemption of the Certificates*). Full details of the Post-Enforcement Priority of Payments are set out in Condition 2(d) (*Post-Enforcement Priority of Payments*).

AVAILABLE REVENUE FUNDS	AVAILABLE PRINCIPAL FUNDS	ALL FUNDS (including on Final Dissolution Date and early redemption)
<b>Pre-Enforcement Revenue Priority of Payments</b>	<b>Pre-Enforcement Principal Priority of Payments</b>	<b>Post-Enforcement Priority of Payments</b>
Security Trustee and Delegate fees and expenses	<i>Pro rata and pari passu:</i> (i) profit on the Certificates; and (ii) Security Trustee and Delegate fees and expenses, if not paid from Available Revenue Funds	Security Trustee, Delegate and receiver fees and expenses
<i>Pro rata and pari passu</i> , other senior expenses incurred by the Trustee, and fees and amounts due to: (i) the Cash Manager; (ii) the Agents; (iii) the Account Bank; (iv) the Corporate Services Provider; and (v) the Standby Servicer.	<i>Pro rata and pari passu</i> , other senior expenses incurred by the Trustee, and fees and amounts due to: (i) the Cash Manager; (ii) the Agents; (iii) the Account Bank; (iv) the Corporate Services Provider; and (v) the Standby Servicer if not paid from Available Revenue Funds.	Other senior expenses incurred by the Trustee and fees and amounts due to: (i) the Cash Manager; (ii) the Agents; (iii) the Account Bank; (iv) the Corporate Services Provider; (v) the Standby Servicer; and (vi) the fees, costs, expenses and liabilities of the Joint Lead Managers and the Arranger.
Trustee Profit	<i>Pro rata and pari passu</i> , in redeeming the Certificates	Fees of the Servicer, costs and expenses of the Servicer and the Sharia Compliance Fee
Fees of the Servicer, costs and expenses of the Servicer, the Sharia Compliance Fee	Fees and expenses of the Servicer and the Sharia Compliance Fee, if not paid from Available Revenue Funds	Trustee Profit
<i>Pro rata and pari passu</i> profit on the Certificates	Deferred Purchase Price	<i>Pro rata and pari passu</i> amounts other than principal payable in respect of the Certificates
Amounts to be credited to the Principal Deficiency Ledger until the balance of the Principal Deficiency Ledger has reached zero		<i>Pro rata and pari passu</i> in redeeming the Certificates
Amounts to be credited to the Reserve Ledger up to Reserve Ledger Required Amount		Deferred Purchase Price
Residual Revenue		Residual Revenue

<b>General Credit Structure</b> .....	The general credit structure of the transaction includes the availability of the Reserve Fund in the event there is a Shortfall. See the section entitled " <i>Credit Structure - Application of the Reserve Fund- Shortfall</i> " below for limitations on availability of the use of the Reserve Fund.
<b>Reserve Fund</b> .....	<p>The "<b>Reserve Fund</b>" will, on the Issue Date, be funded by GBP5,000,000 from the proceeds of the issuance of the Certificates being deposited into the Transaction Account and recorded as the balance standing to the credit of the Reserve Ledger.</p> <p>The Trustee is required to maintain at all times a minimum balance standing to the credit of the Reserve Fund. The "<b>Reserve Ledger Required Amount</b>" is on the Issue Date and on any Periodic Distribution Date, being GBP5,000,000.</p> <p>The Reserve Ledger will, from time to time, be credited in accordance with the Pre-Enforcement Revenue Priority of Payments.</p>
<b>Application of the Reserve Fund - Shortfall</b> .....	Where there are insufficient funds available to provide for payment of items (i) to (vi) of the Pre-Enforcement Revenue Priority of Payments (a " <b>Shortfall</b> "), the Trustee shall first pay or provide for that Shortfall by the application of the Reserve Fund.
<b>Application of Available Principal Funds</b>	If, following an application of Available Revenue Funds and the Reserve Funds in accordance with the Pre-Enforcement Revenue Priority of Payments, there are insufficient Available Revenue Funds on a Periodic Distribution Date to pay or provide for payment in full of items (i) to (v) (both inclusive) of the Pre-Enforcement Revenue Priority of Payments, any remaining unpaid amounts thereof shall, to the extent that there are sufficient Available Principal Funds, be paid from Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments.
<b>Transaction Account and Cash Management</b> .....	<p>All Revenue Collections and Principal Collections are received by the Seller in the Collection Account.</p> <p>On or about the Issue Date the Seller will declare the Collection Account Declaration of Trust in favour of the Trustee over amounts credited to the Collection Account to the extent that such amounts relate to the Portfolio Assets in the Portfolio Assets Pool.</p> <p>The Cash Manager (and, where relevant, the Servicer) is obliged to transfer collections in respect of the Portfolio Assets standing to the credit of the Collection Account to the Transaction Account on each Business Day (as set out in the Cash Management Agreement or Servicing Agreement, as applicable).</p>
<b>Account Bank Agreement</b> .....	On or prior to each Periodic Distribution Date, amounts will be transferred from the Transaction Account, as required, to be applied in accordance with the relevant Priority of Payments.

## TRIGGERS TABLES

### Rating Triggers Table

<u>Transaction party</u>	<u>Required Ratings</u>	<u>Possible effects of Ratings Trigger being breached include the following:</u>
Account Bank	<p>(a) In the case of Moody's, a long-term senior unsecured debt rating of at least A3 by Moody's;</p> <p>(b) in the case of S&amp;P, a short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-1 by S&amp;P (if a short-term unguaranteed, unsecured and unsubordinated debt rating is assigned by S&amp;P) and a long term unguaranteed unsecured and unsubordinated debt rating of at least A by S&amp;P, or should the Account Bank not benefit from a short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-1 from S&amp;P, a long-term unguaranteed, unsecured and unsubordinated debt rating of at least A+ by S&amp;P; or</p> <p>(c) alternatively to each of the above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Certificates.</p>	<p>If the Account Bank fails to maintain the Required Ratings as set out in this section "<i>Triggers Tables</i>" (the "<b>Account Bank Minimum Required Rating</b>") from at least one of the Rating Agencies (such failure an "<b>Account Bank Provider Downgrade Event</b>"), the consequences for the Account Bank include a requirement for the Trustee to use commercially reasonable endeavours to replace the Account Bank (as applicable) within 60 calendar days of the downgrade of the relevant entity.</p>

### Non-Rating Triggers Table

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
Perfection Events	<p>The occurrence of any of the following:</p> <p>(a) the Security Trustee determining that the Charged Property or any part thereof is in jeopardy (including due to the possible insolvency of the Seller);</p> <p>(b) the Servicer being in material breach of its obligations under the Service Agency Agreement</p>	<p>The Trustee (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee may decide that the Customers be notified of the Sale of the Portfolio Assets to the Trustee and legal title to the Portfolio Assets Pool be transferred to the Trustee (other than in the case of a Perfection Event (d) whereby only legal title to the affected Portfolio Asset will be transferred to the Trustee).</p>



Nature of Trigger	Description of Trigger	Consequence of Trigger
	<p>and the Delegate having determined that such material breach of the Servicer's obligations will materially adversely affect the interests of the Certificateholders;</p> <p>(c) certain insolvency events of the Seller; or</p> <p>(d) the Trustee, the Security Trustee, the Seller or the Delegate becoming obliged to provide notice of assignment of the Portfolio Assets by order of court, by law or any relevant regulatory authority.</p>	
Cash Manager Termination Events	<p>The occurrence of any of the following:</p> <p>(a) default by the Cash Manager in the performance of its covenants and obligations under the Cash Management Agreement and the Delegate considers such default to be materially prejudicial to the interests of the Certificateholders;</p> <p>(b) certain insolvency events of the Cash Manager; or</p> <p>(c) an Enforcement Notice is given and the Delegate is of the opinion that the continuation of the appointment of the Cash Manager is materially prejudicial to the interests of the Certificateholders.</p>	A replacement cash manager to be appointed as cash manager, subject to a Rating Agency Confirmation.
Servicer Termination Events	<p>The occurrence of any of the following:</p> <p>(a) default by the Servicer in the performance of its covenants and obligations under the Service Agency Agreement and the Delegate considers such default to be materially prejudicial to the interests of the Certificateholders;</p> <p>(b) certain insolvency events of the Servicer; or</p> <p>(c) an Enforcement Notice is given and the Delegate is of the opinion that the continuation of the appointment of the Servicer is materially prejudicial to the interests of the Certificateholders.</p>	If a Servicer Termination Event occurs the Trustee (with the consent of the Security Trustee) or (after the service of an Enforcement Notice) the Security Trustee may give notice in writing to the Standby Servicer of such termination and the Standby Servicer shall comply with its obligations under the Standby Servicing Agreement accordingly or appoint another replacement servicer in accordance with the Service Agency Agreement.

## FEES

The following table sets out the ongoing fees to be paid by the Trustee to the Transaction Parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing Fee	0.024 per cent. of the Principal Amount Outstanding on the Certificates per annum (inclusive of VAT)	Ahead of all outstanding Certificates in accordance with the Pre-Enforcement Revenue Priority of Payments.	Quarterly in arrear on each Periodic Distribution Date.
Standby Servicer Invocation Fee*	Standby Servicer Invocation Fee: (i) a one-off payment of GBP250,000 payable on the Periodic Distribution Date falling closest to the Service Transfer Date (exclusive of VAT*), and (ii) on an ongoing basis, (A) an administration fee of 0.14 per cent. of the Principal Amount Outstanding on the Certificates per annum, subject to a minimum of GBP300,000 (exclusive of VAT*), (B) a credit management fee of GBP50 per month (exclusive of VAT*) payable in relation to each Portfolio Asset where the Customer is in arrears and (C) a redemption processing fee of GBP120 (exclusive of VAT*) per Portfolio Asset that is redeemed in full.	Ahead of all outstanding Certificates in accordance with the Pre-Enforcement Revenue Priority of Payments.	Payable on the Periodic Distribution Date falling closest to Service Transfer Date and thereafter quarterly in arrear on each Periodic Distribution Date.
Standby Servicer Standby Fee*	Standby Servicer Standby Fee of a standby fee of 0.008 per cent. of the Principal Amount Outstanding on the Certificates per annum, subject to a minimum of GBP40,000 (exclusive of VAT*)	Ahead of all outstanding Certificates in accordance with the Pre-Enforcement Revenue Priority of Payments.	Quarterly in arrear on each Periodic Distribution Date until the earlier of (i) termination of the Standby Servicing Agreement or (ii) the Service Transfer Date.
Fees of the Cash Manager and the Account Bank*	GBP8,000 per annum (exclusive of VAT*)	Ahead of all outstanding Certificates in accordance with the Pre-Enforcement Revenue Priority of Payments.	Quarterly in arrear on each Periodic Distribution Date
Sharia Compliance Fee	GBP30,000 (inclusive of VAT)	Applied at item (iv) of the Pre-Enforcement Revenue Priority of	Quarterly in arrear on each Periodic

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
		Payments, or, after the service of an Enforcement Notice, item (iii) of the Post-Enforcement Priority of Payments following payment or allocation in full of all amounts raking in priority to such items of the relevant Priority of Payments.	Distribution Date
Fees of the Delegate and the Security Trustee*	GBP6,000 per annum (exclusive of VAT*)	Ahead of all outstanding Certificates.	Quarterly in arrear on each Periodic Distribution Date.
Fees of the Agents*	GBP2,000 per annum (exclusive of VAT*)	Ahead of all outstanding Certificates.	Quarterly in arrear on each Periodic Distribution Date.
Fees of the Corporate Services Provider*	GBP16,000 per annum (exclusive of VAT*)	Ahead of all outstanding Certificates.	Quarterly in arrear on each Periodic Distribution Date.
Expenses related to the admission to trading of the Certificates*	An annual listing fee of EUR2,000 (exclusive of VAT*)	Ahead of all outstanding Certificates.	Annually in advance on the Periodic Distribution Date falling closest to the anniversary of the Issue Date.
Rating Agency Monitoring Fee*	EUR42,000 per annum (exclusive of VAT*)  (The Rating Agency Monitoring Fee may be subject to increase annually, following review of such fees by the relevant Rating Agency).	Ahead of all outstanding Certificates.	Annually in advance on the Periodic Distribution Date falling closest to the anniversary of the Issue Date.

\*The figures relating to such fees set out in the table above are **exclusive of VAT**. VAT is currently chargeable at 20 per cent. in the United Kingdom, and will be **in addition** to the figures relating to such fees set out in the table above.

## RISK FACTORS

*The Trustee believes that the following factors may affect its ability to fulfil its obligations under the Certificates. All of these factors are contingencies which may or may not occur and the Trustee is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Trustee believes may be material for the purpose of assessing the market risks associated with the Certificates are also described below.*

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

### **Risks Related to the Certificates**

#### ***Absence of secondary market or lack of liquidity in the secondary market may adversely affect the market value of the Certificates***

The ability of the Trustee to redeem all of the Certificates in full, including following the occurrence of an Dissolution Event in relation to the Certificates while any of the Portfolio Assets are still outstanding, may depend upon whether the Portfolio Assets can be realised to obtain an amount sufficient to redeem the Certificates.

Prior to their issuance, there will have been only a limited primary market for the Certificates. There can be no assurance that a secondary market for the Certificates will develop or, if a secondary market does develop, that it will provide holders of the Certificates with liquidity of investment or that it will continue for the life of the Certificates.

There is not, at present, an active and liquid secondary market for the Certificates, and there can be no assurance that a secondary market for the Certificates will develop. Any investor in the Certificates must be prepared to hold their Certificates for an indefinite period of time or until the Final Dissolution Date or, alternatively, such investor may only be able to sell the Certificates at a discount to the original purchase price of those Certificates.

The secondary market for similar instruments to the Certificates, such as mortgage-backed securities, has in the past experienced significant disruptions resulting from, among other things, reduced investor demand for such securities. This has resulted in the secondary market for similar instruments to the Certificates, such as mortgage-backed securities, experiencing very limited liquidity during such severe disruptions. Limited liquidity in the secondary market could have a material adverse effect on the market value of asset-backed securities including the Certificates issued by the Trustee, especially those securities that are more sensitive to prepayment, credit or profit rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. It is not known whether such disruptions to the market will reoccur.

Whilst central bank schemes such as the Bank of England's Discount Window Facility, the Extended Collateral Term Repo Facility and Funding for Lending Scheme and the Eurosystem monetary policy framework of the European Central Bank provide an important source of liquidity in respect of eligible securities, the relevant eligibility criteria for eligible collateral which apply and will apply in the future under such facilities are likely to adversely impact secondary market liquidity for similar instruments to the Certificates, such as mortgage-backed securities in general, regardless of whether the Certificates are eligible securities. No assurance is given that the Certificates will be eligible for any specific central bank liquidity schemes.

In addition, potential investors should be aware that global markets have recently been negatively impacted by the then prevailing global credit market conditions and reduced growth expectations for the Organisation for Economic Co-operation and Development economies, which could affect any secondary market for instruments similar to the Certificates. In particular, at the date of this Prospectus, as well as

the current challenges facing the European macro-economic environment, certain European governments are in discussions with other countries in the Eurozone, the International Monetary Fund and other creditors and are in the process of establishing or have already established and are implementing an austerity programme. There has been further uncertainty in the global markets as a result of the United Kingdom's vote to leave the European Union (see "*Risks in relation to the United Kingdom's vote to leave the European Union*" below). It is unclear what the effect of these discussions will be on the Eurozone economy. This uncertainty may have implications for the liquidity of the Certificates in the secondary market.

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

Each potential investor in the Certificates 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 Certificates, the merits and risks of investing in the Certificates 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 Certificates and the impact the Certificates 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 Certificates, including Certificates where the currency for principal or profit distribution payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Certificates 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 prevailing market rates of return and other factors that may affect its investment and its ability to bear the applicable risks.

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

***Yield and prepayment considerations***

The yield to dissolution of the Certificates will depend on, among other things, the amount and timing of payment of acquisition payments in respect of the Portfolio Assets in the Portfolio Assets Pool (including prepayments, sale proceeds arising on enforcement of a Portfolio Asset, and repurchases by the Seller due to, for example, breaches of representations and warranties) and the price paid by the holders of the Certificates. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Portfolio Assets.

The rate of prepayment of Portfolio Assets cannot be predicted and is influenced by a wide variety of economic, social and other factors, including prevailing market costs of financing home purchases, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. The Portfolio Assets may be prepaid in full or in part at any time. Prepayments may occur in connection with refinancing of Portfolio Assets, sales of Properties by Customers voluntarily or as a result of enforcement proceedings under the relevant Home Purchase Plan, as well as the receipt of proceeds from building insurance and life insurance policies. In addition, if the Seller is required to repurchase a Portfolio Asset, or Portfolio Assets, and its Ancillary Rights (i) because the relevant Portfolio Asset(s) does not comply with the Warranties and this causes a material adverse effect on the value of that Portfolio Asset, (ii) if the Seller provides further finance under such Home Purchase Plan, (iii) if the Servicer or the Seller, as applicable agrees to extend the payment term of any Portfolio Asset (other than extension to a payment term granted by the Servicer as part of a default recovery or Customer rehabilitation process), (iv) if an SVR Repurchase Event occurs, or (v) if a Fixed Threshold Repurchase Event occurs, then the payment received by the Trustee will have the same effect as a prepayment of that

Portfolio Asset. Because these and other relevant factors are not within the control of the Trustee, no assurance can be given as to the level of prepayment that the Portfolio Assets Pool will experience. See "*Weighted Average Lives of the Certificates*" below.

Available Principal Collections will be applied to reduce the Principal Amount Outstanding on the Certificates on a pass-through basis on each Periodic Distribution Date in accordance with the Pre-Enforcement Principal Priority of Payments.

Pursuant to the Sale Undertaking, the Seller has the option to purchase the Portfolio Assets Pool and its Ancillary Rights on any Periodic Distribution Date at any time on or after the Step-Up Date for a purchase price which, together with any amounts standing to the credit of the Transaction Account and/or the Reserve Fund and/or any other cash held by or on behalf of the Trustee, would be required to (I) redeem all of the Certificates then outstanding in full together with accrued and unpaid profit on such Certificates, (II) pay amounts required under items (i) to (vi) of the Post-Enforcement Priority of Payments being amounts ranking in priority to or *pari passu* with the Certificates on such redemption date; and (III) pay any other costs associated with the exercise of the optional call, as calculated in accordance with the Sale Undertaking. The Seller has no obligation to exercise its rights in respect of the Sale Undertaking. A number of factors may be relevant to Seller's decision whether or not to exercise the Sale Undertaking at the relevant time.

In addition, the Trustee may, subject to the Conditions, redeem all of the Certificates if a change in tax law results in the Trustee being required to make a deduction or withholding for or on account of tax.

A dissolution of the Certificates pursuant to the Sale Undertaking or pursuant to a change in tax law may lead to a reduction in the average weighted life of the Certificates.

Following the occurrence of a Dissolution Event, service of an Enforcement Notice and enforcement of the Security, there is no assurance that the Trustee will have sufficient funds to redeem the Certificates.

#### ***Weighted average life of the Certificates***

The weighted average lives of the Certificates refer to the average amount of time that elapses from the date of issuance of the Certificates to the Certificateholders to the date of distribution to such Certificateholders of payments in net reduction of principal under the Certificates (assuming no losses).

The weighted average lives of the Certificates will be directly influenced by, amongst other things, the actual rate of redemption of the Portfolio Assets, which in turn, is influenced by the Customers' ability to redeem the Portfolio Assets. Where certain Customers are able to redeem the Portfolio Assets only through refinancing, the actual rate of redemption may actually be reduced if such Customers experience difficulties in refinancing the relevant Home Purchase Plans. Any failure to make timely redemption of the Portfolio Assets will reduce the CPR and increase the average weighted lives of the Certificates.

For other factors and assumptions which may affect the weighted average lives of the Certificates, see "*Weighted Average Lives of the Certificates*".

#### ***Projections, Forecasts and Estimates***

Any projections, forecasts and estimates provided to prospective purchasers of the Certificates are forward looking statements. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialise or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

Some important factors that could cause actual results to differ materially from those in any forward looking statements include changes in market, financial or legal uncertainties mismatches between the timing of accrual and receipt of rental and acquisition payments from the Home Purchase Plans among others.

None of the Trustee, the Seller, the Security Trustee, the Delegate, the Joint Lead Managers, the Account Bank, the Cash Manager, the Agents or any of their respective affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or

other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if the underlying assumptions do not come to fruition.

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

Although the costs of raising finance for residential properties are currently at a historical low, this may change in the future and an increase in the Bank of England Base rates (as a benchmark) may adversely affect Customers' ability to pay rent or acquisition amounts on their Home Purchase Plans. Customers with a Home Purchase Plan subject to a variable rent rate or with a Home Purchase Plan for which the related rent rate adjusts following an initial fixed rent rate or low introductory rate, as applicable, will be exposed to increased monthly payments if the related Home Purchase Plan rent rate adjusts upward (or, in the case of a Home Purchase Plan with an initial fixed rent rate or low introductory rent rate, at the end of the relevant fixed or introductory period). This increase in Customers' monthly payments, which (in the case of a Home Purchase Plan with an initial fixed rent rate or low introductory rent rate) may be compounded by any further increase in the related rent rate during the relevant fixed or introductory period, may result in higher delinquency rates and losses in the future.

Customers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rent rate or low introductory rent rate, or a rise in the related rent rate) by refinancing their Home Purchase Plan may no longer be able to find available replacement financing at comparably low cost of financing. Any decline in housing prices may also leave Customers with insufficient equity in the relevant properties to permit them to refinance.

These events, alone or in combination, may contribute to higher delinquency rates and losses on the Portfolio Assets Pool, which in turn may affect the ability of the Trustee to make payments on the Certificates.

***Rent rate risk***

The Portfolio Assets in the Portfolio Assets Pool are subject to variable rent rates while the Trustee's liabilities under the Certificates are based on a three-month sterling LIBOR.

The Trustee is subject to the risk of the contractual rent rates on the Portfolio Assets (including Portfolio Assets with a fixed rate of rent and variable rent rates) being lower than that required by the Trustee in order to meet its commitments under the Certificates, and its other obligations.

As at the date of this prospectus, the Trustee has not entered into any hedging transaction and as a result there is no hedge in respect of the risk of any variances in the rent rate charged on any Portfolio Assets which in turn may result in insufficient funds being made available to the Trustee for the Trustee to meet its obligations to the Certificateholders.

***Investors must make their own determination as to Sharia compliance***

The Sharia Supervisory Committee of the Seller and the Sharia Supervisory Committee of Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, in compliance with Sharia principles, and the Sharia Compliance Adviser has been retained by the Trustee to provide Sharia Compliance Advice to the Trustee and/or the Servicer on an ongoing basis. However, there can be no assurance that the Transaction Documents or any issue and trading of Certificates will be deemed to be Sharia compliant by any other Sharia board or Sharia scholars. None of the Trustee, the Arranger, the Joint Lead Managers, the Seller, the Delegate, the Security Trustee or the Agents make any representation as to the Sharia compliance of the Certificates and the Transaction Documents and potential investors are reminded that, as with any Sharia views, differences in opinion are possible. Potential investors should obtain their own independent Sharia advice as to whether the Transaction Documents and any issue of Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradeability of the Certificates on any secondary market. Questions as to the Sharia permissibility of the Transaction Documents or the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

### ***Market Disruption***

The Profit Rate in respect of the Certificates for each Return Accumulation Period will increase on and after the Step-Up Date, determined in accordance with Condition 4 (*Profit*). Condition 4(c) (*Profit Rate*) contains provisions for the calculation of such underlying rates, in respect of the Certificates, based on rates given by various market information sources and Condition 4(c) (*Profit Rate*) contains an alternative method of calculating the underlying rate should any of those market information sources, including the Screen Rate, be unavailable. The market information sources might become unavailable for various reasons, including suspensions or limitations on trading, events which affect or impair the ability of market participants in general, or early closure of market institutions. These could be caused by physical threats to the publishers of the market information sources, market institutions or market participants in general, or unusual trading, or matters such as currency changes.

### ***LIBOR and Reference Banks***

Following concerns raised by a number of regulators that some of the member banks surveyed by the British Bankers' Association (the "**BBA**") in connection with the calculation of the London Interbank Offered Rate ("**LIBOR**") across a range of maturities and currencies may have been manipulating the inter-bank lending rate, a review of LIBOR was conducted at the request of the UK Government which concluded with the publication of a report setting out a number of recommendations for changes with respect to LIBOR (including the introduction of statutory regulation of LIBOR, replacing the BBA as administrator of LIBOR with an independent administrator, changes to the method of compilation of lending rates and new regulatory oversight and enforcement mechanisms for rate setting) in September 2012 (the "**Wheatley Report**").

Many of the recommendations made in the Wheatley Report have been enacted into law as part of the Financial Services Act 2012 (which came into effect on 1 April 2013). A new independent administrator for LIBOR, ICE Benchmark Administration Ltd ("**ICE**"), was appointed on 31 January 2014, regulated by the FCA pursuant to the Financial Services Act 2012 (and any secondary legislation which may be created thereunder). In addition the Financial Stability Board ("**FSB**") published a report on 22 July 2014 suggesting reforms to the benchmarking of LIBOR and produced a progress report examining the implementation of its July 2014 recommendations on 19 July 2016.

The FCA and HM Treasury developed the Regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (the "**EU Benchmarks Regulation**"). The EU Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016, entered into force the following day, and most of its provisions will apply on 1 January 2018. ESMA's Benchmarks Task Force published final draft regulatory technical standards for the Benchmarks Regulation on 30 March 2017 in response to a Consultation Paper that was published on 29 September 2016. On 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark, or any other benchmark, or changes in the administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of the Certificates. Any such consequence could have a material adverse effect on the value of and return on any such Certificates.

Investors should note the various circumstances in which a modification may be made to the Declaration of Trust or the Conditions or any other Transaction Documents for the purpose of changing the Screen Rate or such other related or consequential amendments as are necessary or advisable in the reasonable judgment of the Trustee to facilitate such change (a "**LIBOR Modification**"). These circumstances broadly relate to the disruption or discontinuation of LIBOR, but also specifically include, *inter alia*, any public statements by the LIBOR administrator or certain regulatory bodies that LIBOR will be discontinued or may no longer be used, and a LIBOR Modification may also be made if the Cash Manager reasonably expects any of these events to occur within six months of the proposed effective date of the LIBOR Modification, subject to certain conditions. There can be no assurance that any such amendment will mitigate the risk described in this section or result in an effective replacement methodology for determining the reference rate on the Certificates. Investors should note that circumstances in which a LIBOR Modification may be made, which are specified in Condition 11(g) (*Additional Right of Modification in Relation to LIBOR Cessation*) and should also note the various



options permitted as a "LIBOR Replacement Rate" specified in Condition 11(g). In particular, Certificateholders should note that such LIBOR Modification may be capable of being effected without requirement for their approval or consent (see also "*The Delegate may agree to modifications to the Transaction Documents without the Certificateholders' prior consent, which may adversely affect the Certificateholders' interests*" below).

If the Screen Rate is not available (as described in "*Market Disruption*" above) there can be no guarantee that the Trustee shall be able to appoint one or more Reference Banks to provide quotations, in order to determine the Reserve Profit Rate in respect of the Certificates. Certain financial institutions that have historically acted as Reference Banks, have indicated that they will not currently provide LIBOR quotations and there can be no assurance that they will agree to do so in the future.

If the Screen Rate is not available and the Trustee is unable to appoint one or more Reference Banks to provide quotations or otherwise obtain quotations, the Reserve Profit Rate in respect of such Periodic Distribution Date shall be determined, pursuant to Condition 4(c) (*Profit Rate*), to be the most recent Screen Rate that was determined or through quotations provided by one or more Reference Banks. To the extent profit amounts in respect of the Certificates are determined by reference to a previously calculated rate, Certificateholders may be adversely affected (including where the Bank of England Base Rate has risen since the date of calculation of such reference rate). In such circumstances, neither the Agent Bank nor the Security Trustee shall have any obligation to determine the Profit Rate on any other basis.

### ***Eurosystem eligibility***

The Certificates are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Certificates are intended, upon issue, to be deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of the Common Safekeeper and does not necessarily mean that the Certificates will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem ("**Eurosystem eligible collateral**") either upon issue or at any or all times during their life. The Trustee gives no such representation, warranty, confirmation or guarantee to any investor in the Certificates that the Certificates will, either upon issue or at any time prior to redemption in full, satisfy all or any of the requirements for Eurosystem eligibility and be recognised as Eurosystem eligible collateral. Any potential investor in the Certificates should make their own conclusions and seek their own advice with respect to whether or not the Certificates constitute Eurosystem eligible collateral.

### ***Risks relating to the Cash Manager and incorrect payments***

The Conditions provide that if, for whatever reason, an incorrect payment is made to any party entitled thereto (including the Certificateholders) pursuant to the Pre-Enforcement Priority of Payments, the Cash Manager will, to the extent the same is possible, rectify the same by increasing or reducing payments to such party, as appropriate, on each subsequent Periodic Distribution Date or Periodic Distribution Dates to the extent required to correct the same (as set out in the Cash Management Agreement). Accordingly, increased or reduced payments may be made to Certificateholders.

In circumstances where the report to be provided by the Servicer in accordance with the Service Agency Agreement or other relevant information is not available, such that the Cash Manager cannot determine the Revenue Collections and Principal Collections in respect of any Collection Period, the amount of Revenue Collections and Principal Collections for the purposes of such determination shall be estimated by reference to the most recent Collection Period for which a Quarterly Report is available.

If the report to be provided by the Servicer in accordance with the Service Agency Agreement is subsequently delivered in respect of any subsequent Collection Period and for the Collection Periods where no such information was available, then (i) the Revenue Collections and the Principal Collections will be calculated on the basis of the information in such Quarterly Report, and (ii) one or more reconciliation payments in respect of a Reconciliation Amount may be required to be made by the Trustee on the related and subsequent Periodic Distribution Dates in order to account for any overpayment(s) and/or underpayment(s) made on any Periodic Distribution Date during the relevant period of estimations in accordance with Condition 4(i) (*Determinations and Reconciliation*) and the Cash Management Agreement.

### ***Liability under the Certificates and limited recourse***

The Certificates will solely be obligations of, or responsibility of, the Trustee and will not be guaranteed by, or be the responsibility of, any other entity. In particular, the Certificates will not be obligations of, and will not be guaranteed by, or be the responsibility of the Account Bank, the Arranger, the Cash Manager, the Servicer, the Standby Servicer, the Corporate Services Provider, the Security Trustee, the Delegate, the Seller, the Principal Paying Agent, the Joint Lead Managers, any company in the same group of companies as such entities, or by any person other than the Trustee.

The Certificates will be limited recourse obligations of the Trustee. The ability of the Trustee to meet its obligations under the Certificates will be dependent on receipt by it in full of payments due from customers under the Portfolio Assets and their Ancillary Rights. Other than the foregoing, the Trustee is not expected to have any other funds available to meet its obligations under the Certificates. If, and to the extent that, after the Charged Property has been realised and the proceeds thereof have been applied in accordance with the applicable Priority of Payments, either (x) the amounts recovered on realisation of the Charged Property are insufficient to pay or discharge amounts due from the Trustee to the Certificateholders in full for any reason or (y) the Principal Amount Outstanding has not been fully repaid on the Certificates, the Trustee will have no liability to pay or otherwise make good any such insufficiency or shortfall and the Secured Creditors (including the Certificateholders) shall have no further claim against the Trustee or its directors, shareholders, officer or successors in respect of any amounts owing to them which remain unpaid, and such unpaid amounts shall be deemed to be discharged in full.

### ***Ratings of the Certificates***

The ratings assigned to the Certificates are based on the Portfolio Assets, the Security, the Portfolio Assets Pool and relevant structural features of the transaction, which may include, among other things, the short-term unsecured, unguaranteed and unsubordinated debt ratings and the long-term ratings of the Account Bank and the Standby Servicer. These ratings reflect only the views of the Rating Agencies in respect of the Certificates.

The ratings that are assigned to the Certificates do not represent any assessment of the yield to dissolution that a holder of a Certificate may experience.

The ratings assigned by S&P address, *inter alia* the likelihood of:

- (a) full and timely payment of profit due to the Certificateholders on each Periodic Distribution Date; and
- (b) full payment of the Principal Amount Outstanding of the Certificates by a date that is not later than the Final Dissolution Date for the Certificates.

The ratings assigned by Moody's address, *inter alia*, the probability of default and expected severity of loss given default of the Certificates held by the Certificateholder.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Certificates.

Credit rating agencies other than the Rating Agencies could seek to rate the Certificates without having been requested to do so by the Trustee and, if such unsolicited ratings are lower than the comparable ratings assigned to the Certificates by the Rating Agencies those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Certificates. In addition, the mere possibility that a rating could be issued may affect price levels in any secondary market that may develop. In this Prospectus, all references to ratings are to ratings assigned by the relevant Rating Agencies.

A Rating Agency may lower, withdraw or qualify its rating if, in the sole judgement of the Rating Agency, the credit quality of the Certificates has declined or is in question. A Rating Agency may also change its criteria and/or methodology at any time and the application of its revised criteria and/or methodology may

lead it to lower, withdraw or qualify its rating of the Certificates. If any rating assigned to the Certificates is downgraded or withdrawn, the market value and/or liquidity of the Certificates may be reduced.

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

### ***Rating Agencies' Confirmation***

Where it is necessary for the Delegate to determine, in its opinion, for the purposes of exercising any right, power, trust, authority, duty or discretion under or in relation to the Certificates, the Conditions or any of the Transaction Documents, whether or not such exercise will be materially prejudicial to the interests of the Certificateholders, the Delegate shall be entitled, in making such a determination, to take into account any other things it may, in its absolute discretion, consider necessary and/or appropriate, any confirmation by a Rating Agency (if available) that the then current ratings of the Certificates or, as the case may be, the Trustee will not be downgraded, withdrawn or qualified, and that, where any original rating of the Certificates or, as the case may be, the Trustee has been and continues to be downgraded, restoration of such original rating would not be prevented, as a result of such exercise. For the avoidance of doubt, such rating confirmation shall not be construed to mean that any such exercise by the Delegate of any right, power, trust, authority, duty or discretion under or in relation to the Certificates, the Conditions or any of the Transaction Documents is not materially prejudicial to the interests of the holders of the Certificates; and the non-receipt of such rating confirmation shall not be construed to mean that any such exercise by the Delegate as aforesaid is materially prejudicial to the interests of the holders of the Certificates.

No assurance can be given that any or all of the Rating Agencies will provide any such confirmation or that, depending on the timing of the delivery of the request and any information needed to be provided, it may be the case that the Rating Agencies cannot provide their confirmation in the time available and, in either case, the Rating Agencies will not be responsible for the consequences thereof. However, if a confirmation is provided, it should be noted that a Rating Agency's decision to reconfirm a particular rating may be made on the basis of a variety of factors. In particular, the holders of Certificates should be aware that the Rating Agencies owe no duties whatsoever to any parties to the transaction (including the Certificateholders) in providing any confirmation of ratings. No assurance can be given that a requirement to seek ratings confirmation will not have a subsequent impact upon the business of the customers. In addition, it should be noted that any confirmation of ratings:

- (a) only addresses the effect of any relevant event, matter or circumstance on the current ratings assigned by the relevant Rating Agency to the Certificates;
- (b) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents and the Subscription Agreement; and
- (c) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to, some or all of the Certificateholders or other Secured Creditors.

No assurance can be given that any such reconfirmation will be given in circumstances where the relevant proposed matter would materially adversely affect the interests of the Certificateholders.

The Rating Agencies, in assigning credit ratings, do not comment upon the interests of the holders of securities (such as the Certificates).

The implementation of certain matters will, pursuant to the Transaction Documents, be subject to (i) the receipt of written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of the Certificates rated thereby being qualified, downgraded or withdrawn or (ii) certification in writing from the Trustee to the Delegate that the Trustee has been unable to obtain such written confirmation but that the Rating Agencies then rating the Certificates have been

informed of the implementation of such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of the Certificates (a "**Rating Agency Confirmation**"). It is possible that, in certain circumstances, amendments are made to the Transaction Documents notwithstanding the fact that a Rating Agency Confirmation is not obtained.

***The Delegate may agree to modifications to the Transaction Documents without the Certificateholders' prior consent, which may adversely affect the Certificateholders' interests***

Pursuant to the terms of the Declaration of Trust and the Deed of Charge, the Delegate may, without the consent or sanction of any of, or any liability to, any Certificateholder:

- (a) concur with the Trustee and any other relevant parties in making or sanctioning of:
  - (i) any modification of any of the provisions of the Declaration of Trust, the Conditions or any of the other Transaction Documents which is, in the opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation;
  - (ii) any other modification (excluding a Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Certificates, of any of the provisions of the Declaration of Trust, the Conditions or any of the other Transaction Document which is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders; or
  - (iii) amendments pursuant to Condition 11(g) (*Additional Right of Modification in Relation to LIBOR Cessation*) being a change to the Screen Rate to replace LIBOR with another benchmark rate; and
- (b) determine that an Dissolution Event will not be treated as such where in the opinion of the Delegate such waiver, authorisation or determination is not materially prejudicial to the interests of the Certificateholders,

**provided that** the Delegate will not do so in contravention of an express direction given by an Extraordinary Resolution of Certificateholders or a request made pursuant to Condition 9 (*Dissolution Events*). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and, if the Delegate so requires, the Trustee will arrange for it to be notified to the Certificateholders as soon as practicable.

The Delegate shall be obliged, without any consent or sanction of the Certificateholders 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 Trustee 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 to or enter into any new, supplemental or additional documents that the Trustee considers necessary in order to facilitate the appointment of a replacement servicer appointed by the Trustee in accordance with the terms of the Service Agency Agreement, subject to receipt by the Delegate of a certificate issued by (i) the Trustee, or (ii) the Corporate Services Provider on behalf of the Trustee certifying to the Delegate the requested amendments are to be made solely for the purpose of the appointment of a replacement servicer appointed by the Trustee in accordance with the terms of the Service Agency Agreement and have been drafted solely to that effect.

The Delegate shall be obliged, without any consent or sanction of the Certificateholders or any of the other Secured Creditors, to concur with the Trustee 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 to or enter into any new, supplemental or additional documents that the Trustee considers necessary in order to appoint a replacement Cash Manager appointed by the Trustee in accordance with the terms of the Cash Management Agreement, subject to receipt by the Delegate of a certificate issued by the Trustee certifying to the Delegate the requested amendments are to be made solely for the purpose of the appointment of a replacement Cash Manager

appointed by the Trustee in accordance with the terms of the Cash Management Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to Condition 11(d) (*Modification and Waiver*), the Delegate shall, in relation only to its obligation to make an amendment related to a replacement servicer or a replacement Cash Manager, not consider the impact of such modifications on the interests of any Certificateholder, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Trustee or transaction party, as the case may be and shall not be liable to the Certificateholders, any other Secured Creditors 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 such person.

Any such modifications permitted above shall be binding on the other Secured Creditors and, unless the Delegate otherwise agrees, the Trustee shall cause such modification to be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 13 (*Notice to Certificateholders*). So long as the Certificates, or any of them, are rated by the Rating Agencies the Trustee shall notify each of the Rating Agencies of any modification made by it in accordance with the above as soon as reasonably practicable thereafter.

The Delegate shall not be obliged to agree to any modification of the Declaration of Trust, the Conditions or any other Transaction Document which (in the sole opinion of the Delegate) would have the effect of (x) exposing the Delegate to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction, or (y) increasing the obligations or duties, or decreasing the protections of the Delegate in the Transaction Documents, the Declaration of Trust and/or the Conditions.

#### ***Risks relating to Certificateholder Meetings***

An initial meeting of the Certificateholders may be held on 21 clear days' notice. The requisite quorum in respect of Ordinary Resolutions is two or more persons holding Certificates or representing Certificateholders holding Certificates of not less than 25 per cent. of the Principal Amount Outstanding of the Certificates for the initial meeting. The requisite quorum in respect of Extraordinary Resolutions is two or more persons holding or representing Certificateholders holding Certificates of not less than 25 per cent. of the Principal Amount Outstanding of the Certificates for the initial meeting, except in relation to a Basic Terms Modification. The requisite quorum in respect of Extraordinary Resolutions to approve a Basic Terms Modification requires two or more persons holding Certificates or representing Certificateholders holding Certificates of not less than 50 per cent. of the Principal Amount Outstanding of the Certificates for the initial meeting.

An adjourned meeting of the Certificateholders may be held on 10 days' notice, and must be convened not less than 14 nor more than 42 days later than the initial meeting. The requisite quorum at an adjourned meeting in respect of Ordinary Resolutions is two or more persons holding Certificates or representing Certificateholders holding Certificates of not less than 10 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting. The requisite quorum in respect of Extraordinary Resolutions is two or more persons holding or representing Certificateholders holding Certificates of not less than 25 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting, except in relation to a Basic Terms Modification. The requisite quorum in respect of Extraordinary Resolutions to approve a Basic Terms Modification requires two or more persons holding Certificates or representing Certificateholders holding Certificates of not less than 50 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting.

As a result of these requirements, it is possible that a valid Certificateholder meeting may be held without the attendance of Certificateholders who may have wished to attend and/or vote.

#### ***General legal investment considerations***

The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Certificates are legal investments for it, (b) the Certificates can be used as collateral for various types of obtaining financing and (c) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisors or the

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

### ***Rights of Certificateholders and Secured Creditors***

The Declaration of Trust contains provisions requiring the Delegate to have regard to the interests of the Certificateholders equally as regards all powers, trusts, authorities, duties and discretions of the Delegate (except where expressly provided otherwise).

So long as any of the Certificates are outstanding, the Delegate will have regard solely to the interests of the Certificateholders and shall not have regard to the interests of the other Secured Creditors, subject to the provisions of the Declaration of Trust. If there are no Certificates outstanding, the Security Trustee is to have sole regard to the interests of the Secured Creditors, subject to the provisions of the Deed of Charge.

### ***Conflicts of interest***

Certain of the Transaction Parties and their respective affiliates are acting in a number of capacities in connection with the transaction described herein. Those Transaction Parties and any of their respective affiliates acting in such capacities will have only the duties and responsibilities expressly agreed to by each such entity in the relevant capacity and will not, by reason of it or any of its affiliates acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to be held to a standard of care other than as expressly provided with respect to each such capacity. In no event shall such Transaction Parties or any of their respective affiliates be deemed to have any fiduciary obligations to any person by reason of their or any of their respective affiliates acting in any capacity.

In addition to the interests described in this Prospectus, the Arranger, the Joint Lead Managers and their respective related entities, associates, officers or employees (each a "**Related Person**"):

- (a) may from time to time be a Certificateholder or have other interests with respect to the Certificates and they may also have interests relating to other arrangements with respect to a Certificateholder or a Certificate, or any other Transaction Party;
- (b) may receive (and will not have to account to any person for) fees, brokerage and commissions or other benefits and act as principal with respect to any dealing with respect to any Certificates;
- (c) may purchase all or some of the Certificates and resell them in individually negotiated transactions with varying terms; and
- (d) may be or have been involved in a broad range of transactions including, without limitation, banking, lending, advisory, dealing in financial products, credit, derivative and liquidity transactions, investment management, corporate and investment banking and research in various capacities in respect of the Certificates, the Trustee or any other Transaction Party or any related entity, both on its own account and for the account of other persons.

Prospective investors should be aware that:

- (a) each Related Person in the course of its business (including in respect of interests described above) may act independently of any other Related Person or Transaction Party;
- (b) to the maximum extent permitted by applicable law, the duties of each Related Person in respect of the Certificates are limited to the relevant contractual obligations set out in the Transaction Documents (if any) and, in particular, no advisory or fiduciary duty is owed to any person. No Related Person shall have any obligation to account to the Trustee, any Transaction Party or any Certificateholder for any profit as a result of any other business that it may conduct with either the Trustee or any Transaction Party;
- (c) a Related Person may have or come into possession of information not contained in this Prospectus that may be relevant to any Certificateholder or to any decision by a potential investor to acquire the Certificates and which may or may not be publicly available to potential investors ("**Relevant Information**");

- (d) to the maximum extent permitted by applicable law no Related Person is under any obligation to disclose any Relevant Information to any other Related Person, to any Transaction Party or to any potential investor and this Prospectus and any subsequent conduct by a Related Person should not be construed as implying that such Person is not in possession of such Relevant Information; and
- (e) each Related Person may have various potential and actual conflicts of interest arising in the ordinary course of its businesses, including in respect of the interests described above. For example, a Related Person's dealings with respect to a Certificate, the Trustee or a Transaction Party, may affect the value of a Certificate.

#### **Risks related to the Portfolio Assets**

##### ***Extraction of information contained in this Prospectus***

The information contained in the section of this Prospectus entitled "*Characteristics of the Provisional Completion Portfolio Assets Pool*" has been extracted from information provided by the Seller (which information has been subject to rounding). Investors should note that none of the information provided in such section has been the subject of an audit. The Seller is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Seller for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Seller will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

##### ***Risks of losses associated with declining real estate values***

An investment in securities such as the Certificates that generally represent a secured payment obligation backed by Home Purchase Plans (the security being in respect of Portfolio Assets beneficially owned by the Trustee) may be affected by, among other things, a decline in real estate values and changes in the Customers' financial condition. All of the Properties are located in England or Wales. Certain areas of the United Kingdom may from time to time experience declines in real estate values such as has been seen in recent times. No assurance can be given that values of the Properties have remained or will remain at their levels on the dates of origination of the related Home Purchase Plans. If the residential real estate market in the United Kingdom should experience an overall decline in property values such that the values of the Properties may have reduced during the period starting from the origination of the related Home Purchase Plans until the dissolution of the Certificates, and the outstanding Finance Balance of the Portfolio Assets becomes equal to or greater than the value of the Properties, such a decline could in certain circumstances result in the value of the interest in the Properties being significantly reduced and could result in losses being incurred by financiers where the net recovery proceeds are insufficient to redeem any outstanding financing on such Property. To that extent, holders of interests in the Certificates will bear all risk of loss resulting from default by Customers and will have to look primarily to the value of the Properties for recovery of the outstanding principal and due but unpaid rental payments on the delinquent Portfolio Assets.

##### ***Customers may default on their obligations***

Customers may default on their obligations under the Portfolio Assets in the Portfolio Assets Pool. Defaults may occur for a variety of reasons. The Portfolio Assets are affected by credit, liquidity and profit rate risks. Various factors influence delinquency rates, prepayment rates, repossession frequency and the ultimate payment of rent and acquisition amounts, such as changes in tax laws, reference rates or international economic climate, regional yields on alternative investments, political developments and government policies. Although rates are currently at a historical low, this may change in future and an increase in rates may adversely affect Customers' ability to pay rent or pay Acquisition Amounts on their Home Purchase Plans. Other factors in Customers' individual, personal or financial circumstances may affect the ability of Customers to pay the Portfolio Assets. Unemployment, loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of

Customers, and could ultimately have an adverse impact on the ability of Customers to pay the Portfolio Assets. In addition, the ability of a Customer (or the Servicer in an enforcement scenario) to sell a property given as security for a Portfolio Asset at a price sufficient to pay the amounts outstanding under that Portfolio Asset will depend on 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. A valuation was obtained by the Seller on or about the time of origination of each Portfolio Asset, and in certain circumstances, an updated valuation of a property may be obtained or determined by the Seller, see "*Constitution of the Portfolio Assets Pool – Valuation*".

### ***Geographic concentration of the Portfolio Assets***

To the extent that specific geographic regions have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions, a concentration of the Portfolio Assets in such a region may be expected to exacerbate all of the risks relating to the Portfolio Assets described in this section. Approximately 44 per cent. of the aggregate number of Portfolio Assets (representing 56 per cent. of the aggregate Finance Balance of the Portfolio Assets) in the Provisional Completion Portfolio Assets Pool are related to Properties located in Greater London and the South East of England. Approximately 13 per cent. of the aggregate number of Portfolio Assets (representing 11 per cent. of the aggregate Finance Balance of the Portfolio Assets) in the Provisional Completion Portfolio Assets Pool are related to Properties located in the North West of England. Approximately 15 per cent. of the aggregate number of Portfolio Assets (representing 12 per cent. of the aggregate Finance Balance of the Portfolio Assets) in the Provisional Completion Portfolio Assets Pool are related to Properties located in the West Midlands of England. The concentration of the Portfolio Assets in the Provisional Completion Portfolio Assets Pool is located in large urban areas within these regions. See the table entitled "*Portfolio Assets by Region*" under "*Characteristics of the Provisional Completion Portfolio Assets Pool*". Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or a particular industry may adversely affect the regional employment levels and consequently the payment ability of the Customers 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. The Trustee cannot predict when and/or where such regional economic declines may occur, nor to what extent or for how long such conditions may continue, but if the timing and payment of the Portfolio Assets are adversely affected as described above, the ability of the Trustee to make payments due under the Certificates could be reduced or delayed.

### ***Basis risk and risks associated with rental rates***

As described in "*Constitution of the Portfolio Assets Pool – The Portfolio Assets Pool*" below, all of the Portfolio Assets in the Provisional Completion Portfolio Assets Pool are Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans, Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan or Standard Variable Rental Rate Home Purchase Plans.

These figures refer to the Provisional Completion Portfolio Assets Pool as at 19 January 2018. The first Quarterly Report delivered after the Issue Date will reflect the Portfolio Assets in the Completion Pool.

Upon expiry of the (a) fixed rent rate period relating to the Portfolio Assets which are Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans or (b) discount period relating to the Portfolio Assets which are Standard Discount-to-Standard Variable Rental Rate Home Purchase Plans, the rent rate applicable will (unless the fixed rent rate period is extended or (in the case of a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan) selected by the Customer in accordance with the HPP Service Agency Agreement) revert to being Standard Variable Rental Rate Home Purchase Plans.

As a result of the Portfolio Assets having these different bases, the Trustee is subject to the risk of a mismatch between the rental rate received by the Trustee on the Portfolio Assets, such potential mismatch being caused by:

- (a) the rent rates received by the Trustee on the Portfolio Assets being determined on different dates than that on which the profit payable on the Certificates is determined;



- (b) prior to the expiration of the relevant fixed rent rate, the rent rates received by the Trustee on the Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans being determined on a different basis than that on which the rent rate payable on the Certificates is determined; and
- (c) the base rate by reference to which the Standard Variable Rate is calculated (being the Bank of England Base Rate) differing from the base rate by reference to which the profit rate on the Certificates is calculated (being LIBOR).

Fluctuations in the value or the method of calculation of the variable rate could potentially result in the contractual rent rates on the Portfolio Assets being lower than that required by the Trustee in order to meet its commitments under the Certificates and its other obligations.

In addition, the Trustee is subject to the risk of the weighted average coupon of rent received in respect of the Portfolio Assets Pool being reduced due to Portfolio Assets with higher rent rate margins being repaid more quickly than Portfolio Assets with lower rent rate margins ("**margin compression**").

In compliance with Sharia principles, the Trustee will not receive or seek to receive interest. Nor will it invest in interest bearing deposits or instruments. Accordingly, the Trustee will earn no return on any cash held by the Trustee. This risk is mitigated by (for so long as the Portfolio Assets are fully performing) the availability of the Reserve Fund, which is available to meet payments of profit due under the Certificates and the senior expenses of the Trustee.

Increases in applicable variable rent rates may result in Customers with a Home Purchase Plan subject to a variable rate of rent or with a Home Purchase Plan for which the related rent rate adjusts following an initial fixed rent rate or low introductory rent rate, as applicable, being exposed to increased monthly payments as and when the related Home Purchase Plan rent rate adjusts upward. This increase in Customers' monthly payments ultimately may result in higher delinquency rates and losses in the future.

Customers seeking to avoid these increased monthly payments (caused by, for example, a rise in the related Home Purchase Plan rent rates) by refinancing their Home Purchase Plans may no longer be able to find available replacement financing at comparably low rates. Any decline in housing prices may also leave Customers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates and losses.

***Risks associated with Customers switching to fixed rent rate terms or discounted rent rate terms***

As described in "*Basis risk and risks associated with rental rates*" above, and in "*Constitution of the Portfolio Assets Pool – The Portfolio Assets Pool*" below, all of the Portfolio Assets in the Provisional Completion Portfolio Assets Pool are Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans, Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan or Standard Variable Rental Rate Home Purchase Plans.

Customers have the option (but not the contractual right) to (i) switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan at any point during a Standard Variable Rental Rate Home Purchase Plan, (ii) enter into a further fixed term period upon the expiry of the initial term of a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or switch to a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan, or (iii) enter into a further discounted period upon the expiry of the initial term of a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan or a switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan, subject in each case to Al Rayan's approval.

As of the Cut-Off Date, the Portfolio Asset Pool is made up of approximately 56 per cent. Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans, approximately 23 per cent. Standard Discount-to-Standard Variable Rental Rate Home Purchase Plans and approximately 21 per cent. Standard Variable Rental Rate Home Purchase Plans (in each case as a percentage of the aggregate Finance Balance of the Portfolio Assets). However, if there is a change in the rental rate environment (including, but not limited to, a scenario where fixed rent rate or discounted rent rate products become significantly more attractive than standard variable rental rate products) there is a risk that a significant number of Customers could choose to enter into a fixed rent rate term or a discounted rent rate term. In the event that this happens, there is a risk that the majority of the contractual rent received from Customers by the Servicer may be fixed or discounted while the Trustee's obligations to pay profit to

Certificateholders under the Certificates remain at a floating rate. As such, the revenue of the Trustee may be lower than the Trustee's obligations to the Certificateholders under the Certificates, and the Trustee may therefore have insufficient funds available to repay in full all amounts due to the Certificateholders.

The Trustee's exposure to this risk is limited by the maximum fixed rent rate period that the Seller will offer to a Customer under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan (or a Customer switching to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan), which shall be no longer than five years and three months from the date such fixed rent rate becomes applicable to the relevant Portfolio Asset, and the maximum discount period that the Seller will offer to a Customer under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan. At the end of such fixed rent rate or discounted period, Al Rayan as Servicer is able to agree (at its discretion) a new fixed rent rate for a further fixed rent rate term of the Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan, or the Customer may opt to pay a variable rent rate or apply for a discount rent rate term under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan (at Al Rayan's discretion).

Following the Step-Up Date if the Servicer, in relation to a Portfolio Asset in the Portfolio Assets Pool:

- (a) agrees with a Customer under a Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan;
- (b) agrees with a Customer to enter into a new or extended fixed rate period under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan;
- (c) agrees with a Customer to a new discount period under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan;
- (d) agrees with a Customer under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan; or
- (e) agrees with a Customer under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan,

(each an "**SVR Repurchase Event**") then such Portfolio Asset will be repurchased by the Seller in accordance with the terms of the Sale Agreement.

From the Issue Date, in relation to a Portfolio Asset in the Portfolio Assets Pool, if

- (a) the Servicer agrees with a Customer (i) under a Standard Variable Rental Rate Home Purchase Plan or a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or (ii) under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan to a new fixed rental rate at the end of the current fixed rental rate term; and
- (a) such switch described in paragraph (a)(i) above or such new fixed rental rate described in paragraph (a)(ii) above would result in the aggregate Finance Balance of the Portfolio Assets that are Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans exceeding or being equal to 80 per cent. of the aggregate Finance Balance of all Portfolio Assets,

(a "**Fixed Threshold Repurchase Event**") then such Portfolio Asset will be repurchased by the Seller in accordance with the terms of the Sale Agreement.

In addition, the Servicer undertakes to not set the standard variable rental rate at a rate less than the arithmetic sum of Base Rate plus 2.7 per cent. per annum. The combination of these covenants should mean that, following the Step-Up Date (if the Certificates are not redeemed on or about that date) all the Portfolio Assets of the Trustee should be charging, or should be charging on reversion from their current fixed or discounted rental rates, a rental rate calculation by reference to SVR (as defined below).

However, no assurance can be given that floating rental rates won't rise faster than anticipated by the Servicer, or that the Servicer will not set fixed rental rates lower as a result of market pressure and other commercial factors.

#### ***Risks relating to standard variable rate ("SVR") setting***

When setting its SVR, Al Rayan has regard to prevailing market rates and its costs of funding. Al Rayan will also covenant to comply with the terms of the relevant Home Purchase Plan Agreements and act in a manner that is consistent with that of a Prudent HPP Provider and in compliance with all statutory and regulatory requirements when setting SVR. The Servicer undertakes to not set the standard variable rental rate at a rate less than the arithmetic sum of Base Rate plus 2.7 per cent. per annum. Nevertheless, there can be no assurance that the SVR charged by Al Rayan, in accordance with the undertakings described above, will not be below prevailing market rates and/or will not be lower than the prevailing profit rate of the Certificates and that this might cause the Certificateholders to suffer loss.

#### ***Underwriting standards***

The Portfolio Assets have been underwritten generally in accordance with underwriting standards described in "*Constitution of the Portfolio Assets Pool – Eligibility Criteria*" below. These underwriting standards consider, among other things, a Customer's credit history, employment history and status, payment ability and income multiple or expected payment-to-income ratio, as well as the value of the Property that will form part of the relevant Portfolio Asset.

For a description of the underwriting standards, see "*Constitution of the Portfolio Assets Pool – Eligibility Criteria*" below. For a detailed analysis of the Portfolio Assets constituting the Portfolio Assets Pool on the Issue Date, see "*Characteristics of the Provisional Completion Portfolio Assets Pool*" below.

#### ***Warranties***

The Seller will give certain Warranties to each of the Trustee, the Delegate and the Security Trustee regarding the Portfolio Assets and Ancillary Rights sold to the Trustee on the Issue Date.

Neither the Trustee nor the Security Trustee, the Arranger, the Joint Lead Managers or the Delegate has undertaken or will undertake any investigations, searches or other actions in respect of the Portfolio Assets, and each will rely instead on the Warranties. Portfolio Assets which have undergone a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Property not being accepted as suitable for financing under the Home Purchase Plan had such matters been revealed. The sole remedy (save as described below) of the Trustee, the Delegate and the Security Trustee in respect of a breach of Warranty which could have a material adverse effect on the value of the relevant Portfolio Asset (other than where such breach was disclosed at the point of sale to the Trustee (see "*Sale of the Portfolio Assets Pool – Warranties and Repurchase*") and which, if capable of remedy, is not so remedied by the Seller within 21 days of notification of such breach to the Seller by the Trustee, shall be the requirement that the Seller repurchase any Portfolio Asset which is the subject of any breach in return for a cash payment equal to the Repurchase Price, **provided that** this shall not limit any other remedies available to the Trustee and/or the Security Trustee and the Delegate if the Seller fails to repurchase a Portfolio Asset or make a payment when obliged to do so. However, there can be no assurance that the Seller will have the financial resources to honour such obligations under the Sale Agreement. This may affect the quality of the Portfolio Assets and their Ancillary Rights and each Property relating to such Portfolio Assets in the Portfolio Assets Pool and accordingly the ability of the Trustee to make payments due on the Certificates.

#### ***Lack of control by Certificateholders***

The servicing of the Portfolio Assets will be carried out by the Servicer (or any delegate or replacement thereof, as the case may be). The holders of Certificates will have no right to consent to, or approve of, any actions set forth in the Service Agency Agreement. See "*Administration, Servicing and Cash Management of the Portfolio Assets Pool – Service Agency Agreement*".

## **General Risk Factors and Certain Regulatory Considerations**

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

Pursuant to the terms of the Deed of Charge, the Trustee has purported to grant fixed charges over, amongst other things, its interests in the Portfolio Assets, their related Ancillary Rights, its beneficial interest in each Property relating to a Portfolio Asset and its rights and benefits in the Bank Accounts, and its beneficial interests in the Collection Account.

The law in England and Wales relating to the characterisation of fixed charges is not settled. The fixed charges purported to be granted by the Trustee may 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 "fix" over those assets. It should be assumed by Certificateholders that the fixed charges will take effect as floating 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. In particular, the expenses of any administration, and the claims of any preferential creditors and the claims of unsecured creditors would rank ahead of the claims of the Security Trustee in this regard. The Enterprise Act 2002 abolished the preferential status of certain Crown debts (including the claims of the United Kingdom tax authorities). However, certain employee claims (in respect of contributions to pension schemes and wages) still have preferential status. In this regard, it should be noted that the Trustee has agreed in the Transaction Documents not to have any employees.

In addition, any administrative receiver, administrator or liquidator appointed in respect of the Trustee will be required to set aside the prescribed percentage or percentages of the floating charge realisations in respect of the floating charges contained in the Deed of Charge (as described in more detail below under "*English law security and insolvency considerations*").

### ***Changes of law***

The structure of the transaction and, *inter alia*, the issue of the Certificates, and the ratings which are to be assigned to the Certificates are based on the relevant law, tax, accounting, Sharia principles, regulatory and administrative requirements and practice, in effect as at the date of this Prospectus and having due 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 the relevant law, tax, regulatory, accounting (and any change in regulation which may occur without a change in primary legislation), administrative practice, Sharia principles 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 Trustee to make payments under the Certificates.

### ***Equitable interest***

Legal title to the Portfolio Assets and the Properties is, or is in the course of being, registered in the name of the Seller, and will remain with the Seller. The sale by the Seller to the Trustee of registered land will take effect in equity only, since, save in the circumstances set out below, no application will be made to the Land Registry to register the Trustee as legal owner of such Properties. Neither the Trustee nor the Security Trustee will apply to the Land Registry to register their interest in such Properties. See "*Title to the Portfolio Assets Pool and the Properties*" below.

As a consequence of neither the Trustee nor the Security Trustee obtaining legal title to the Properties by registering or recording their respective interest in the Land Registry (where applicable), a *bona fide* purchaser from the Seller for value of any of such Properties without notice of any of the interests of the Seller, the Trustee or the Security Trustee (and certain similar third parties) might obtain a good title free of any such interest. Further, the rights of the Trustee and the Security Trustee may be or become subject to equities (for example, rights of set-off as between the relevant Customers or insurance companies and the Seller). However, the risk of third party claims obtaining priority to the interests of the Seller, the Trustee or the Security Trustee would be likely to be limited to circumstances arising from a breach by the Seller or the Servicer (or any replacement thereof, as the case may be) of its contractual obligations, representations or warranties or fraud, negligence or mistake on the part of the Seller or the Servicer (or

any delegate or replacement thereof, as the case may be) or their respective personnel or agents. See "*Title to the Portfolio Assets Pool*" below.

Furthermore, for so long as neither the Trustee nor the Security Trustee have obtained legal title, they must join the Seller as a party to any legal proceedings which they may wish to take against any Customer or in relation to the enforcement of any Home Purchase Plan. In this regard, the Seller will undertake, for the benefit of the Trustee and the Security Trustee, that it will lend its name to, and take such other steps as may reasonably be required by the Trustee or may be required by the Security Trustee in relation to, any legal proceeding in respect of any Property. In the event that the Seller is in administration, discretionary leave of the court may be required to join the Seller as a party to such proceedings.

### ***Set-off risk***

As described above, the sale by the Seller to the Trustee of the Portfolio Assets in the Portfolio Assets Pool will be given effect by an equitable sale and assignment. As a result, legal title to the Portfolio Assets will remain with the Seller until the occurrence of certain trigger events under the terms of the Sale Agreement (see "*Rights of Certificateholders and Relationship with Other Secured Creditors – Triggers Tables – Non-Rating Triggers Table – Perfection Events*"). Once notice has been given to the Customers of the assignment of the Portfolio Assets to the Trustee, independent set-off rights which the Customers have against the Seller (such as set-off rights not associated with or connected to the relevant Portfolio Asset, for example in relation to deposits made by the Customers with the Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under **transaction set-off** (being the direct rights of the Customers against the Seller) would not be affected by that notice and would continue to exist; therefore, the rights of the Trustee may be subject to transaction set-off.

By way of example, the relevant Customer may set-off any claim for damages arising from the Seller's breach of contract against the Seller's (and, as equitable assignee of or holder of the beneficial interest in the Portfolio Assets in the Portfolio Assets Pool, the Trustee's) claim for payment of acquisition payments and/or rent under the relevant Home Purchase Plan as and when it becomes due. These set-off claims will constitute transaction set-off, as described above.

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

If the Customer is unable to obtain alternative financing, he or she may have a claim in respect of other indirect losses arising from the Seller's breach of contract where there are special circumstances communicated by the Customer to the Seller at the time the Customer entered into the Home Purchase Plan or which otherwise were reasonably foreseeable. A Customer may also attempt to set-off an amount greater than the amount of his or her damages claim against his or her Home Purchase Plan payments. In that case, the Seller will be entitled to take enforcement proceedings against the Customer, although the period of non-payment by the Customer is likely to continue until a judgment is obtained.

The exercise of set-off rights by Customers may adversely affect the realisable value of the Portfolio Assets and/or the ability of the Trustee to make payments under the Certificates.

### ***Effect of the sale of the Portfolio Assets Pool and the Properties***

The Trustee has considered whether the transfer of the Portfolio Assets and the Ancillary Rights pursuant to the terms of the Sale Agreement is effective to transfer to the Trustee the beneficial ownership of (but not, without further steps being taken, the legal estate in or title to) the Ancillary Rights and each Property relating to a Portfolio Asset. The Trustee has been advised that, subject to certain assumptions and qualifications, on the basis of the principles set out in *Re George Inglefield* [1933] Ch 1, as considered and applied by the Court of Appeal in *Welsh Development Agency v Export Finance Co. Ltd.* [1992] BCC 270, an English court would find the transfer was not made by way of security and therefore would not be void against a liquidator, administrator or creditor of the Seller. If a court were to find otherwise, investors could be adversely affected.

### ***UK Regulatory Risks***

The following risk factors consider UK regulatory risks associated primarily with UK mortgage products. However, whilst the home purchase plans are distinct from a mortgage product (i.e. they are not regulated mortgage contracts under the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) (the "**RAO**"), we believe that the regulators would apply very similar considerations to the Home Purchase Plans.

*FCA Regulation of the Home Purchase Plan Business under the Financial Services and Markets Act 2000 (the "**FSMA**")*

Each Portfolio Asset is a Home Purchase Plan as defined in Article 63(F) of the RAO.

The FSMA provides the statutory framework for the regulation of financial services in the United Kingdom. The FSMA states that no person may carry on a regulated activity in the United Kingdom, or purport to do so, unless he is an authorised person or an exempt person.

The RAO provides the following four activities will be regulated activities under the FSMA: (a) entering into a regulated home purchase plan as a finance provider, (b) administering a regulated home purchase plan, (c) arranging regulated home purchase plans, and (d) advising on regulated home purchase plan. Agreeing to carry on any of these activities will also be a regulated activity.

Al Rayan in its capacity as Seller and Servicer has had authorisation from the FCA since 29 March 2007 to provide regulated products and services, including (amongst other things): holding client money and accepting deposits; and administering, advising on, arranging and entering into home purchase plans. Al Rayan's authorisation is not subject to any limitations or restrictions. Full details of Al Rayan's FCA authorisation can be found on the Financial Services Register published on the FCA's website. In the event that Al Rayan loses the FCA permissions described herein, the Trustee will be able to terminate the appointment of Al Rayan as Servicer and appoint a replacement servicer in accordance with the terms of the Service Agency Agreement. The Trustee is not and does not propose to be an authorised person under the FSMA.

If the Seller, as a home purchase plan provider, was not authorised under FSMA in any respect at the relevant time, any agreement made by the Seller in the course of carrying on a regulated activity, such as entering into a home purchase plan as home purchase plan provider, would be unenforceable against a customer.

If a relevant financial promotion in respect of a Home Purchase Plan was not issued or approved by an authorised person, the home purchase plan would be unenforceable against the customer except with the approval of a court.

If a home purchase plan is entered into by the Seller and the customer in consequence of something said or done by a third party in the course of a regulated activity for which such third party is not authorised under the FSMA, the home purchase plan would be unenforceable against the customer except with the approval of a court.

The FCA's Mortgages and Home Finance: Conduct of Business sourcebook ("**MCOB**"), which sets out the FCA's rules for regulated home purchase plan contracts and home purchase plans, and applies in respect of home purchase plans from 6 April 2007. 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.

A customer who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an FCA authorised person of a rule made under the FSMA, including rules in MCOB. The customer may set-off the amount of the claim for such contravention against the amount owing by the customer under the credit agreement or any other credit agreement he has taken with the authorised person. Any such set-off may adversely affect the Trustee's ability to make payments in full when due on the Certificates.

In June 2010, the FSA made changes to MCOB (subsequently amended following implementation of the Mortgage Credit Directive on 21 March 2016 in particular MCOB 13 was amended to account for

vulnerable customers and data sharing with other charge holders) which effectively convert 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 Home Purchase Plans 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 customer's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the Home Purchase Plan, product type changes and deferral of rental payments. While the FCA has indicated that it does not expect each forbearance option referred to in the rules to be explored at every stage of interaction with the customer, it is clear that these rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions which the relevant financing may be subject to as a result, *inter alia*, of such financing 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 do not comply with the Transaction Documents (and, in particular, the servicing arrangements contemplated by such Transaction Documents) in respect of one or more Portfolio Assets. No assurance can be made that any such actions will not impact on the Trustee's ability to make payments in full when due on the Certificates, although the impact of this will depend on the number of Portfolio Assets that involve a customer who experiences payment difficulties.

Any further changes to MCOB or the FSMA arising from changes to home purchase plan regulation or the regulatory structure, may adversely affect the Portfolio Assets, the Seller, the Trustee, the Servicer and their respective businesses and operations. For further details on changes to MCOB or the FSMA, see the section "*Changes to United Kingdom and EU mortgage regulation*" below.

#### ***Changes to United Kingdom and EU mortgage regulation***

There can be no assurance that the developments described below, in respect of the changing regulatory regime, will not have an effect on the residential financing market in the United Kingdom generally 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 Trustee and/or the Servicer and their respective businesses and operations. This may adversely affect the Trustee's ability to make payments on the Certificates.

#### *FCA market review*

The FCA published final rules implementing its mortgage market review in October 2012. The majority of these new rules came into effect on 26 April 2014 through amendments to MCOB. Key changes include a requirement for financiers to undertake affordability assessments at origination (including verifying income in all cases) and undertake stress tests to ensure financing remains affordable when reference rates increase. There are also changes to disclosure requirements (the initial disclosure document is replaced with a requirement for firms to disclose key messages to customers), arrears management and the sales process. The FCA started to track firms' progress towards implementation of the mortgage market review from the second quarter of 2013, and financings entered into on or after 26 April 2014 must comply with these rules. These rules only apply to a Portfolio Asset if (i) it is varied so as to increase the principal amount outstanding under the relevant Portfolio Asset (e.g. by way of further finance) on or after 26 April 2014; and (ii) MCOB applies to the Portfolio Asset generally as a Regulated Home Purchase Plan (as to which see "*Financial Services and Markets Act 2000*" above). To the extent that these rules do apply to any of the Portfolio Assets, failure to comply with these rules may entitle a customer to claim damages for loss suffered or set-off the amount of the claim against the amount owing under the Portfolio Asset. Any such claim or set-off may adversely affect the Trustee's ability to make payment on the Certificates.

#### *EU directive on credit agreements relating to residential property*

The Council of the European Union adopted the Mortgage Credit Directive ("**MCD**") on credit agreements for consumers relating to residential immovable property on 28 January 2014. The directive came into force on 21 March 2014. The UK Government published the Mortgage Credit Directive Order ("**MCDO**") on 25 March 2015 which came into effect on 21 March 2016 and made changes to the FCA handbook and in particular MCOB to implement the MCD.

The main provisions of the MCD include consumer information requirements, principle based rules and standards for the performance of services (e.g. conduct of business obligations, competence and knowledge requirements for staff), a consumer creditworthiness assessment obligation, provisions on early repayment, provisions on foreign currency financings, provisions on tying practices, some high-level principles (e.g. those covering financial education, property valuation and arrears and enforcement) and a passport for credit intermediaries who meet the admission requirements in their home Member State. This regime applies equally to first and, from 21 March 2016 second charge mortgages (second charge mortgage regulation was previously regulated under the consumer credit regime). Therefore to undertake second charge mortgage business, lenders, finance providers, administrators and brokers have to be authorised and hold the correct permissions. This regime covers secured finance where any part of the property over which the finance is secured, is occupied by the customer (or a relative of the customer) and the customer is not acting in the course of a business, trade or profession i.e. the MCD covers financing where the purpose is to buy or retain rights in residential immovable property. Under this new regime, mortgages and home purchase plans will be regulated if any part of the property is occupied by the customer (or a relative of the customer) and the customer is not acting in the course of a business, trade or profession.

The FCA also has powers to register and supervise firms carrying out consumer buy-to-let activities as defined in the MCDO. Such firms are also subject to aggregated data reporting and to complaints handling rules.

#### *Other changes to mortgage and home finance regulation*

There can be no assurance that this section comprehensively describes all proposed changes to relevant regulation or that there will be no further changes to regulation that may have an effect on the market in the United Kingdom generally or specifically in relation to the Seller. Further, there can neither be assurance that regulators' interpretation of existing rules and regulations will remain unchanged nor whether any such regulator may apply such interpretation in respect of actions or conduct already undertaken. 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 Trustee and/or the Servicer and their respective businesses and operations. This may adversely affect the Trustee's ability to make payments on the Certificates.

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a risk that certain aspects of the current or historic business of the Seller, including, amongst other things, home purchase plans, may be determined by the FCA and other regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment.

In particular, there is currently a significant regulatory focus on the sale practices and reward structures that financial institutions have used when selling financial products. There is a risk that there may be other regulatory investigations and action against the Seller in relation to conduct and other issues that the Seller is not presently aware of, including investigations and actions against the Seller resulting from alleged mis-selling of financial products or the ongoing servicing of those financial products. The nature of any future disputes and legal, regulatory or other investigations or proceedings into such matters cannot be predicted in advance. Furthermore, the outcome of any on-going disputes and legal, regulatory or other investigations or proceedings is difficult to predict.

#### ***Financial Ombudsman Service***

Under the FSMA, the Ombudsman is required to make decisions on, *inter alia*, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all the circumstances of the case, taking into account, *inter alia*, law and guidance. Complaints brought before the Ombudsman for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case 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 based on, *inter alia*, the principles of fairness and may order a money award to the Customer, it is not possible to predict how any future decision of the Ombudsman could affect the ability of the Trustee to make payments to the Certificateholders.

### ***Enforcement of Portfolio Assets***

A Home Purchase Plan, while having a similar economic effect to a mortgage loan, does not confer on the parties thereto exactly the same rights and obligations as a mortgage loan. Under a typical mortgage loan in England and Wales, the lender will advance funds to a home buyer (or home owner) which the home buyer (or home owner) will agree to repay over time together with interest (and certain other amounts) over a defined time period. To secure the lender's rights to receive such payments (and other rights that it may have in respect of the loan), the home buyer (or home owner) will grant a legal charge over the property in respect of which such finance is being advanced. This charge is registered at the Land Registry (in the case of registered land) or the Land Charges Registry (in the case of unregistered land). However, legal title to the relevant property remains with the home owner (or in the case of a home buyer, is transferred to such home buyer simultaneously with the registration of the legal charge in favour of the lender).

Under the Home Purchase Plan, Al Rayan, as the provider of home finance, becomes the legal owner of the property in respect of which the finance is being provided. Al Rayan enters into a diminishing co-ownership agreement (Musharaka) with its customer, pursuant to which it grants the customer an equitable interest in that proportion of the property in respect of which the customer has an economic interest. This economic interest is represented by the deposit (or in the case of a refinancing, the difference between the value of the property and the amount provided by Al Rayan) amount which the customer has paid towards the purchase of the Property. Al Rayan will also have a beneficial interest in the Property for the amount of the finance provided by Al Rayan. No interest is charged on the finance amount by Al Rayan.

Al Rayan, as legal owner of the property, enters into a lease with the customer, giving the customer the right to occupy the property. The term of the lease is for the same period of time that funds are expected to remain outstanding under the diminishing co-ownership agreement. The customer, as tenant under the lease, will pay rent which is calculated as a rate applied to the balance outstanding under the diminishing co-ownership agreement. Al Rayan and the customer also enter into a service agency agreement whereby the customer agrees to undertake certain maintenance and other obligations in respect of the property as agent of Al Rayan.

As the legal rights and obligations of a lender under a conventional mortgage loan are not the same as those of Al Rayan under a Home Purchase Plan, there are also some differences in the way that they are enforced.

In particular, unlike a conventional mortgage loan, while Al Rayan holds legal title to the property (and therefore does not need to obtain a sale order or appoint a receiver in order to sell it), it does have a tenant in the property. English law gives tenants of residential properties certain protections from eviction. Accordingly, Al Rayan would, in enforcing a Home Purchase Plan, need to obtain an order for possession of the property (requiring the tenant to leave the property). If the lease was held to create an "assured shorthold tenancy" under English law, then Al Rayan as lessor would need to demonstrate that at least one of either the mandatory or discretionary grounds for the lessor taking possession of the property had been satisfied. If the relevant mandatory ground could be established, then the court would have to award possession of the property to Al Rayan. If none of the mandatory grounds can be established, then Al Rayan might nevertheless be able to still obtain an order for possession if one of the discretionary grounds for the granting of possession can be demonstrated.

Amongst the mandatory grounds is "substantial arrears of rent" which means that at least two months' worth of rent remain unpaid. The discretionary grounds include "persistent delay in paying rent" and "breach of obligation of tenancy". If these grounds can be demonstrated to the satisfaction of the court, then it may choose to grant possession of the property to the lessor.

The risk entailed in relying on the mandatory ground of "substantial arrears of rent" is that the tenant may settle such arrears at any time prior to the court granting the order for the lessor to take possession of the property. In extreme circumstances, the tenant might settle the arrears as the parties are about to enter the

court to have the order for possession granted and such tactics could be repeated to frustrate the enforcement process. However, such tactics are also available to borrowers under mortgage loans. The existence of the discretionary grounds for seeking possession may mitigate the risk of failing to obtain possession under the mandatory grounds, as repeated delays in paying the rent followed by last minute settlements of arrears might be held to constitute "persistent delay in paying rent". In addition, it is a condition of the lease that the tenant complies with the diminishing co-ownership agreement and failures to make payments under that agreement may well constitute a "breach of obligation of tenancy".

Each Home Purchase Plan (in the Diminishing Co-ownership Agreement) creates a beneficial interest in the relevant Property in favour of both Al Rayan (as the provider of home finance) and the Customer as to their respective proportionate shares in the Property. Under the Diminishing Co-ownership Agreement, if the Customer defaults under that agreement, then the Customer's beneficial interest in the Property is converted into a beneficial interest automatically upon sale of the property in such amount of the sale proceeds of the Property as remain after settling amounts payable to the provider of the home finance. Accordingly, the provider of the home finance will at the point of sale be the legal owner of the Property, which Property will be unencumbered by a beneficial interest of the Customer and capable of being sold free of the Customer's interest.

However, if it were to be held that the Customer continued to have a beneficial interest in the Property after default (notwithstanding the provisions of the Diminishing Co-ownership Agreement), it would still be possible for the provider of the home finance to sell the Property free of the beneficial interest of the Customer. This would require the provider of the home finance to comply with the provisions of the Trusts of Land and Appointment of Trustees Act 1996, in particular applying to the court for an order for sale pursuant thereto.

Home Purchase Plans (or other Sharia compliant home finance products) represent less than one per cent. of the UK residential mortgage market. Accordingly, the experience of the courts in enforcing Home Purchase Plans is, relative to enforcing conventional mortgages, very limited. There is therefore a risk that the courts will not be as efficient in processing orders for possession under the Home Purchase Plans as they would be in granting enforcement orders in respect of conventional mortgages. There is therefore a risk that the Trustee will, if any given customer defaults, take longer to recover the unpaid amounts than would be the case if it were the lender under a conventional mortgage loan.

Such delays may reduce the amount that the Trustee recovers or may result in it incurring greater costs than would be the case if it were a lender under a conventional mortgage loan. In these circumstances, a Certificateholder may suffer a loss or may suffer a greater loss than it would have suffered had the Home Purchase Plans in the Completion Pool been conventional mortgage loans.

#### ***Al Rayan has never enforced an HPP Agreement to date***

To date, Al Rayan has not experienced a default on a Home Purchase Plan by a Customer. Accordingly, it has not yet had cause to seek enforcement of a Home Purchase Plan in the courts of England and Wales (or anywhere else in the United Kingdom). There is therefore no precedent that Al Rayan is aware of as to how the English courts would treat a Home Purchase Plan or whether enforcement of the same would be any more or less onerous for the financier than the enforcement by a lender of a conventional English mortgage.

Al Rayan has taken legal advice regarding the enforceability of its Home Purchase Plans and expects, based on that advice, that it would be able to enforce its Home Purchase Plans against a Customer who defaulted. However, there can be no assurance that such enforcement would be successful or that the process would not be more protracted than would be the case when enforcing a conventional residential mortgage.

#### ***Al Rayan as landlord risk***

Al Rayan may, in its capacity as landlord under the leases forming part of the Home Purchase Plans, be exposed to risks that would not apply to a conventional mortgage lender. Such risks might include liability for injuries suffered by persons on the premises, liability for rents owed to superior landlords (in the case of leaseholder properties), liability for substances escaping the premises or liability for property taxes. As part of the terms of the Home Purchase Plans, Al Rayan requires its customers to take steps to

ensure that the circumstances that might lead to such liabilities do not arise or to indemnify Al Rayan from any such liabilities that do arise. However, if such customer is unable or unwilling to comply with such obligations, then Al Rayan may nevertheless suffer loss in respect of such liability. This may in turn reduce the amount available to the Trustee from receipts under or recoveries in respect of Home Purchase Plans and lead to Certificateholders suffering loss.

### ***Being in possession of a Customer's property***

Where the Servicer, or following legal title transferring to the Trustee, the Trustee, takes enforcement proceedings against a Customer, it may be deemed to be, in respect of Properties in England, in possession of a Property if there is a physical entry into possession of any Property or an act of control or influence which may amount to possession (such as receiving rental income directly from a relevant tenant). Being in possession of Property may result in the Servicer or the Trustee (as applicable) incurring liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), could also incur the liabilities of a property owner. The Servicer would be indemnified for such liability by the Trustee and payment of such indemnity might reduce amounts available to Certificateholders.

There is also a possibility that a court might hold that the Servicer or the Trustee (as applicable) was in a position sufficiently analogous to a mortgagee in possession that it should be subject to the same duties and liabilities as a mortgagee in possession. These liabilities can be avoided by not going into possession of the relevant Property but instead appointing a receiver, and the terms of the Home Purchase Plan Agreements do provide for the Servicer to appoint a receiver on the enforcement of any Home Purchase Plan. However, should the Servicer or the Seller (as applicable) be held to hold the same duties as a mortgagee in possession, then those duties include acting in good faith towards the mortgagor (in this case, the Customer), accounting to the mortgagor for any proceeds of sale of the Property that exceed the amount due to the mortgagee, obtaining the best price reasonably possible on any sale of the Property and taking reasonable steps to maintain the Property. These duties are in any event very similar to those imposed on a Regulated Home Purchase Plan provider by the FCA under MCOB and which the Servicer is thereby required to have procedures and policy in place to ensure compliance with. Nevertheless, if the Servicer or the Trustee (as applicable) was held to have such duties and to have failed to comply with them, they would be liable to compensate a customer who has suffered loss as a result and payment of such compensation might reduce the amount available to the Trustee to make payment to Certificateholders and Certificateholders might therefore suffer loss.

### ***Responsible Financing and Dealing with Customers in Arrears***

Financiers regulated by the FSMA are subject to "responsible financing" requirements in relation to Regulated Home Purchase Plans (as defined above). They are obliged to take account of the customer's ability to pay before deciding to enter into a Regulated Home Purchase Plan (or to provide further financing on such a contract). They must also put in place, and operate in accordance with, a written responsible financing policy.

Financiers regulated by the FSMA are subject to rules on treating customers in arrears fairly, including after the sale of repossessed property.

### ***Consultation Paper on the power of sale and residential property***

On 29 December 2009, the Ministry of Justice of the United Kingdom published a consultation paper (entitled "Mortgages: power of sale and residential property" (CP55/09)) which contains proposals to amend the law to prevent mortgagees from selling residential properties in England and Wales without a court order or the consent of the Customer. It is not known if, and to what extent, these proposals will be enacted in the future as a matter of law. If the proposals are enacted, the ability of a home finance provider to exercise its power of sale in relation to a home purchase plan may be restricted (on the basis that home purchase plans are regulated under MCOB and any changes that may be enacted under proposals relating to mortgages are likely to apply to home purchase plans in the same manner) and this may affect the Trustee's ability to make payments on the Certificates.

### ***Unfair terms in consumer contracts***

### *Unfair Terms in Consumer Contracts Regulations 1994 and 1999*

The Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**") and (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 prior to 1 October 2015 and apply to approximately 38 per cent. of the aggregate number of Portfolio Assets.

The UTCCR provides that:

- (a) a consumer (which would include a Customer under all of the Portfolio Assets) may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term); and
- (b) 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.

The UTCCR will not affect terms, which set out the main subject matter of the contract such as the Customer's obligation to pay acquisition amounts under the Home Purchase Plans (**provided that** these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention). The UTCCR may affect terms which are not considered to define the main subject matter of the contract, which may include certain terms imposing early payment charges and exit administration fees, and other terms the application of which are in the finance provider's discretion.

For example, if a term permitting the finance provider to vary the rent rate is found to be unfair, the Customer would not be liable to pay the increased rate or, to the extent that he has paid it, would be able, as against the finance provider or any assignee such as the Trustee, to claim repayment of the extra rent amounts paid or to set-off the amount of such claim against the amount owing by the Customer under the home purchase plan or under any other financing agreement that the Customer has taken with the finance provider. Any such non-recovery, claim or set-off ultimately may adversely affect the ability of the Trustee to make payments to Certificateholders.

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

The FCA and the CMA now have joint responsibility for protecting the interests of consumers. On 12 January 2016 the FCA and the CMA published a joint memorandum of understanding on the use of concurrent powers under consumer protection legislation. This sets out (among other things) a framework for consumer law and how the FCA and the CMA will exercise their powers under consumer law. It provides a general outline of the role of each authority, and explains their intention to work together towards the shared purpose of making financial markets work well for consumers.

Historically the OFT, FSA and FCA (as appropriate) have issued guidance on the UTCCR. This has included (i) OFT guidance on fair terms for rate variation in mortgage contracts dated February 2000, (ii) an FSA statement of good practice on fairness of terms in consumer contracts dated May 2005, (iii) an FSA statement of good practice on mortgage exit administration fees dated January 2007; and (iv) FSA finalised guidance on unfair contract terms and improving standards in consumer contracts dated January 2012. However, 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. Such material "no longer reflects the FCA's views on unfair contract terms" and firms should no longer rely on the content of the documents that have been removed. The FCA has not indicated how it considers the material it has removed to be inconsistent with its current views, nor has it said when it expects to be in a position to update the withdrawn materials.

The FCA will consider how the guidance should be updated in light of the following developments: Consumer Rights Act 2015; the CMA's guidance consultation on the unfair contract terms provisions in the Consumer Rights Act, which closed to comments on 30 March 2015; and Court of Justice of the EU

(The European Court of Justice) case law concerning the Unfair Contracts Terms Directive (93/13/EC). These are outlined in further detail below.

The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explained the FCA's policy on how it used its formal powers under the 1999 Regulations, although comprehensive guidance on the UTCCR themselves was not provided.

Whilst the FCA has powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Home Purchase Plans which have been made or may be made to Customers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the Home Purchase Plans. If any term any Portfolio Asset is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Trustee to make payments to Certificateholders on the Certificates.

Any regulatory or legislative changes or further actions required of the Seller and its affiliates such as those described above may adversely affect the ability of the Trustee to make payments to the Certificateholders.

#### *Consumer Rights Act 2015*

The Consumer Rights Act 2015 ("**CRA**") came into force on 1 October 2015 and applies to agreements made on or after that date. 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. The CRA revokes the UTCCR and introduces a new regime for dealing with unfair contractual terms as follows:

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

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

Provided that it is transparent and prominent (and does not appear on the "grey list"), a term of a consumer contract may not be assessed for fairness to the extent that: (i) it specifies the main subject matter of the contract; and/or (ii) the assessment is of the appropriateness of the price payable under the contract by comparison with the goods, digital content or services supplied under it. A trader must ensure that a written term of a consumer contract, or a consumer notice in writing, is transparent i.e. that it is expressed in plain and intelligible language and is legible.

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

The provisions in the CRA governing unfair contractual terms came into force on 1 October 2015. The Unfair Contract Terms Regulatory Guide (UNFCOG in the FCA handbook) explains the FCA's policy on how it uses its formal powers under the CRA and the CMA published guidance on the unfair terms provisions in the CRA on 31 July 2015. This new regime does not seem to be significantly different from the regime under the UTCCR. However, this area of law is rapidly developing and we can expect new regulator guidance and case law as a result of this new legislation. 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 Trustee and their respective businesses and operations. There can be no assurance that any such changes (including changes in regulators' responsibilities) will not affect the Portfolio Assets.

#### *Case law of the ECJ on unfair terms*

It is likely that such guidance (and any attendant guidance issued by the FCA) will take account of recent developments in ECJ case law on the interpretation of the Unfair Terms Directive (93/13/EEC) (which was implemented in the UK by the UTCCR) including: (i) *Nemzeti Fogyasztóvédelmi Hatóság v Invitel Távközlési Zrt* where the ECJ ruled that mandatory rules on variation and termination rights must be set out clearly in consumer contracts; and (ii) *RWE Vertrieb AG v Verbraucherzentrale* which emphasises the foundations of consumer protection on inequality of bargaining power and imbalances in information.

In the case of *Árpad Kásler and Hajnalka Káslerné Rábai v OTP Jelzálogbank ZRT* the ECJ ruled that, under the Unfair Terms Directive, the expression the "main subject matter of a contract" covers such a term only in so far as it lays down an essential obligation of that agreement that, as such, characterises it and that such a term, in so far as it contains a pecuniary obligation for a consumer to pay, in payment of instalments of finance, cannot be considered as "remuneration" the adequacy of which as consideration for a service supplied by the finance provider that cannot be the subject of an examination as regards unfairness. Secondly, the requirement for a contractual term to be drafted in plain intelligible language is to be understood as requiring that the relevant term should be grammatically intelligible to the consumer, so that the consumer is in a position to evaluate, on the basis of clear, intelligible criteria, the economic consequences for him that derive from it. Finally, where a contract concluded between the seller or supplier and a consumer cannot continue in existence after an unfair term has been deleted, that provision does not preclude a rule of national law enabling the national court to cure the invalidity of that term by substituting for it a supplementary provision of national law.

It remains to be seen how these judgements will impact the position in the UK. No assurance can be given that this case law will not have a material adverse effect on the Seller or the Trustee and their respective businesses and operations. There can be no assurance that this case law will not affect the Portfolio Assets.

#### ***Financial Services (Distance Marketing) Regulations 2004***

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by a "consumer" within the meaning of these regulations by means of distance communication (i.e. without any substantive simultaneous physical presence of the finance provider and the customer). A Regulated Home Purchase Plan under the FSMA (if originated by a UK finance provider from an establishment in the UK) will not be cancellable under these regulations but will be subject to related pre-contract disclosure requirements in MCOB. Any other credit agreement will be cancellable under these regulations, if the Customer does not receive prescribed information at the prescribed time, or in any event for certain unsecured financing. The Customer may send notice of cancellation under these regulations at any time before the end of the fourteenth day after the day on which the cancellable agreement is made, where all the prescribed information has been received or, if later, the Customer receives the last of the prescribed information.

If the Customer cancels the credit agreement under these regulations, then: (a) the Customer is liable to pay the principal and any other sums paid by the lender/finance provider to the Customer under or in relation to the cancelled agreement, within 30 days beginning with the day of the Customer sending notice of cancellation or, if later, the originator receiving notice of cancellation; (b) the Customer is liable to pay interest, or any early payment charge or other charge for credit under the cancelled agreement, only if the Customer received certain prescribed information at the prescribed time and if other conditions are met (although this is not permitted under HPP agreements); and (c) any security is treated as never having had effect for the cancelled agreement.

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

### ***Consumer Protection from Unfair Trading Regulations 2008***

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Commercial Practices Directive**" or "**UCP**"). Generally, the Unfair Commercial Practices Directive applies full harmonisation, which means that member states of the European Union may not impose more stringent provisions in the fields to which full harmonisation applies. By way of exception, this Directive permits member states of the European Union to impose more stringent provisions in the fields of financial services and immovable property, such as home purchase plans. The Unfair Commercial Practices Directive provided for a transitional period until 12 June 2013 for applying full harmonisation in the fields to which it applies. The Unfair Commercial Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 (the "**CPUTRs**"). The CPUTRs came into effect on 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential home purchase plan market.

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

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

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair.

The Law Commission and the Scottish Law Commission reviewed the current private law in this area and found it to be fragmented and unclear. On 28 March 2012 the two Commissions published a report entitled "Consumer Redress for Misleading and Aggressive Practices", which sets out recommendations for reform.

On 14 March 2013 the European Commission published the results of its review on the application of the UCP. The Commission does not propose amending the UCP but has indicated that intensified national enforcement and reinforced cooperation in cross-border enforcement are needed. Going forward the Commission will consider how it can play a more active role in enforcement and will continue to perform in-depth reviews of how the directive works in practice.

The Consumer Protection (Amendment) Regulations 2014 came into force on 1 October 2014. This legislation gives consumers a direct right of action including a right to unwind agreements within 90 days of entering into the contract if a misleading or aggressive practice under the CPUTRs was a significant factor in the consumer's decision to enter into the contract. The amendments to CPUTRs also extend the regime so that it covers misleading and aggressive demands for payment: The legislation applies to demands for payment for restricted-use credit (where the credit must be used to finance a particular transaction) where the misleading or aggressive commercial practice: (i) began before 1 October 2014 and continues after that date – however, a consumer will only be able to exercise his new direct rights of action if a contract is entered into, or payments are made, after the date the legislation comes into force; and (ii) occurs on or after 1 October 2014. This will apply to any debt collection activity with regard to demands for payment.

The effect (if any) of the CPUTRs on the Portfolio Assets, the Seller or the Trustee and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator and may lead to criminal sanctions.

No assurance can be given that the CPUTRs will not adversely affect the ability of the Trustee to make payments to Certificateholders.

### ***Environmental legislation***

Environmental legislation establishing a contaminated land regime was brought into force in April 2000. This legislation places liability for clean-up costs on the owner or occupier of contaminated land where no person can be found who has caused or knowingly permitted the presence of the substances which have led to the pollution. The term "owner" means a person (other than a mortgagee) who, whether in his own right or as trustee for any other person, is entitled to receive the rack rent from the land, or where the land is not let at a rack rent, would be so entitled if it were so let. Thus, if land which falls within the title to any of the Properties and the freehold (or in the case of long leaseholds for a rent which is less than rack rent, such long leasehold title) is contaminated, then where the person cannot be found who caused or knowingly permitted such contamination to occur, the Trustee might be liable for the costs of cleaning up such contamination. The Seller has insurance cover in respect of environmental risk on all of the Home Purchase Plans entered into by Al Rayan to a maximum value of GBP1,000,000 across Al Rayan's entire home purchase plan business. Al Rayan will assign its interest in such insurance, to the extent relevant to the Portfolio Assets, to the Trustee. In the event that the cost of cleaning up such contamination exceeds the GBP1,000,000 insurance proceeds (whether in respect of one or more Portfolio Assets or a combination of Portfolio Assets and other Home Purchase Plans held by Al Rayan which may utilise the entire insurance coverage), the Trustee would be liable to make up any shortfall relating to the Portfolio Assets. This may lead to the Trustee having insufficient funds available to repay in full all amounts due to the Certificateholders and the Certificateholders may suffer a loss as a result.

Other environmental legislation concerning statutory nuisance also places liability on the owner or occupier instead of the person responsible for the nuisance in some circumstances. In the relevant legislation, the concept of "owner" has not been defined and could include any person with a proprietary interest in the property. The owner or occupier would be responsible where the nuisance cannot be found or the nuisance has not yet occurred.

Owners and occupiers may also have liabilities at common law.

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

#### ***EU Referendum***

On 23 June 2016 the United Kingdom voted to leave the European Union (the "EU") in a referendum (the "**Brexit Vote**") and on 29 March 2017 the United Kingdom gave formal notice (the "Article 50 Notice") under Article 50 of the Treaty on European Union ("**Article 50**") of its intention to leave the EU.

The timing of the UK's exit from the EU remains subject to some uncertainty, but it is unlikely to be before March 2019. Article 50 provides that the EU treaties will cease to apply to the UK two years after the Article 50 Notice unless a withdrawal agreement enters into force earlier or the two year period is extended by unanimous agreement of the UK and the European Council.

The terms of the UK's exit from the EU are also unclear and will be determined by the negotiations taking place following the Article 50 Notice. It is possible that the UK will leave the EU with no withdrawal agreement in place if no agreement can be reached and approved by all relevant parties within the allotted time. If the UK leaves the EU with no withdrawal agreement, it is likely that a high degree of political, legal, economic and other uncertainty will result.

In addition to the economic and market uncertainty this brings (see "*Market Uncertainty*" below) there are a number of potential risks for the Transaction that Certificateholders should consider:



### *Political uncertainty*

The UK is experiencing a period of acute political uncertainty connected to the negotiations with the EU. Such uncertainty could lead to a high degree of economic and market disruption and legal uncertainty. It is not possible to ascertain how long this period will last and the impact it will have on the UK in general and the market, including market value and liquidity, for asset-backed securities similar to the Certificates in particular. The Trustee cannot predict when or if political stability will return, or the market conditions relating to asset-backed securities similar to the Certificates at that time.

### *Legal uncertainty*

A significant proportion of English law currently derives from or is designed to operate in concert with European Union law. This is especially true of English law relating to financial markets, financial services, prudential and conduct regulation of financial institutions, bank recovery and resolution, payment services and systems, settlement finality, market infrastructure, and mortgage credit regulation. The European Union (Withdrawal) Bill introduced into the UK Parliament on 13 July 2017 (the "**Withdrawal Bill**") aims to incorporate the EU law *acquis* into UK law the moment before the UK ceases to be a member of the EU, with the intention of limiting immediate legal change. The Withdrawal Bill, if enacted in the form in which it was introduced, would grant the UK Government wide powers to make secondary legislation in order to, among other things, implement any withdrawal agreement and to adapt those laws that would otherwise not function sensibly once the UK has left the EU, the whole with minimal parliamentary scrutiny. The secondary legislation made under those powers would be able to do anything that could be done by an act of Parliament. Over time, however – and depending on the timing and terms of the UK's exit from the EU – significant changes to English law in areas relevant to the Transaction and the parties to the Transaction are likely. The Trustee cannot predict what any such changes will be and how they may affect payments of principal and profit to the Certificateholders.

### *Regulatory uncertainty*

There is significant uncertainty about how financial institutions from the remaining EU (the "**EU27**") with assets (including branches) in the UK will be regulated and vice versa. At present, EU single market regulation allows regulated financial institutions (including credit institutions, investment firms, alternative investment fund managers, insurance and reinsurance undertakings) to benefit from a passporting system for regulatory authorisations required to conduct their businesses, as well as facilitating mutual rights of access to important elements of market infrastructure such as payment and settlement systems. EU law is also the framework for mutual recognition of bank recovery and resolution regimes.

Once the UK ceases to be a Member State of the EU, the current passporting arrangements will cease to be effective, as will the current mutual rights of access to market infrastructure and current arrangements for mutual recognition of bank recovery and resolution regimes. In addition, the potential change in the regulatory framework may in the future impact on the eligibility of the Certificates as Eurosystem eligible collateral under the Eurosystem monetary policy framework of the European Central Bank. The ability of regulated financial institutions to continue to do business between the UK and the EU27 after the UK ceases to be a Member State of the EU would therefore be subject to separate arrangements between the UK and the EU27. Although the UK Government has said that it "will be aiming for the freest possible trade in financial services between the UK and EU Member States" in a white paper setting out its Brexit negotiation objectives, there can be no assurance that there will be any such arrangements concluded and, if they are concluded, when and on what terms. Such uncertainty could adversely impact the ability of third parties who are regulated financial institutions to provide services to the Trustee and the Transaction.

### *Market uncertainty*

Since the Brexit Vote, there has been volatility and disruption of the capital, currency and credit markets, including the market for asset-backed securities. There may be further volatility and disruption depending on the conduct and progress of the formal withdrawal negotiations initiated by the Article 50 Notice.

Potential investors should be aware that these prevailing market conditions affecting asset-backed securities could lead to reductions in the market value and/or a severe lack of liquidity in the secondary market for instruments similar to the Certificates. Such falls in market value and/or lack of liquidity may

result in investors suffering losses on the Certificates in secondary resales even if there is no decline in the performance of the securitised portfolio.

The Trustee cannot predict when these circumstances will change and whether, if and when such circumstances do change, there would be an increase in the market value and/or there will be a more liquid market for the Certificates and instruments similar to the Certificates at that time.

#### *Counterparty risk*

Counterparties on the Transaction may be unable to perform their obligations due to changes in regulation, including the loss of existing regulatory rights to do cross-border business. Additionally, they may be adversely affected by rating actions or volatile and illiquid markets (including currency markets and bank funding markets) arising from the Brexit Vote, the Article 50 Notice and the conduct and progress of the formal withdrawal negotiations. As a result, there is an increased risk of such counterparties becoming unable to fulfil their obligations which could have an adverse impact on Certificateholders.

#### *Adverse economic conditions affecting obligors*

The uncertainty and market disruption following the Brexit Vote and the delivery of the Article 50 Notice may cause investment decisions to be delayed, reduce job security and damage consumer confidence. The resulting adverse economic conditions may affect obligors' willingness or ability to meet their obligations, resulting in increased defaults in the securitised portfolio and may ultimately affect the ability of the Trustee to pay profit and pay principal to Certificateholders.

#### *Break-up of the UK*

The Brexit Vote has also caused increased constitutional tension within the UK. Majorities of voters in both Scotland and Northern Ireland voted to remain in the European Union. Leading figures in both Scotland and Northern Ireland have suggested that they have a mandate from their voters to remain in the EU and might seek to leave the United Kingdom in order to achieve that outcome. The border between Northern Ireland and the Republic of Ireland has been a particularly difficult and contentious issue in the withdrawal negotiation thus far. The Trustee cannot predict the outcome of this continuing constitutional tension or how the possible future departure of Scotland and/or Northern Ireland from the UK would affect the Transaction and the ability of the Trustee to pay profit and pay principal to Certificateholders.

#### *Rating actions*

The Brexit Vote has resulted in downgrades of the UK sovereign and the Bank of England by S&P and by Fitch. S&P, Fitch and Moody's have all placed a negative outlook on the UK sovereign rating and that of the Bank of England, suggesting a strong possibility of further negative rating action.

The rating of the sovereign affects the ratings of entities operating in its territory, and in particular the ratings of financial institutions. Further downgrades may cause downgrades to counterparties on the Transaction meaning that they cease to have the relevant required ratings to fulfil their roles and need to be replaced. If rating action is widespread, it may become difficult or impossible to replace counterparties on the Transaction with others who have the required ratings on similar terms or at all.

Moreover, a more pessimistic economic outlook for the UK in general could lead to increased concerns around the future performance of the securitised portfolio and accordingly the ability of the Trustee to pay profit and pay principal to Certificateholders and the ratings assigned to the Certificates on the Issue Date could be adversely affected.

While the extent and impact of these issues is unknown, Certificateholders should be aware that they could have an adverse impact on Certificateholders and the payment of profit and payment of principal on the Certificates.

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

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the FSA (which term, when used in relation to a date on or after 1 April 2013, shall be deemed to refer to the FCA and/or PRA (as applicable)) (the FSA together with HM Treasury

and the Bank of England, the "**Authorities**") as part of the special resolution regime (the "**SRR**"). These powers (which apply regardless of any contractual provisions) enable the Authorities to deal with and stabilise United Kingdom-incorporated institutions with permission to accept deposits pursuant to Part IV of the FSMA (each a "**relevant entity**") that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of s.41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" wholly-owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances. In the event that the Banking Act 2009 applies to this transaction this may result in a change in the contractual terms applicable to the Certificates without the consent of the Certificateholders. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the relevant entity could be made.

The Banking Act also includes provisions relating to two new insolvency procedures which may be commenced by specified UK authorities (bank insolvency and bank administration). The tools currently available under the Banking Act include share and property transfer powers (including powers for partial property transfers), certain ancillary powers (including powers to modify certain contractual arrangements in certain circumstances) and special insolvency procedures which may be commenced by the UK authorities. It is possible that these extended tools could be used prior to the point at which an application for insolvency proceedings with respect to a relevant entity could be made. In general, there is considerable uncertainty about the scope of the powers afforded to Authorities under the Banking Act and how the Authorities may choose to exercise them. Further, UK authorities have a wide discretion in exercising their powers under the special resolution regime, including modifying or setting aside any Act of Parliament by order of HM Treasury to facilitate its Banking Act objectives.

In general, the Banking Act requires the 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 transfer instruments and orders made under it. The Authorities are also empowered by order to amend the law for the purpose of enabling the powers under the SRR to be used effectively. An order may make provision which has retrospective effect.

If an instrument or order were to be made under the Banking Act in respect of a relevant entity, such instrument or order may (amongst other things) affect the ability of such entity to satisfy its obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination and acceleration events). As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Trustee to meet its obligations in respect of the Certificates. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Certificateholders would recover compensation promptly and equal to any loss actually incurred.

Amendments have also been made to the Banking Act to introduce a new bail-in tool, which tool permits the Bank of England in certain circumstances to cancel or modify contracts for the purposes of reducing or deferring liabilities of relevant entities (including UK banks, banking group companies and building societies) and/or to convert liabilities of such entities into different forms.

This regime has also been amended to ensure that it is compliant with the EU's Bank Recovery and Resolution Directive (2014/59/EU) (the "**BRRD Directive**"). The BRRD Directive was published in the Official Journal of the EU on 12 June 2014 and came into force on 2 July 2014. Amongst other things, the BRRD Directive provides for the introduction of a package of minimum early intervention and

resolution-related tools and powers for relevant authorities (including a bail-in tool) and for special rules for cross-border groups. The BRRD Directive has been implemented in the UK via the Bank Recovery and Resolution Order 2014 ("**BRRD Order**"), which came into force on 1 January 2015. On 23 March 2016 the BRRD Directive was supplemented by Commission Delegated Regulation ((EU) 2016/1075), which sets out certain regulatory technical standards relating to the resolution framework.

The stabilisation tools may be used in respect of certain banking group companies provided certain conditions are met. If the Trustee 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 made available to make payments in respect of the Certificates and/or in the modification, cancellation or conversion of any unsecured portion of the liability of the Trustee under the Certificates 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 Trustee, although aspects of the relevant provisions are not entirely clear.

If the bail-in powers were used in respect of a bank, then pursuant to s.81D of the Banking Act, a banking group company is defined for the purposes of such powers to be an "undertaking which is... in the same group as" the relevant bank. The term "in the same group" is not defined for these purposes. As a result, it is not clear whether or not the Trustee would be regarded to be in the same group 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 group relationship, and the Seller is not a member of the Trustee and does not hold or control any voting rights in the Trustee. As a result the Certificates are not eligible liabilities in respect of which the bail-in tool may be used if the security is sufficient to secure the Certificates at the relevant time.

There can be no assurance that the Certificateholders will not be adversely affected by the amendments and/or any action taken under the new bail-in tool. Accordingly, it is not yet possible to assess the full impact of the UK bail-in tool on a relevant entity and there can be no assurance that it will not materially and adversely affect the relevant entity's operating results, financial position and prospects.

At present, the Authorities have not made an instrument or order under the Banking Act or the BRRD Order in respect of the relevant entities referred to above and there has been no indication that it will make any such instrument or order, but there can be no assurance that this will not change and/or that Certificateholders will not be adversely affected by any such instrument or order if made.

### ***Securitisation Regulation***

In February 2015 the European Commission unveiled its plans to boost funding and growth across the European Union by creating a Capital Markets Union. On 30 May 2017, political agreement was reached on the EU Securitisation Regulation which forms part of the Capital Markets Union initiative. On 11 July 2017, the provisionally agreed text of the new securitisation regulation and associated regulation to amend CRP (together, the "**Securitisation Regulation**") were approved on behalf of the European Parliament and the Council of the European Union, and on 26 October 2017 the European Parliament voted on and approved the Securitisation Regulation. There are some uncertainties surrounding the application of the Securitisation Regulation until Level 2 Technical Regulations are published.

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

No assurance can be given that action and rules and regulations, additional to those discussed above, from any regulatory authority will not be implemented with regard to the home purchase plan market in the United Kingdom generally, the particular sector in that market in which the Seller operates 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 Portfolio Assets, the Seller and the Trustee and their respective businesses and operations. This may adversely affect the Trustee's ability to make payments to the Certificateholders.

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

The Trustee 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 Certificates. In certain circumstances,

including the occurrence of certain insolvency events in respect of the Trustee, the ability to realise the Security may be delayed and/or the value of the Security impaired. While the transaction structure is designed to minimise the likelihood of the Trustee becoming insolvent, there can be no assurance that the Trustee will not become insolvent and/or the subject of insolvency proceedings and/or that the Certificateholders would not be adversely affected by the application of insolvency laws (including English insolvency laws).

In particular, the ability to realise the Security granted may be delayed if an administrator is appointed or in the context of a company voluntary arrangement in respect of the Trustee. 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 markets. While it is anticipated that the requirements of this exception will be met, it should be noted that the Secretary of State for Business, Innovation and 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 Trustee 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 markets and/or which has a liability in excess of a certain amount. While the Trustee should fall within the current exceptions, it should be noted that the Secretary of State for Business, Innovation and Skills may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the Trustee 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 s. 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 Trustee 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 question of fact as to whether the Trustee has any other such creditors at any time. There can be no assurance that the Certificateholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security. (See "*Liquidation Expenses*" below).

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

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. Such provisions are similar in effect to the terms which will be included in the Transaction Documents.

The UK Supreme Court has affirmed that such a subordination provision is valid under English law. Contrary to the determination of the UK Supreme Court, the US Bankruptcy Court held that such a subordination provision is unenforceable under US bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a US bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known.

If a creditor of the Trustee or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the US), and it is owed a payment by the Trustee, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination

provisions included in the English law governed Transaction Documents. Laws may be relevant in certain circumstances with respect to a range of entities, including US established entities and certain non-US established entities with assets or operations in the US (although the scope of any such proceedings may be limited if the relevant non-US entity is a bank with a licensed branch in a US state). In general, if a subordination provision included in the Transaction Documents 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 Certificateholders, the market value of the Certificates, and/or the ability of the Trustee to satisfy its obligations under the Certificates.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of the payments due to certain parties in certain circumstances post-enforcement, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Certificates. If any rating assigned to the Certificates is lowered, the market value of the Certificates may be adversely affected.

### ***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, in general the costs and expenses of a liquidation (including certain tax charges) will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to provisions set out in the Insolvency Rules 1986.

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

### ***Impact of regulatory initiatives on certain investors***

Regulatory initiatives may result in increased regulatory capital requirements for certain investors and/or decreased liquidity in respect of the Certificates. 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 capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Certificates are responsible for analysing their own regulatory position and none of the Trustee, the Arranger, the Joint Lead Managers, or the Seller makes any representation to any prospective investor or purchaser of the Certificates regarding the regulatory capital treatment of their investment (or the liquidity of such investment as a result thereof) on the Issue Date or at any time in the future.

### ***Risks relating to U.S. Volcker Rule***

The Trustee has been structured so as not to constitute a "covered fund" for purposes of the Volcker Rule and its implementing regulations. If the Trustee is considered a "covered fund", the liquidity of the market for the Certificates may be materially and adversely affected, since banking entities could be prohibited from, or face restrictions in, investing in the Certificates. See "*Certain Regulatory Disclosures – Volcker Rule*" for more detail.

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

The credit risk retention regulations implemented by U.S. Federal regulatory agencies including the U.S. Securities and Exchange Commission pursuant to s.15G of the Exchange Act (the "**U.S. Risk Retention Rules**") generally require the "sponsor" of a "securitization transaction" to retain at least five per cent. of the "credit risk" of the "securitized assets", as such terms are defined for the purposes of that statute, and

generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

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

The Certificates may not be purchased by a Risk Retention U.S. Person except in accordance with the exemption under s.20 and with the prior written consent of Al Rayan. Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not identical to, the definition of U.S. person under Regulation S and persons who are not U.S. Persons under Regulation S may be Risk Retention U.S. Persons.

There can be no assurance that the exemption provided for in s. 20 of the U.S. Risk Retention Rules regarding non-U.S. transactions will be available. Furthermore, the impact of the U.S. Risk Retention Rules on the securitisation market generally is uncertain and no assurance can be given as to whether failure of the transaction to comply with the U.S. Risk Retention Rules (regardless of the reason for such failure to comply) may give rise to regulatory action which may adversely affect the market value and secondary market liquidity of the Certificates.

None of the Trustee, the Joint Lead Managers or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Certificates as to whether the transaction described in this Prospectus complies with the U.S. Risk Retention Rules on the Issue Date or at any time in the future. Investors should consult their own advisers as to the U.S. Risk Retention Rules. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

#### ***European risk retention requirements***

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 the position of its certificate in the relevant priorities of payment, the underlying assets and (in the case of certain types of investors) the relevant sponsor or originator and (ii) the originator, sponsor or original finance provider 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 five 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 Certificates 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 Seller has agreed to retain the Deferred Purchase Price, on an ongoing basis as an originator within the meaning of the CRR, AIFMR and the Solvency II Delegated Act, a material net economic interest equivalent to a minimum of five per cent. of the net securitised Portfolio Assets and will do so in

accordance with paragraph (d) of Article 405(1) of the CRR, Article 51(1)(d) of the AIFMR and Article 254(2)(d) of the Solvency II Delegated Act.

Failure by an investor, investment manager, a credit institution, investment firm, alternative investment fund manager or any other investor to comply with any applicable EU risk retention rules with respect to an investment in the Certificates offered by this Prospectus may result in the imposition of a penalty regulatory capital charge on that investment or of other regulatory sanctions. The EU risk retention rules and any other changes to the regulation or regulatory treatment of the Certificates for some or all investors may negatively impact the regulatory position of affected investors and investment managers and have an adverse impact on the value and liquidity of the Certificates offered by this Prospectus. Prospective investors should analyse their own regulatory position, and are encouraged to consult with their own investment and legal advisors, regarding application of and compliance with any applicable risk retention rules or other applicable regulations and the suitability of the offered Certificates for investment and none of the Trustee, the Arranger, the Joint Lead Managers, the Seller or any other party to a Transaction Document makes any representation that the information described above is sufficient in all circumstances for such purposes.

### ***Implementation of and/or changes to the Basel Framework***

The Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to Basel II (being the revised international capital framework of the Basel Committee, published in 2004) regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as "**Basel III**"). In particular, Basel III provides for a substantial strengthening of existing prudential rules, including requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). The European Commission published the final version of the Delegated Regulation for the LCR in October 2014, which was published in the Official Journal of the EU on 17 January 2015 and applies from 1 October 2015. The minimum LCR requirement of 60 per cent. as of October 2015 will reach 100 per cent. as of 1 January 2018. The Net Stable Funding Ratio is intended to apply from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation.

The Basel III reforms are being implemented in the European Economic Area ("**EEA**") through the Capital Requirements Regulation and the Capital Requirements Directive (together "**CRD IV**"). CRD IV became effective in the UK and other EU member states on 1 January 2014. CRD IV permits a transitional period for certain of the enhanced capital requirements and certain other measures which are not expected to be fully implemented until 2019. In particular, there is currently no proposed draft regulation in relation to the application of the Net Stable Funding Ratio.

Implementation of the Basel framework (to the extent that it has not already been fully implemented in member countries) and/or of any of the changes put forward by the Basel Committee as described above may have an impact on the capital requirements in respect of the Certificates and/or on incentives to hold the Certificates for investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Certificates.

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

### ***Tax Considerations***

#### ***United Kingdom Taxation Position of the Trustee***

The Taxation of Securitisation Companies Regulations (the "**Tax Regulations**") were made under s.84 of the Finance Act 2005 (now s.624 of the Corporation Tax Act 2010) on 11 December 2006 to deal with the corporation tax position of securitisation companies such as the Trustee with effect for their periods of account beginning on or after 1 January 2007. If the Tax Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in



accordance with the transaction documents. Based on an opinion received from Norton Rose Fulbright LLP, the Trustee considers that it will be taxed under the special taxation regime for which provision is made by the Tax Regulations. Investors should note, however, that the Tax Regulations are in short form and it is expected that advisors will rely significantly upon guidance from the United Kingdom tax authorities when advising on the scope and operation of the Tax Regulations including whether any particular company falls within the regime provided for in the Tax Regulations. Investors should note that if the Trustee did not fall to be taxed under this regime then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Trustee incurring unfunded tax liabilities. Any unforeseen taxable profits in the Trustee could have an adverse effect on its ability to make payments to Certificateholders.

#### *Withholding or deduction under the Certificates*

In the event that a withholding or deduction for or on account of any taxes is imposed by applicable law in respect of amounts payable under the Certificates, neither the Trustee nor the Principal Paying Agent nor any other person is obliged to gross up or otherwise compensate holders of Certificates for the lesser amounts which they will receive as a result of the imposition of such withholding or deduction.

Following the imposition of such withholding or deduction in respect of the Certificates, the Trustee may redeem the Certificates subject to the requirements of and in accordance with Condition 5(e) (*Dissolution for Taxation or Other Reasons*) of the Certificates if the Trustee has sufficient funds available, thereby shortening the average lives of the Certificates.

#### *SDLT*

The transfer of the Portfolio Assets to the Trustee and the issue of the Certificates (including the declaration of trust in favour of the Certificateholders) involves transfers of land. The UK SDLT legislation contains an exemption (at s.73B Finance Act 2003) which should ensure that no SDLT becomes payable on a transfer of legal or beneficial title to the Portfolio Assets to the Trustee. There is also an exemption (at paragraph 2 schedule 61 Finance Act 2009 and s.564S Income Tax Act 2007) which should ensure that no SDLT is payable on the issue of the Certificates.

The Trustee has been advised that SDLT should not be imposed on the transfer of the Portfolio Assets or the issue of the Certificates. However if SDLT were imposed on the transfer of the Portfolio Assets, this could have an adverse effect on the ability of the Trustee to make payments to the Certificateholders. Prospective holders of the Certificates are advised to seek their own professional advice in relation to the risk of SDLT.

#### *U.S. Foreign Account Tax Compliance ("FATCA") withholding may affect payments on the Certificates.*

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the UK) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, such withholding would not apply prior to 1 January 2019 and Certificates characterized as debt for U.S. federal income tax purposes (or which are not otherwise characterized as equity and have a fixed term) issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Trustee). Certificateholders should consult their own tax advisors regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an

IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

#### *The proposed financial transactions tax ("FTT")*

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (with the exception of Estonia, the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

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 to certain dealings in the Certificates 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 dealings is issued in a participating Member State.

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 EU Member States may decide to participate.

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

#### **General Considerations**

##### *Trustee Reliance on Third Parties*

The Trustee is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Certificates. In particular, but without limitation, the Corporate Services Provider has agreed to provide certain corporate services to the Trustee pursuant to the Corporate Services Agreement, the Account Bank has agreed to provide the Transaction Account to the Trustee pursuant to the Account Bank Agreement, the Servicer has agreed to service the Portfolio Assets pursuant to the Service Agency Agreement, the Standby Servicer has agreed to provide standby services in relation to the Portfolio Assets pursuant to the Standby Servicing Agreement, the Cash Manager has agreed to provide cash management services pursuant to the Cash Management Agreement, and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Certificates pursuant to the Paying Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party and/or are removed without a sufficiently experienced substitute or any substitute being appointed in their place, collections on the Portfolio Assets and/or payments to Certificateholders may be disrupted and Certificateholders may be adversely affected.

Investors should also be aware that third parties on which the Trustee relies can be adversely impacted by the general economic climate. At the date of this Prospectus, global markets may be negatively impacted by prevailing economic conditions, including by market perceptions regarding the ability of certain EU member states in the Eurozone to service their sovereign debt obligations. These prevailing economic conditions as well as future developments in the areas of underlying market concern, such as the ability of certain Eurozone sovereign members to service their debt, could continue to have material adverse impacts on financial markets throughout the world up to and beyond the maturity of the Certificates. Moreover, the anticipation by the financial markets of these impacts could also have a material adverse effect on the business, financial condition and liquidity position of certain of the parties to the transaction, on which the Trustee relies. As a result, these factors affecting transaction parties specifically, as well as market conditions generally, could adversely affect the performance of the Certificates. In addition there can be no assurance that governmental or other actions will improve market conditions in the future.

### ***The Servicer***

The Trustee has engaged the Servicer to administer the Portfolio Assets Pool pursuant to the Service Agency Agreement. While the Servicer is under contract to perform certain Home Purchase Plans settlement and related administration services under the Service Agency Agreement, there can be no assurance that they will be willing or able to perform these services in the future. In the event the Servicer is replaced, there may be losses or delays in processing payments on the Portfolio Assets Pool due to a disruption in home purchase plan servicing during a transfer to a successor Servicer. This may cause delays in payments or losses under the Certificates. In order to reduce this risk, the Trustee has appointed the Standby Servicer pursuant to the Standby Servicing Agreement to be appointed as replacement servicer in the event of the occurrence of a Servicer Termination Event.

Investors should note that upon the occurrence of a Servicer Termination Event, the Trustee (prior to the service of an Enforcement Notice and with the consent of the Security Trustee) or (after the service of an Enforcement Notice) the Security Trustee may terminate the agency (and, simultaneously, the rights) of the Servicer. Following the occurrence of such a Servicer Termination Event, the Trustee (prior to the service of an Enforcement Notice and with the consent of the Security Trustee) or (after the service of an Enforcement Notice) the Security Trustee may give notice in writing to the Standby Servicer of such termination and the Standby Servicer shall comply with its obligations under the Standby Servicing Agreement accordingly.

Accordingly, where the Standby Servicer or other replacement servicer is appointed, and provided certain other requirements are met, it is possible that the identity of the Servicer will change, and accordingly, the counterparty exposure of the Trustee, the Certificateholders to the Servicer may also change. As this right may be exercised whenever a Servicer Termination Event occurs, the identity of the Servicer may change more than once during the duration of the Certificates.

As a result of the risk highlighted in the preceding paragraph, the inclusion of this right of replacement may mean that the value of the Certificates from time to time may be lower than their value would otherwise have been had no such replacement right been included.

### ***The Cash Manager***

The Trustee has engaged the Cash Manager to perform certain cash management duties pursuant to the Cash Management Agreement. While the Cash Manager is under contract to perform certain cash management duties under the Cash Management Agreement, there can be no assurance that they will be willing or able to perform these services in the future. In the event the Cash Manager is replaced, there may be losses or delays in processing payments on the Portfolio Assets Pool due to disruption in the cash management duties during a transfer to a successor Cash Manager. This may cause delays in payments or losses under the Certificates.

Furthermore, the Transaction Account (which is administered by the Cash Manager in accordance with the Cash Management Agreement) is held by the Trustee at the Account Bank in accordance with the Account Bank Agreement. In the event that the Account Bank was to fail to perform its obligations under the Account Bank Agreement, investors may be adversely affected.

In addition, in the event that the rating by any of the Rating Agencies of the Account Bank, it is possible that such Account Bank may no longer meet the rating requirements as set out in the section entitled "*Rights of Certificateholders and Relationship with Other Secured Creditors – Triggers Tables – Rating Triggers Table – Account Bank*". There can be no assurance that the Account Bank or the Trustee will be able to procure that the Account Bank be replaced within 60 days of the downgrade of the relevant entity and there is therefore a risk that the Certificates will be downgraded in such circumstances.

### ***Al Rayan is a growing bank***

Al Rayan is both the Seller and the Servicer in relation to this transaction. It is a currently (and intends to continue to be) a rapidly growing bank. Its balance sheet has had a compound annual growth rate of 49 per cent. between 2013 and 2016. As a growing institution, Al Rayan needs to be able to recruit and retain sufficient staff with both the qualifications and the experience necessary to support its key functions, particularly in specialist areas such as regulatory compliance, information technology and risk management. Al Rayan's operational headquarters are in Birmingham. Birmingham is the second largest

city in England. However, it is a significantly smaller city than London where the majority of large financial institutions and professional service firms based in the UK tend to have their English headquarters. Salaries in Birmingham also tend to be lower than the salaries for equivalent positions in London. Accordingly, Al Rayan may have difficulty in recruiting and retaining staff with the appropriate qualifications, skills and experience in the areas where it competes for those staff with financial institutions seeking to fill equivalent positions in London, and may also face competition from competitors who also have a presence in Birmingham, such as London-based institutions who have regional centres or certain operational functions based in Birmingham. If Al Rayan were not able to recruit and retain sufficient numbers of suitably qualified and experienced staff to support its growth, then this might impact its ability to service its customers and/or comply with its regulatory obligations. This in turn may affect its ability to perform its obligations to the Trustee and any such failure to perform by Al Rayan may cause Certificateholders to suffer loss. To date Al Rayan has been able to both recruit and retain sufficient numbers of suitably qualified and experienced staff members to maintain its growth levels and ambitions. But there can be no assurance that this will continue to be the case.

### ***Minimum Denominations***

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

### ***Book-Entry Interests***

Unless and until definitive certificates are issued in exchange for Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of the Certificates. After payment to the Principal Paying Agent, the Trustee will not have responsibility or liability for the payment of subscription amounts, principal or other amounts to Euroclear or Clearstream, Luxembourg or to holders or to beneficial owners of Book-Entry Interests.

A nominee for the Common Safekeeper will be considered the registered holder of the Certificates as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal holder of the Global Certificate under the Declaration of Trust while the Certificates are represented by the Global Certificate. 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 Certificateholder under the Declaration of Trust.

Except as noted in the previous paragraph, payments of principal and profit on, and other amounts due in respect of, the Global Certificate will be made by the Principal Paying Agent to a nominee of the Common Safekeeper. Upon receipt of any payment from the relevant 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 Trustee 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 Trustee, the Delegate, the Security Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike Certificateholders, holders of the Book-Entry Interests will not have the right under the Declaration of Trust to act upon solicitations by or on behalf of the Trustee for consents or requests by or on behalf of the Trustee for waivers or other actions from Certificateholders. 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 a Dissolution Event under the Certificates, holders of Book-Entry Interests will be restricted to acting through Euroclear and Clearstream, Luxembourg unless and until Definitive

Certificates are issued in accordance with the relevant provisions described herein under "*Terms and Conditions of the Certificates*". 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 Declaration of Trust.

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

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

***Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade***

In relation to any issue of Certificates which have a denomination consisting of the minimum Specified Denomination (as defined in the Conditions) plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Certificateholder who, as a result of trading such amounts of amounts, holds a face amount of less than the minimum Specified Denomination, would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

A Certificateholder who holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amount to at least a Specified Denomination in order to be eligible to receive a definitive Certificate. If definitive Certificates are issued, holders should be aware that definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may also be illiquid and difficult to trade.

***Sharia Requirements in relation to interest awarded by an arbitrator or court***

In accordance with applicable Sharia principles, each of the parties will waive all and any entitlement it may have to interest awarded in its favour by an arbitrator or court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment or arbitration given against the Trustee, judgment interest (or equivalent interest awarded in connection with an arbitration) may well accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest. Certificateholders should note that the Trust Assets specifically exclude any rights which have been expressly waived by the Trustee in any of the Transaction Documents (which, to the extent applicable, would extend to any award of interest made in favour of the Trustee by an arbitrator in respect of a dispute).

***The Trustee believes that the risks described above are the principal risks inherent in the transaction for the Certificateholders, but the inability of the Customers to pay rent and acquisition amounts or other amounts on the Portfolio Assets and consequently the inability of the Trustee to pay principal, profit or other amounts on or in connection with the Certificates may occur for other reasons and the Trustee does not represent that the statements above regarding the risks of holding the Certificates are exhaustive. Although the Trustee believes that the various structural elements described in this Prospectus lessen some of the risks for the Certificateholders, there can be no assurance that these measures will be sufficient to ensure payment to the Certificateholders of principal, profit or any other amounts on or in connection with the Certificates on a timely basis or at all.***

## USE OF PROCEEDS

The gross proceeds of the issue of the Certificates are expected to amount to approximately GBP250,000,000 and:

- (a) will be used to fund the Reserve Fund up to the Reserve Ledger Required Amount on the Issue Date; and
- (b) the balance will comprise the Initial Purchase Price which will be applied in the purchase by the Trustee from the Seller of each Portfolio Asset comprised in the Completion Pool on the Issue Date.

## THE TRUSTEE

### Introduction

The Trustee was incorporated and registered under the laws of England and Wales under the Companies Act 2006 with limited liability as a public limited company on 27 November 2017 registered number 11084430. The issued share capital of the Trustee comprises 50,000 ordinary shares of GBP1.00 each (one of which is fully paid and 49,999 of which are one quarter paid up) held by Tolkien Holding Sukuk No. 1 Limited (the "**Parent**"). The entire issued share capital of the Parent is held on trust by The Law Debenture Intermediary Corporation plc under the terms of the Parent Share Trust Deed. The Trustee has no subsidiaries.

### Directors

The directors of the Trustee and their respective business addresses and principal activities outside the Trustee are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Name	Business Address	Business Occupation
Mark Howard Filer	Fifth Floor, 100 Wood Street, London EC2V 7EX	Director
L.D.C. Securitisation Director No.1 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Director
L.D.C. Securitisation Director No.2 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Director

The Company Secretary of the Trustee is Law Debenture Corporate Services Limited (registered number 3388362).

The registered office of the Trustee is at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom.

The telephone number of the Trustee is +44 (0)20 7606 5451.

### Activities

The Trustee has been established as a special purpose vehicle to acquire portfolios of home purchase plans and their related properties and the issue asset-backed securities. Its activities will be restricted by the terms and conditions of the Transaction Documents and will be limited to (i) the issue of the Certificates, (ii) the ownership of the Portfolio Assets and their Ancillary Rights and other assets referred to herein, (iii) the exercise of related rights and powers, and other activities referred to herein or reasonably incidental thereto.

These activities will include (a) the collection of all payments of acquisition and rent due from Customers on Home Purchase Plans; (b) the operation of arrears procedures and (c) the enforcement of Portfolio Assets and their Ancillary Rights against Customers in default. Substantially all of the above activities will be carried on by the Servicer on an agency basis under the Service Agency Agreement. In respect of certain specified items, such as the discretionary, as opposed to the procedural, aspects of the enforcement of Portfolio Assets and their Ancillary Rights against Customers in default and other discretionary matters, the Trustee has delegated certain decision making powers to the Servicer pursuant to the Service Agency Agreement. Additionally, the Cash Manager (as set out in the Cash Management Agreement) will provide cash management and reporting services to the Trustee pursuant to the Cash Management Agreement. The Trustee may terminate the agency (and, simultaneously, the rights) of the Servicer and the Cash Manager upon the occurrence of certain Dissolution Events or insolvency or similar events in relation to the Servicer or the Cash Manager, in certain circumstances. Following such an event, the Trustee (with the consent of the Security Trustee) or the Security Trustee may, subject to certain conditions, appoint substitute administrators. In relation to the appointment of a replacement servicer, on termination of the appointment of the Servicer, the Trustee (prior to the service of an Enforcement Notice

and with the consent of the Security Trustee) or (after the service of an Enforcement Notice) the Security Trustee may, give notice in writing to the Standby Servicer of such termination and the Standby Servicer shall comply with its obligations under the Standby Servicing Agreement accordingly.

Since its incorporation, the Trustee has not produced any accounts and has not engaged in any material activities other than those incidental to its registration as a public company, the authorisation of the issue of the Certificates, the matters contemplated in this Prospectus, the authorisation of the Transaction Documents referred to in this Prospectus in connection with the issue of the Certificates and other matters which are incidental or ancillary to those activities. The Trustee has no employees.

#### **Trustee Profit**

Funds are to be applied on each Periodic Distribution Date in accordance with the Pre-Enforcement Priority of Payments and, after the service of an Enforcement Notice, the Post-Enforcement Priority of Payments. The Trustee Profit will be an annual amount of GBP7,500 payable quarterly on each Periodic Distribution Date for retention by the Trustee and to be recognised in the accounts of the Trustee as profit for the relevant accounting year. Any such amount so applied from the Pre-Enforcement Revenue Priority of Payments shall be credited to the Trustee Profit Ledger and applied in satisfaction of the Trustee's obligations in respect of United Kingdom corporation tax and in payment of dividends.

#### **Capitalisation loan and repayment thereof**

In order to enable the Parent to acquire the shares in the share capital of the Trustee, the Parent has received a limited recourse loan on a *qard hassan* (interest free) basis from the Share Trustee in an amount of GBP12,500.75. It is intended that such loan will be repaid with an amount received by the Parent by way of dividend on the shares it holds in the Trustee which the Trustee is expected to declare and pay with the Trustee Profit.

#### **Auditors**

The independent auditor of the Trustee is Deloitte LLP whose office is located at 2 New Street Square, London EC4A 3BZ, United Kingdom.



## CAPITALISATION STATEMENT

The following table shows the unaudited capitalisation of the Trustee as at 16 February 2018.

### Share Capital

	<u>£</u>
<b>Issued</b>	
50,000 Ordinary Shares of £1 each; comprising 1 fully paid up, 49,999 1/4 paid up .....	<u>12,500.75</u>
	<u>12,500.75</u>
<b>Liabilities</b>	
The Certificates <sup>(1)</sup> .....	<u>250,000,000</u>
<b>Total Capitalisation</b> .....	<u>250,012,500.75</u>

<sup>(1)</sup> As at 16 February 2018, save as disclosed above, the Trustee has no loan capital outstanding or created but unissued, no term loans outstanding and no other indebtedness in the nature of borrowing nor any contingent liabilities or guarantees.

## THE PARENT

Tolkien Holding Sukuk No. 1 Limited (the "**Parent**") was incorporated in England and Wales on 27 November 2017 (registered number 11084397) as a private limited company under the Companies Act 2006 (as amended). The registered office of the Parent is at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom. The telephone number of the Parent's registered office is +44 (0)20 7606 5451.

The issued share capital of the Parent comprises 1 ordinary share of GBP1.00.

The entire beneficial interest in the share of the Parent is held by The Law Debenture Intermediary Corporation plc (the "**Share Trustee**") on a discretionary trust.

The Parent holds the entire beneficial interest in the issued share capital of the Trustee.

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

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

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

### Directors

The directors of the Parent and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
Mark Howard Filer	Fifth Floor, 100 Wood Street, London EC2V 7EX	Director
L.D.C. Securitisation Director No.1 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Director
L.D.C. Securitisation Director No.2 Limited	Fifth Floor, 100 Wood Street, London EC2V 7EX	Director

The company secretary of the Parent is Law Debenture Corporate Services Limited whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom.

The accounting reference date of the Parent is 31 December.

## **THE SELLER, THE SERVICER AND THE SHARIA COMPLIANCE ADVISER**

Al Rayan Bank PLC is a subsidiary of Al Rayan UK Limited, a majority owned subsidiary of Masraf Al Rayan (Q.S.C.) ("**MAR**"), the second largest bank in Qatar by market capitalisation. Al Rayan is authorised by the Prudential Regulatory Authority ("**PRA**") and regulated by the PRA and the Financial Conduct Authority ("**FCA**"), and possesses a full banking licence.

MAR acquired Al Rayan in January 2014, with formal change of control on 3 February 2014. Al Rayan (formerly known as Islamic Bank of Britain) is a UK registered Islamic Bank and since 2004 has remained the UK's largest wholly Sharia compliant retail bank. MAR acquired a 98.34 per cent. indirect ownership stake in Al Rayan in 2014 in line with its strategy to improve geographical diversification. Post-acquisition, Al Rayan witnessed strong asset growth and turned profitable, having sustained losses for several years prior to MAR's acquisition. Pre-tax profits for 2016 rose by 32 per cent. to GBP 8.2million, and Al Rayan's balance sheet exceeded GBP1.44bn, an increase of 43 per cent. on the previous year. As at 31 December 2016, Al Rayan had total assets of GBP 1,435,691,000.

On 29 December 2016, MAR transferred 30 per cent. of its stake in Al Rayan to Qatar Holding LLC (owned by Qatar Investment Authority), as per the financing arrangements MAR entered into at the time of acquisition. On a look-through basis, Qatar Holdings LLC owns 38 per cent. of Al Rayan, this being the aggregate of the 30 per cent. acquired stake and Qatar Holdings LLC's investment in MAR itself.

Al Rayan offers the UK's largest range of Islamic retail banking products and services, which includes ethical, Sharia-compliant home and property finance; savings accounts; current accounts; commercial finance and business banking. In addition, it accredits Sharia-compliant pensions and investment products, which are provided by partners. To date, the portfolio of Al Rayan's home purchase plan assets has not required any enforcement action to be taken by Al Rayan, and based on its audited accounts, the highest historical arrears (amount past due) beyond one month has not exceeded 0.026 per cent. of its average home purchase plan balances.

Al Rayan has a total of six branches and five business development offices strategically located throughout major cities in the UK. In 2015, an exclusive high-end private banking branch was launched in Knightsbridge in London to cater to Al Rayan's retail and high net worth client base. Most recently in September 2016, Al Rayan opened a new office in Bradford, a city with one of the largest Muslim communities in the UK and has launched its first Scottish office in Glasgow. In addition to Al Rayan's branch and office network, Al Rayan serves over 74,000 customers through a telephone-based contact centre and online and mobile banking services.

On 1 November 2017, Al Rayan became the first British Islamic Bank to receive a credit rating from Moody's, with counterparty risk assessment and long-term deposit rating set at Aa3.

Al Rayan was ranked in the Top Ten Ethical Current Account Providers, according to ratings compiled by Ethical Consumer magazine.

**THE CASH MANAGER, THE ACCOUNT BANK, THE AGENT BANK, THE PRINCIPAL  
PAYING AGENT AND THE REGISTRAR**

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 UK 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 UK Branch are also subject to the limited regulation of the UK 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 USD4 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 \$459 billion in assets as of September 30, 2017, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,072 banking offices in 25 states and 4,801 ATMs, and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at [www.usbank.com](http://www.usbank.com).

## **THE SECURITY TRUSTEE AND THE DELEGATE**

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 USD4 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 \$459 billion in assets as of September 30, 2017, is the parent company of U.S. Bank National Association, the fifth largest commercial bank in the United States. The Company operates 3,072 banking offices in 25 states and 4,801 ATMs, and provides a comprehensive line of banking, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at [www.usbank.com](http://www.usbank.com).

## THE CORPORATE SERVICES PROVIDER

Law Debenture Corporate Services Limited was incorporated on 12 June 1997 in England and Wales under the Companies Act 1985 (registration number 03388362) and its registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX.

Law Debenture Corporate Services Limited was established to provide independent directors and administrative services to special purpose vehicles set up in connection with securitisation, project and structured finance transactions. Law Debenture Corporate Services Limited and its associated companies have supplied directors and/or management services to special purpose vehicles located in the UK, Jersey and Ireland.

The Corporate Services Provider will be entitled to terminate its respective appointment under the Corporate Services Agreement on 90 days' written notice to the Trustee, the Security Trustee, the Delegate 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 Trustee or, following delivery of an Enforcement Notice, the Security Trustee may (or, if required to do so by the Delegate, shall) 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 Trustee or, following delivery of an Enforcement 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 STANDBY SERVICER

Homeloan Management Limited ("**HML**") is a private company with limited liability incorporated under the laws of England and Wales with registered number 02214839 and with its registered address at The Pavilions, Bridgwater Road, Bristol, BS13 8AE.

HML is a subsidiary of Computershare Limited, an Australian global financial administration company, and is regulated by the Financial Conduct Authority (FCA Number 304476) with permissions to, amongst other things, administer residential home purchase plans in the United Kingdom on behalf of third parties.

The information in the preceding two paragraphs has been provided solely by HML for use in this Prospectus. Except for the foregoing two paragraphs, HML and its affiliates do not accept any responsibility for this Prospectus.

For details of the terms of appointment and termination of the Standby Servicer, please see the section below entitled "*Administration, Servicing and Cash Management – Standby Servicing Agreement*".

## CONSTITUTION OF THE PORTFOLIO ASSETS POOL

### **The Portfolio Assets Pool**

The pool of Portfolio Assets to be sold to the Trustee on the Issue Date pursuant to the Sale Agreement will comprise the Completion Pool, other than Portfolio Assets which have been repaid, or in respect of which funds representing Acquisition Amounts outstanding have otherwise been received in full or which have been re-transferred to the Seller pursuant to the Sale Agreement or in respect of which Enforcement Procedures have been completed, in each case as at the Issue Date.

A summary of the portfolio of Portfolio Assets within the Provisional Completion Portfolio Assets Pool with different eligibility criteria is set out below. The Provisional Completion Portfolio Assets Pool is as of 19 January 2018:

Aggregate Balance .....	£301,428,226
Number of Portfolio Assets.....	1,672
Average Balance .....	£180,280
Weighted average remaining term to maturity.....	24 years

The Portfolio Assets were originated by Al Rayan in its ordinary course of business between November 2008 and November 2017.

### ***Home Purchase Plans***

Each Portfolio Asset comprises a Home Purchase Plan. The Seller has represented that each Home Purchase Plan is a home purchase plan as defined in Article 63F(3) of the RAO.

The Home Purchase Plan is a Sharia compliant alternative to a conventional mortgage, and does not involve interest. As a Sharia compliant product, Al Rayan's Home Purchase Plans are based on joint ownership and lease agreements arranged using two separate principles of Islamic finance. Each Home Purchase Plan has four elements – a Diminishing Co-Ownership Agreement, a Lease Agreement, a HPP Service Agency Agreement and a Legal Charge Agreement. Amounts due to Al Rayan under a Home Purchase Plan are secured by a first ranking legal charge (governed by the Legal Charge Agreement).

Al Rayan receives a monthly payment from a Customer under a Home Purchase Plan, comprised of Acquisition Amounts (governed by the Diminishing Co-Ownership Agreement) and rent (governed by the Lease Agreement). Each Home Purchase Plan contains a payment schedule detailing the monthly payments to be made by a Customer in the form of Acquisition Amounts and rent, which varies on a case by case basis.

### ***SDLT***

The Home Purchase Plans fall within s. 71A Finance Act 2003, which applied when each of the Home Purchase Plans was entered into. The effect of s.71A, is that where a Home Purchase Plan finances a new purchase of land, SDLT is paid in respect of the purchase of the property by Al Rayan. Where a Home Purchase Plan is a re-mortgage, no SDLT is due in respect of the purchase of the property by Al Rayan. Section 71A ensures that in both cases, no SDLT should be due in respect of the Lease Agreement and the acquisition of the property by the Customer from Al Rayan under the Diminishing Co-Ownership Agreement.

### ***Diminishing Co-Ownership Agreement***

Under the Diminishing Co-Ownership Agreement, the Customer gradually purchases Al Rayan's share in the Property by making payments of Acquisition Amounts in accordance with a specified payment schedule over a term of up to 35 years. Customers with a Standard Variable Rental Rate Home Purchase Plan may voluntarily pay additional amounts of a minimum value of GBP4,000 by way of Additional Acquisition Amounts on quarterly rent reset dates, and there are no early payment charges for doing so.



Customers with a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan cannot make Additional Acquisition Payments during any fixed term period of their Home Purchase Plan.

Funds received pursuant to the Diminishing Co-Ownership Agreement are applied in the following priority towards:

- (a) payment of various administrative costs incurred by Al Rayan, as set out in the Tariff List (updated by Al Rayan from time to time);
- (b) sums due under the Legal Charge;
- (c) sums due under the HPP Service Agency Agreement;
- (d) sums due under the Lease Agreement;
- (e) any Acquisition Amounts due in accordance with the relevant payment schedule; and
- (f) reducing the final balance of the Diminishing Co-Ownership Agreement.

The Customer contributes towards the purchase or refinance of the relevant Property by payment of a deposit. Al Rayan provides the balance of the financing for the purchase or refinance, and holds the legal title to the relevant Property for the term of the Diminishing Co-Ownership Agreement until the Customer has paid all sums due under the Home Purchase Plan (including Acquisition Amounts). Upon full payment, Al Rayan transfers the legal title to the relevant Property to the Customer.

In order to determine the value of the Property, an initial valuation is undertaken prior to entry into of the Home Purchase Plan. Al Rayan may, at any time, procure valuations to update the initial valuation. If, following the revaluation, the finance to value exceeds the maximum finance to value (set on a case by case basis), the Customer bears the cost for the revaluation. If the finance to value is less than the maximum finance to value, Al Rayan bears the cost for the revaluation.

Al Rayan may accelerate the Diminishing Co-Ownership Agreement and demand full payment of the final balance (representing the remaining ownership share of Al Rayan in the relevant Property) on occurrence of certain events. If the Customer is unable to pay the final balance, Al Rayan is entitled to sell the relevant Property and the Customer loses its beneficial interest in the Property (and instead becoming beneficially entitled to the proceeds of sale of the Property to the extent that such proceeds exceed the amount payable to Al Rayan).

#### *Lease Agreement*

Under the Lease Agreement, Al Rayan grants a lease and right to occupy to the Customer over the portion of the relevant Property representing the Bank's remaining beneficial interest (together with rights under the superior lease if the Property is leasehold) (the "**Lease**"). This is in contrast to a traditional mortgage structure whereby a borrower may pay interest on money borrowed for the purchase or refinance of a property. Under the Home Purchase Plan, there is no loan from Al Rayan to the Customer.

In consideration, the Customer pays Al Rayan a monthly rent for the term of the lease, being the BBR plus a margin which is set by Al Rayan on a case by case basis. The Customer must also pay to Al Rayan the supplemental rent, which is equal to any amounts owed by Al Rayan to the Customer under the HPP Service Agency Agreement.

Funds received pursuant to the Lease Agreement are applied in the following priority towards:

- (a) payment of various administrative costs incurred by Al Rayan, as set out in the Tariff List (updated by Al Rayan from time to time);
- (b) sums due under the Legal Charge;
- (c) any rent due in accordance with the Lease Agreement;
- (d) any Acquisition Amounts due in accordance with the relevant payment schedule; and

- (e) reducing the final balance of the Diminishing Co-Ownership Agreement

The rent payable under each type of Home Purchase Plan differs according to the payment type (see Table 7 (*Portfolio Assets by Payment Method*) under "*Characteristics of the Portfolio Assets Pool*" below). The following payment types are included in the Provisional Completion Portfolio Assets Pool:

- (a) Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans;
- (b) Standard Discount-to-Standard Variable Rental Rate Home Purchase Plans; and
- (c) Standard Variable Rental Rate Home Purchase Plans,

each as defined below.

A "**Standard Variable Rental Rate Home Purchase Plan**" has a payment profile whereby the rent payable by the Customer is reviewed on a quarterly basis, and calculated on the basis of the BBR plus a margin. Al Rayan may increase the margin by up to two per cent. as part of the quarterly review.

A "**Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan**" has a payment profile whereby the rent payable by the Customer is fixed for a specific period. Following the fixed period, the rent calculation becomes the same as per the Standard Variable Rental Rate Home Purchase Plans or the Customer may choose a further fixed rental rate period at the then market fixed rental rate available. The Servicer covenants that it will not grant fixed rental rate periods for longer than five years and three months from the date such fixed rental rate period becomes applicable for Home Purchase Plans in the Portfolio Assets Pool.

A "**Standard Discount-to-Standard Variable Rental Rate Home Purchase Plans**" has a payment profile whereby the rent payable by the Customer is discounted from the standard variable rental rate for a specific period. Following the discount period, the rent calculation becomes the same as per the Standard Variable Rental Rate Home Purchase Plans or the Customer may choose a fixed rental rate period at the then market fixed rental rate available.

Following the Step-Up Date if the Servicer, in relation to a Portfolio Asset in the Portfolio Assets Pool:

- (a) agrees with a Customer under a Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan;
- (b) agrees with a Customer to enter into a new or extended fixed rate period under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan;
- (c) agrees with a Customer to a new discount period under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan;
- (d) agrees with a Customer under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan; or
- (e) agrees with a Customer under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan

(each an "**SVR Repurchase Event**") then such Portfolio Asset will be repurchased by the Seller in accordance with the terms of the Sale Agreement.

From the Issue Date, in relation to a Portfolio Asset in the Portfolio Assets Pool, if

- (a) the Servicer agrees with a Customer (i) under a Standard Variable Rental Rate Home Purchase Plan or a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or (ii) under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan to a new fixed rental rate at the end of the current fixed rental rate term; and

- (b) such switch described in paragraph (a)(i) above or such new fixed rental rate described in paragraph (a)(ii) above would result in the aggregate Finance Balance of the Portfolio Assets that are Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans exceeding or being equal to 80 per cent. of the aggregate Finance Balance of all Portfolio Assets,

(a "**Fixed Threshold Repurchase Event**") then such Portfolio Asset will be repurchased by the Seller in accordance with the terms of the Sale Agreement.

In addition, the Servicer undertakes to not set the standard variable rental rate at a rate less than the arithmetic sum of Base Rate plus 2.7 per cent. per annum.

Although Al Rayan is technically a landlord under the Home Purchase Plans, it unlikely to have liability under the Occupiers' Liability Act 1984 (as amended) on the basis that Al Rayan is unlikely to be considered an "occupier", and will not be liable under the Defective Premises Act 1972 save to the extent that it is entitled under the terms of the relevant Home Purchase Plan to enter the relevant Property to carry out maintenance, repairs or works which the Customer has failed to carry out in breach of the terms of the relevant Home Purchase Plan.

#### *HPP Service Agency Agreement*

Under the HPP Service Agency Agreement, Al Rayan appoints the Customer as servicer in respect of the relevant Property. The Customer is responsible for, among other things:

- the structural maintenance and repair of the relevant Property;
- the payment of any charges affecting the relevant Property; and
- maintaining insurance policies as required by Al Rayan, and complying with the conditions of such insurance policies.

If the Customer fails to perform any of the services under the HPP Service Agency Agreement, Al Rayan is entitled to step in and perform such services, and the Customer indemnifies Al Rayan against any costs and expenses incurred in doing so.

In consideration for the services performed by the Customer under the HPP Service Agency Agreement, Al Rayan pays the Customer a service charge amount (being the costs and expenses of the Customer incurred in performance of the services). The service charge amount is equal to, and set off against, the supplemental rent due under the Lease Agreement.

#### *Legal Charge Agreement*

Pursuant to the Legal Charge Agreement, the Customer covenants to pay all secured amounts (which includes all amounts due to Al Rayan under the Home Purchase Plan).

As security for the secured amounts, the Customer grants a first legal mortgage in favour of Al Rayan over the Customer's:

- interests in the Lease Agreement and the Diminishing Co-Ownership Agreement;
- rights and interests in any insurance policies relating to the relevant Property;
- benefit of all contracts, guarantees, warranties or other interests which it benefits from relating to the relevant Property; and
- its authorisation for use of the relevant Property.

The security created in favour of Al Rayan becomes enforceable by Al Rayan upon the occurrence of certain events, including: a default by the Customer in the performance of any of its obligations under the Diminishing Co-Ownership Agreement, the Lease Agreement, the HPP Service Agency Agreement or the Legal Charge Agreement; various insolvency or bankruptcy scenarios with respect to a Customer; if the relevant Property becomes subject to a compulsory purchase; or if Al Rayan reasonably believes the

Customer has abandoned the relevant Property. Upon enforcement, Al Rayan may exercise the power of sale granted to it under the Legal Charge Agreement.

### ***Seller policies and procedures***

The Seller has certain policies and procedures that it applies when assessing each application for a Home Purchase Plan. These policies and procedures inform the Seller's determination as to whether a Customer fulfils the Eligibility Criteria in terms of their personal circumstances, the nature of their income and employment and their ability to meet the affordability criteria, among other things.

The Seller must also be satisfied that each application as a whole is compliant with the purpose of the Home Purchase Plan, which can be one of three options (i) to purchase a Property, (ii) refinance an existing Property, or (iii) release equity as part of a refinancing, provided that the Home Purchase Plan is Sharia compliant and any finance provided under it for the defined purpose is used in a Sharia compliant manner.

All applications are manually assessed to determine their credit worthiness, with high risk, high value or complex applications being reviewed by experienced underwriters.

Customers are required to take independent legal advice in relation to the Home Purchase Plan and the Home Purchase Plan Agreements. The Seller maintains a panel of solicitors that it recommends to Customers and, if the Customer instructs a solicitor recommended by the Seller, the Seller will contribute £400 to the Customer towards the Customer's legal fees.

### ***Personal Circumstances***

The Seller requires that each Customer must have indefinite leave to remain in the United Kingdom at the time of their application and have been resident in the United Kingdom for at least three years. Customers who are expatriates (defined as a United Kingdom national living abroad) are eligible for a Home Purchase Plan on the condition that they are employed in a verifiable, internationally recognised business, meet the requisite minimum level of income, hold a United Kingdom bank account and provide the equivalent of three months' worth of payments payable under the Home Purchase Plan to be held in a blocked account which can be used in the event of payment difficulties. If the Customer is an immigrant, they must have at least three years remaining on their immigration visa.

The applicant must identify any person over the age of 17 who resides or is to reside at the Property, and any such individual must sign the Seller's standard deed of consent. In addition, any husband, wife, partner or party who contributes financially to the household and who is not party to the Property ownership of the Home Purchase Plan must have written confirmation of independent legal advice in relation to the implications of not being named on the Home Purchase Plan.

### ***Income and Employment***

The Seller will only accept certain forms of income for the purposes of determining a Customer's fulfilment of the Eligibility Criteria. Cash in hand, state benefits and other unpredictable or uncertain sources of income, such as investments, shares, grants, donations or gifts, will not be acceptable.

Each Customer must meet certain requirements in relation to their employment. These include having been in their current employment for at least six months, with their current position being on a permanent basis and not subject to any probation period. Calculation of a Customer's income from their employment will only include certain items, including the full amount of their main salary, car allowance, and any guaranteed bonus, overtime or commission payments. Where a bonus, overtime or commission is paid regularly but is not guaranteed, the Seller will include 50 per cent. of this amount in its calculation of income. A Customer who is on, or about to take, maternity leave will be subject to further checks to ensure that their total income as on average maternity-based pay is sufficient to support the monthly Home Purchase Plan payments.

Customers who are self-employed must have a minimum trading history of three years.

Customers engaged in contract employment may be considered as able to meet the Eligibility Criteria by the Seller if they have been in continued employment in the same line of work for a minimum period of

time (generally at least 12 months), with a minimum term of unexpired contract remaining (generally, at least six months).

#### *Deposits*

In addition to the above, the Seller requires that each Customer provide evidence of the deposit to be used towards the purchase of the Property. Where the deposit constitutes a gift from a relative, in whole or in part, the Seller must receive written confirmation of the gift from the benefactor and a declaration that they do not intend to hold an interest in the Property. Where the gift is over £25,000 or exceeds 10 per cent. of the purchase price of the Property, the Seller must also receive written evidence of the benefactor having taken independent legal advice. Gifts are only acceptable if from a direct family member of the Customer, and the Seller will not accept contributions towards a deposit by friends or third parties.

#### *Affordability*

The Seller carries out robust checks on each Customer's financial position, including a basic income check, an affordability assessment and a budget planner check to evaluate income against expenditure.

An affordability assessment will be carried out against all Customers by the Seller to assess their existing long-term financial commitments, level of regular expenditure, lifestyle and spending patterns. The Seller will review payslips and bank statements to determine net income after tax and relevant deductions, and, in the case of self-employed Customers, the Seller will examine accounts and other documentation, and require evidence from HMRC to make an assessment of the Customer's income and tax liability.

The Seller will calculate a Finance-to-Income Ratio (the "FTIR") once the Customer's income has been evaluated, and this will determine the maximum amount that each Customer can pay towards the ownership share and rent under the Home Purchase Plan on a monthly basis.

If the affordability assessment does not support the level of payment requested by the Customer, the application will be declined or the payment amount reduced.

#### *Exceptions*

The Seller has implemented processes to limit the discretion of underwriters to make exceptions to the above stated underwriting policies and procedures, with such exceptions not to exceed 10 per cent. of all originated Home Purchase Plans. All exceptions to the Seller's policies must be recorded and reported to the management board for approval.

#### *Solicitors*

Any firm of solicitors acting on behalf of the Seller on originating each Home Purchase Plan must be registered with the Law Society of England and Wales.

#### *Porting*

The Home Purchase Plans are not portable.

#### *Valuation*

Other than the valuation of Properties undertaken at origination (as more fully described in "*Sale of the Portfolio Assets Pool*"), or as described above in accordance with the terms of the Diminishing Co-Ownership Agreement, no revaluation of any Property has been undertaken by the Arranger, the Joint Lead Managers, the Seller, the Trustee, the Servicer, the Security Trustee, the Delegate or any other person in respect of the issue of the Certificates and the valuations quoted are at the date of the original Home Purchase Plan origination. Valuations carried out at origination are undertaken by surveyors qualified in line with the Royal Institute of Chartered Surveyors ("**RICS**") guidelines and follow the relevant Red Book specifications (see "*Sale of the Portfolio Assets Pool*").

#### *KYC and anti-money laundering*

No finance will be provided to any Customer unless the Seller's "know your customer" and anti-money laundering policies have been followed and adhered to.



## CHARACTERISTICS OF THE PORTFOLIO ASSETS POOL

The statistical and other information contained in this Prospectus has been compiled by reference to the Portfolio Assets in the Portfolio Assets Pool as at 19 January 2018 (the "**Cut-Off Date**") (the "**Provisional Completion Portfolio Assets Pool**"). The Provisional Completion Portfolio Assets Pool has the aggregate characteristics indicated in the tables below. The first Quarterly Report delivered after the Issue Date will reflect the assets in the Completion Pool.

The information contained in these tables has been extracted from information provided by the Seller (which information has been subject to rounding and therefore columns of percentages may not add up to 100 per cent.). None of the information provided in such section have been the subject of an audit. The Seller is not providing any representations or warranties in respect of this information.

Each of the Arranger and the Joint Lead Managers are entitled to assume that all information provided to them by the Seller for the purpose of reporting on the arithmetic or other accuracy is true and correct and is complete and not misleading and are not required to conduct an audit or other similar examination in respect of or otherwise take steps to verify the accuracy or completeness of such information save that the Servicer will be required to advise the Joint Lead Managers if they have not been provided with any of those figures which it is required to provide.

Further information in respect of anonymised individual finance level data may be obtained on the following website: [www.usbank.com/abs](http://www.usbank.com/abs). For the avoidance of doubt, this website and the contents thereof do not form part of this Prospectus.

A Portfolio Asset will be removed from the Portfolio Assets Pool if, in the period from (and including) the Cut-Off Date up to (but excluding) the date on which the Completion Pool is confirmed, such Portfolio Asset is repaid in full or such Portfolio Asset does not comply with the Warranties given in respect of the Portfolio Assets in the Portfolio Assets Pool.

### Pool Stratification

#### *Table 1: Summary*

<b>Summary Characteristics</b>	<b>Total</b>
Balance .....	£301,428,226
Number of Portfolio Assets .....	1,672
Weighted Average Original FTV .....	69.2%
Average Balance.....	£ 180,280
Weighted Average Rent Rate .....	3.17%
Weighted Average Stabilised Margin.....	3.99%
Weighted Average Term To Maturity (Years) .....	24
Weighted Average Current FTV .....	64.1%
Self-Employed.....	16.1%
Largest Finance Balance.....	£678,847

**Table 2: Portfolio Assets by Finance to Value Ratio (Original Finance to Value)**

<b>Original Finance to Value</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=10.00%.....	2	0.12%	136,442	0.05%
>10.00% <=20.00% .....	20	1.20%	1,421,828	0.47%
>20.00% <=30.00% .....	47	2.81%	4,610,737	1.53%
>30.00% <=40.00% .....	85	5.08%	10,517,128	3.49%
>40.00% <=50.00% .....	111	6.64%	16,375,947	5.43%
>50.00% <=60.00% .....	208	12.44%	37,643,267	12.49%
>60.00% <=70.00% .....	305	18.24%	55,116,370	18.29%
>70.00% <=80.00% .....	893	53.41%	175,225,318	58.13%
>80.00% <=90.00% .....	1	0.06%	381,189	0.13%
>90.00% <=100.00% .....	0	0.00%	-	0.00%
>100.00%.....	0	0.00%	-	0.00%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Weighted Average.....				69.2%
Minimum .....				7.0%
Maximum.....				85.0%



**Table 3: Portfolio Assets by Finance to Value Ratio (Current Finance to Value)**

<b>Current Finance to Value<sup>(1)</sup></b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=10.00%.....	22	1.32%	426,289	0.14%
>10.00% <=20.00% .....	51	3.05%	2,870,694	0.95%
>20.00% <=30.00% .....	88	5.26%	8,701,874	2.89%
>30.00% <=40.00% .....	107	6.40%	13,413,684	4.45%
>40.00% <=50.00% .....	164	9.81%	25,846,862	8.57%
>50.00% <=60.00% .....	253	15.13%	46,830,957	15.54%
>60.00% <=70.00% .....	333	19.92%	66,734,416	22.14%
>70.00% <=80.00% .....	654	39.11%	136,603,451	45.32%
>80.00% <=90.00% .....	0	0.00%	-	0.00%
>90.00% <=100.00% .....	0	0.00%	-	0.00%
>=100.00%.....	0	0.00%	-	0.00%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Weighted Average.....				64.1%
Minimum .....				0.1%
Maximum.....				79.6%

<sup>(1)</sup> Current Finance to Value = current finance balance / original valuation

**Table 4: Portfolio Assets by Balance**

<b>Balance</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=25,000 .....	24	1.44%	313,547	0.10%
>25,000 <=50,000 .....	61	3.65%	2,357,412	0.78%
>50,000 <=100,000 .....	334	19.98%	26,617,557	8.83%
>100,000 <=150,000 .....	365	21.83%	45,292,463	15.03%
>150,000 <=200,000 .....	321	19.20%	55,877,514	18.54%
>200,000 <=250,000 .....	209	12.50%	46,884,365	15.55%
>250,000 <=500,000 .....	333	19.92%	109,507,622	36.33%
>500,000 <=750,000 .....	25	1.50%	14,577,745	4.84%
>750,000 <=1,000,000 .....	-	0.00%	-	0.00%
>1,000,000 .....	-	0.00%	-	0.00%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Average .....				180,280
Minimum .....				446
Maximum .....				678,847

**Table 5: Portfolio Assets by Remaining time to maturity**

<b>Remaining Time to Maturity (Years)</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=5 .....	31	1.85%	1,270,464	0.42%
>5 <=10 .....	107	6.40%	12,133,942	4.03%
>10 <=15 .....	156	9.33%	22,114,670	7.34%
>15 <=20 .....	280	16.75%	48,501,190	16.09%
>20 <=25 .....	412	24.64%	79,318,147	26.31%
>25 <=30 .....	502	30.02%	98,842,819	32.79%
>30 <=35 .....	184	11.00%	39,246,994	13.02%
>35 <=40 .....	-	0.00%	-	0.00%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Weighted Average .....				24
Minimum .....				-
Maximum .....				32

**Table 6: Portfolio Assets by Seasoning**

<b>Seasoning (Months)</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=12.....	597	35.71%	126,225,037	41.88%
>12 <=24.....	373	22.31%	65,459,734	21.72%
>24 <=36.....	248	14.83%	44,129,934	14.64%
>36 <=48.....	236	14.11%	36,496,623	12.11%
>48 <=60.....	121	7.24%	17,872,980	5.93%
>60 <=72.....	44	2.63%	5,832,459	1.93%
>72 <=84.....	11	0.66%	1,387,335	0.46%
>84 <=96.....	13	0.78%	1,095,610	0.36%
>96.....	29	1.73%	2,928,515	0.97%
<b>Total</b> .....	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Weighted Average.....				22
Minimum.....				2
Maximum.....				111

**Table 7: Portfolio Assets by Payment Method**

<b>Payment Method</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
Repayment.....	1,672	100.00%	301,428,226	100.00%
Part and Part.....	-	0.00%	-	0.00%
Rent Only.....	-	0.00%	-	0.00%
<b>Total</b> .....	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>

**Table 8: Portfolio Assets by Rent Rate Type**

<b>Rent Rate Type</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
Full SVR .....	457	27.33%	63,548,356	21.08%
Fixed .....	834	49.88%	168,407,242	55.87%
Discounted .....	381	22.79%	69,472,629	23.05%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>

**Table 9: Portfolio Assets by Rent Rate Reversion Quarter**

<b>Fixed Rent Rate Reversion Quarter</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
Floating .....	838	50.12%	133,020,985	44.13%
2018 .....	522	31.22%	102,844,084	34.12%
2019 .....	286	17.11%	61,165,841	20.29%
2020 .....	26	1.56%	4,397,317	1.46%
2021 .....	0	0.00%	-	0.00%
2022 .....	0	0.00%	-	0.00%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>

**Table 10: Portfolio Assets by Rent Rate**

<b>Rent Rate</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=2.00%.....	0	0.00%	-	0.00%
>2.00% <=2.25%.....	0	0.00%	-	0.00%
>2.25% <=2.50%.....	175	10.47%	32,148,464	10.67%
>2.50% <=2.75%.....	453	27.09%	92,590,568	30.72%
>2.75% <=3.00%.....	363	21.71%	65,637,763	21.78%
>3.00% <=3.25%.....	205	12.26%	41,798,357	13.87%
>3.25% <=3.50%.....	30	1.79%	5,709,350	1.89%
>3.50% <=4.00%.....	7	0.42%	1,616,839	0.54%
>4.00% <=4.50%.....	426	25.48%	60,903,261	20.20%
>4.50%.....	13	0.78%	1,023,624	0.34%
<b>Total</b> .....	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Weighted Average.....				3.17%
Minimum.....				2.44%
Maximum.....				5.49%

**Table 11: Portfolio Assets by Stabilised Margin**

<b>Stabilised Margin</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=2.00%.....	0	0.00%	-	0.00%
>2.00% <=2.25%.....	0	0.00%	-	0.00%
>2.25% <=2.50%.....	0	0.00%	-	0.00%
>2.50% <=2.75%.....	17	1.02%	1,620,187	0.54%
>2.75% <=3.00%.....	0	0.00%	-	0.00%
>3.00% <=3.25%.....	1	0.06%	1,284	0.00%
>3.25% <=3.50%.....	0	0.00%	-	0.00%
>3.50% <=4.00%.....	1641	98.15%	298,783,132	99.12%
>4.00% <=4.50%.....	12	0.72%	889,677	0.30%
>4.50%.....	1	0.06%	133,947	0.04%
<b>Total</b> .....	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Weighted Average.....				3.99%
Minimum.....				2.74%
Maximum.....				4.99%

**Table 12: Portfolio Assets by Purpose of Financing**

<b>Portfolio Assets Purpose</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
Equity Release .....	9	0.54%	898,989	0.30%
Purchase.....	1,401	83.79%	257,451,091	85.41%
Refinancing.....	231	13.82%	39,735,957	13.18%
Refinancing on Different Terms.....	31	1.85%	3,342,190	1.11%
<b>Total</b> .....	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>

**Table 13: Portfolio Assets by Property Type**

<b>Property Type</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
Bungalow .....	9	0.54%	1,725,717	0.57%
Flat/Apartment .....	107	6.40%	19,521,788	6.48%
House, detached or semi-detached .....	1,130	67.58%	213,869,481	70.95%
Terraced House .....	426	25.48%	66,311,241	22.00%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>

**Table 14: Portfolio Assets by Region**

<b>Regions</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
East Anglia.....	38	2.27%	7,134,867	2.37%
East Midlands.....	156	9.33%	21,303,342	7.07%
Greater London and South East.....	739	44.20%	168,554,223	55.92%
North.....	32	1.91%	4,242,184	1.41%
North West.....	220	13.16%	32,880,943	10.91%
South West.....	53	3.17%	8,931,451	2.96%
Wales .....	32	1.91%	4,007,726	1.33%
West Midlands .....	259	15.49%	34,865,149	11.57%
Yorkshire & Humberside .....	143	8.55%	19,508,341	6.47%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>

**Table 15: Portfolio Assets by First Time Buyer**

<b>Customer</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
First Time.....	812	48.56%	136,542,938	45.30%
Non First Time.....	860	51.44%	164,885,288	54.70%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>

**Table 16: First Time Buyer by Age Band**

<b>Age Band</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=20.....	0	0.00%	-	0.00%
>20 <=25.....	11	1.35%	1,229,353	0.90%
>25 <=30.....	110	13.55%	15,641,863	11.46%
>30 <=35.....	256	31.53%	39,840,665	29.18%
>35 <=40.....	207	25.49%	36,615,516	26.82%
>40 <=50.....	187	23.03%	35,417,695	25.94%
>50 <=65.....	41	5.05%	7,797,845	5.71%
>65.....	0	0.00%	-	0.00%
<b>Total.....</b>	<b>812</b>	<b>100.0%</b>	<b>136,542,938</b>	<b>100.0%</b>
Weighted Average Age of First Time Buyer (years old).....				38

**Table 17: Portfolio Assets by Employment Type of Main Customer**

<b>Employment Type</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
Employed.....	1,454	86.96%	252,616,098	83.81%
Self-Employed.....	216	12.92%	48,420,002	16.06%
Others.....	2	0.12%	392,125	0.13%
<b>Total.....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>



**Table 18: Portfolio Assets by Indexed Finance to Value Ratio (Indexed Current Finance to Value)<sup>1</sup>**

<b>Indexed Current Finance to Value</b>	<b>No. of Portfolio Assets</b>	<b>% of Portfolio Assets</b>	<b>Balance</b>	<b>% of Balance</b>
<=10.00%.....	29	1.73%	654,985	0.22%
>10.00% <=20.00% .....	64	3.83%	4,295,758	1.43%
>20.00% <=30.00% .....	103	6.16%	11,159,241	3.70%
>30.00% <=40.00% .....	142	8.49%	19,178,773	6.36%
>40.00% <=50.00% .....	207	12.38%	35,233,175	11.69%
>50.00% <=60.00% .....	332	19.86%	63,775,958	21.16%
>60.00% <=70.00% .....	373	22.31%	75,844,281	25.16%
>70.00% <=80.00% .....	420	25.12%	90,417,536	30.00%
>80.00% <=90.00% .....	2	0.12%	868,520	0.29%
>90.00% <=100.00% .....	0	0.00%	-	0.00%
>100.00%.....	0	0.00%	-	0.00%
<b>Total .....</b>	<b>1,672</b>	<b>100.0%</b>	<b>301,428,226</b>	<b>100.0%</b>
Weighted Average.....				59.6%
Minimum .....				0.1%
Maximum.....				80.7%

**Accrued Rent**

Under the terms of the Sale Agreement, the Trustee shall purchase (a) all accrued rent in respect of the period, and payable or paid under such Portfolio Assets, on or after the Issue Date and including the right to demand, sue for, recover, receive and give receipts for rent due or to become due thereon from and including the Issue Date; and (b) all rent accrued but not yet paid on such Portfolio Assets from and including the Cut-Off Date to the Issue Date.

<sup>1</sup> The indexing methodology is calculated using the Quarter-End Index value of the Nationwide House Price Index. The methodology takes into consideration the Original Valuation, the Property location/region, the Initial Index value (at origination) and the current/latest Index value as the following:

$$\text{Indexed Valuation} = \text{Original Valuation} * \text{Indexation}$$

$$\text{Where Indexation} = 1 + ((\text{Latest Index Value} - \text{Initial Index Value}) / \text{Initial Index Value})$$

## TITLE TO THE PORTFOLIO ASSETS POOL

The Portfolio Assets will be sold by the Seller to the Trustee. The sale of the Portfolio Assets will take effect in equity only and as at the Issue Date, legal title to all Portfolio Assets is either held by the Seller or is in the process of being registered in its name. The Trustee will grant a first fixed equitable charge in favour of the Security Trustee over its interests in the Portfolio Assets.

The Servicer is required under the terms of the Service Agency Agreement to ensure the safe custody of title deeds. The Servicer will have custody of title deeds in respect of the Properties as agent of the Trustee and, following any enforcement action by the Security Trustee against the Trustee, the Security Trustee.

Save as mentioned below, neither the Trustee nor the Security Trustee or the Delegate will effect any registration at the Land Registry to protect the sale of the Portfolio Assets by the Seller to the Trustee or the charge of them by the Trustee in favour of the Security Trustee nor, save as mentioned below, will they be entitled to obtain possession of the title deeds to the Properties or the Portfolio Assets.

Save as mentioned below, notice of the sale to the Trustee and the equitable charge in favour of the Security Trustee will not be given to the Customers.

Under the Sale Agreement and the Deed of Charge, the Trustee (with the consent of the Security Trustee) or, following the service of an Enforcement Notice, the Security Trustee will be entitled to effect such registrations, recordings and give such notices as it considers necessary to protect and perfect the interests respectively of the Trustee (as purchaser) and the Security Trustee (as chargee) in the Portfolio Assets, *inter alia*, where (i) the Security Trustee considers that the Charged Property or any part thereof is in jeopardy (including the possible insolvency of the Seller) or (ii) the Trustee, the Security Trustee or the Seller becoming obliged to provide notice of assignment or (as applicable) assignation of a Portfolio Asset by order of court, by law or any relevant regulatory authority.

The effect of (i) not giving notice to the Customers of the sale of the relevant Portfolio Assets to the Trustee and the charging of the Trustee's interest in the Portfolio Assets to the Security Trustee and (ii) the charge of the Trustee's rights thereto in favour of the Security Trustee pursuant to the Deed of Charge taking effect in equity only, is that the rights of the Trustee and the Security Trustee may be, or may become, subject to equities as well as to the interests of third parties who perfect a legal interest or title prior to the Trustee or the Security Trustee acquiring and perfecting a legal interest or title (such as, in the case of unregistered land, a third party acquiring a legal interest in the relevant Property without notice of the Trustee's or the Security Trustee's interests or, in the case of registered land (whether at the Land Registry), a third party acquiring a legal interest or title by registration or recording prior to the registration or recording of the Trustee's or the Security Trustee's interests).

The risk of such equities and other interests leading to third party claims obtaining priority to the interests of the Trustee or the Security Trustee in Portfolio Assets is likely to be limited to circumstances arising from a breach by the Seller or the Trustee of its or their contractual or other obligations or fraud or mistake on the part of the Seller or the Trustee or their respective officers, employees or agents (if any).

## SALE OF THE PORTFOLIO ASSETS POOL

### Acquisition of Portfolio Assets and the Property on the Issue Date

On the Issue Date the Seller will sell all of its right, title and beneficial interest in the Portfolio Assets to the Trustee. However, no action will be taken to register the interest of the Trustee at the Land Registry, or notify Customers of such sale, and such sale will accordingly take effect at equity only until such registration and notification has occurred.

### Consideration for Portfolio Assets

The consideration payable by the Trustee to the Seller in respect of the sale of the Portfolio Assets Pool comprises an immediate cash payment of GBP245,000,000, payable on the Issue Date, and the Deferred Purchase Price.

The consideration payable on the Issue Date may be settled by way of set-off in the event the Seller agrees to subscribe for some of the Certificates.

### Expected Revenue Collections

Based on the historical performance of the Portfolio Assets prior to the Sale Date, the Seller anticipates that, in relation to any Collection Period, the Revenue Collections expected to be received during such Collection Period (the "**Expected Revenue Collections**") should be at least equal to an amount that would be sufficient to pay the Profit Amount and any amounts required to be paid or allocated in priority to the Profit Amount under the Pre-Enforcement Revenue Priority of Payments in respect of the Return Accumulation Period ending on the Periodic Distribution Date immediately succeeding such Collection Period.

This does not amount to a guarantee or warranty by the Seller as to the amount of Revenue Collections that may actually be received in relation to any Collection Period or to the fact that the full Profit Amount will actually be received by investors on any Periodic Distribution Date.

### Warranties and Repurchase

The Sale Agreement contains representations and warranties given by the Seller in relation to the relevant Portfolio Assets sold pursuant to the Sale Agreement. No searches, enquiries or independent investigation of title of the type which a prudent purchaser would normally be expected to carry out have been or will be made by the Trustee or the Security Trustee, each of whom is relying upon the representations and warranties made by the Seller for their benefit in the Sale Agreement.

If there is an unremedied or unremediable breach of any of these representations and warranties which could have a material adverse effect on the value of any Portfolio Asset and its Ancillary Rights (other than where such breach was disclosed at the point of sale to the Trustee), then the Seller is required to repurchase the relevant Portfolio Asset and its Ancillary Rights for a consideration in cash equal to the Repurchase Price. Performance of the obligation to repurchase will be in satisfaction of all liabilities of the Seller in respect thereof.

The representations and warranties referred to will include, *inter alia*, statements to the following effect:

- (a) The particulars of each Portfolio Asset and its related Property set out in Appendix A (*Completion Pool*) of the Sale Agreement, are complete, true and accurate in all material respects. Immediately prior to the relevant Sale Date, the Seller was the absolute beneficial owner of all of the relevant Portfolio Assets and the legal owner of the related Properties and such other related property and the Trustee is entitled to call for the transfer of legal title of such Property from the Seller and the Portfolio Assets and such other property relating thereto to be sold to the Trustee hereunder, and the Seller has not assigned (whether by way of absolute assignment or by way of security only), transferred, charged, disposed of or dealt with the benefit of any of the relevant Portfolio Assets and the related Properties, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the Sale Agreement in any way whatsoever other than pursuant to the Sale Agreement. In addition, immediately prior to the Issue Date, the Seller holds or will hold, upon completion of any

pending applications for registration or recording of the Seller at the Land Registry, legal title to all relevant Portfolio Assets and their related Properties. Immediately prior to the Issue Date, the Seller has not sold, assigned (whether by way of absolute assignment or by way of security only), transferred, charged, disposed of or dealt with the benefit of the relevant Portfolio Assets and their related Properties, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold, transferred or assigned pursuant to the Sale Agreement in any way whatsoever other than (i) pursuant to the Sale Agreement, or (ii) charged or assigned pursuant to the Deed of Charge.

- (b) Each Home Purchase Plan is non-cancellable and constitutes a valid and binding obligation of the Customer enforceable in accordance with its terms, except that:
  - (i) enforceability may be limited by:
    - (A) bankruptcy or insolvency of the Customer or other laws relating to enforcement of general applicability affecting the enforcement rights of creditors generally and the court's discretion in relation to equitable remedies (or, in limited circumstances, if the Customers purchased the property from a bankrupt vendor);
    - (B) the application of the UTCCR or the CRA; or
    - (C) fraud, and
  - (ii) no warranty is given in relation to any obligation of the Customer to pay early repayment charges or charges payable in the event of Customer default, and each related Legal Charge secures the payments of acquisition, rent, costs and expenses payable by the relevant Customer (other than in relation to any Additional Acquisition Amount costs),

provided that nothing in this paragraph 2 constitutes a representation or a warranty as to the sufficiency of such Legal Charge as security for financial obligations secured on it.

- (c) The Home Purchase Plans were originated by the Seller in the ordinary course of business and, at the time of origination of the Home Purchase Plans, the Seller took reasonable steps to verify that each Home Purchase Plan was made in accordance with the applicable Eligibility Criteria in effect at the time of its origination.
- (d) All steps necessary to perfect the Seller's title to the Property were duly taken at the appropriate time or are in the process of being taken with all due diligence.
- (e) No right of set-off or counterclaim has been created or arisen between the Seller and any Customer which would entitle such Customer to reduce the amount of any payment otherwise due under the relevant Home Purchase Plan.
- (f) In relation to each Property:
  - (i) if the Property is not registered the Seller has a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property or other good freehold state (if freehold) or a term of years absolute (if leasehold) free from any encumbrance which would affect such title; and
  - (ii) if the Property is registered it has been or is in the course of registration with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property or possessory title in the case of freehold or leasehold title where (in accordance with the relevant Eligibility Criteria) such possessory title has been taken into account by the valuer in the valuation of the Property.
- (g) In relation to each Property, title to which is registered, an application for registration has been delivered to the Land Registry within the priority period conferred by an official search against the relevant title at the Land Registry and in relation to each Property, title to which is unregistered, such sale was completed within the priority period conferred by an official search at the Land Charges Department and, where such unregistered Property is subject to first

registration, an application for registration of the Seller's title has been delivered to the Land Registry within two months of the date of the dealing giving rise to first registration in accordance with s.4 of the Land Registration Act 2002 and, in each case, the relevant search did not reveal any matter which would materially adversely affect the Seller's interest.

- (h) In relation to each Property, where registration is pending at the Land Registry, so far as it is aware, there is no caution, notice, inhibition or restriction which would prevent the registration of the Property.
- (i) Each Home Purchase Plan Agreement:
  - (i) has been materially made on the terms of the Standard Documentation referred to in Appendix B (*Standard Documents*) of the Sale Agreement (so far as applicable); and
  - (ii) (A) has not been varied, amended or modified and (B) no waiver or extension has been granted, which, in the case of both (A) and (B), would impair the enforceability or collectability of all or a material part of such Home Purchase Plan since the date of completion of such Home Purchase Plan.
- (j) Rent on each Property is payable in accordance with the provisions of the Lease Agreement.
- (k) No Home Purchase Plan has a Finance Balance of greater than £750,000 on the relevant Sale Date of sale to the Trustee.
- (l) No Home Purchase Plan has a final maturity beyond the date falling two years prior to the Final Dissolution Date of the Certificates.
- (m) The Seller has procured that since the creation of each Home Purchase Plan full and proper accounts, books and records have been kept showing clearly all transactions, payments, receipts and proceedings relating to that Home Purchase Plan and its related Property and all such accounts, books and records are up to date, accurate and in the possession of the Seller or held to its order.
- (n) The Seller has not received written notice of any litigation or claim calling into question in any material way its title to any Property or its ability to fully, effectively and promptly enforce the same.
- (o) The Completion Pool does not comprise of any Property which is subject to a second ranking security interest.
- (p) Subject to completion of any registration or recording which may be pending at the Land Registry, all property deeds relating to the Property and files relating to the Home Purchase Plans are held by, or to the order of, the Seller.
- (q) Each Customer is an individual, and no Customer is, at origination of the relevant Portfolio Asset, an employee of the Seller or any related company.
- (r) No Home Purchase Plan contains an obligation to release additional capital.
- (s) All Home Purchase Plans are either Standard Variable Rental Rate Home Purchase Plans, Standard Discount-to-Standard Variable Rental Rate Home Purchase Plans or Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans.
- (t) All formal approvals, consents and other steps necessary to permit a legal transfer of the Portfolio Assets to be sold under the Sale Agreement have been obtained or taken and all Portfolio Assets and Ancillary Rights are freely assignable and no formal approvals, consents or other steps are necessary as at the Issue Date to permit a legal, equitable or beneficial transfer of the Portfolio Assets and Ancillary Rights, save only for the relevant transfer (and in the case of a legal transfer, registration at the relevant registries and notification to the relevant Customer) itself, and no notification to any Customer is required to effect any equitable or beneficial transfer of the Portfolio Assets and Ancillary Rights to the Trustee pursuant to the Sale Agreement and the

Portfolio Assets and Ancillary Rights are not subject to any contractual confidentiality restrictions which may restrict the ability of the Trustee to acquire the same.

- (u) At origination of each Home Purchase Plan, variable direct debit instructions in favour of the Seller were completed in respect thereof and such completed variable direct debit instructions were held by or on behalf of the Seller.
- (v) The only third party having an interest in the Portfolio and other rights granted to or held for the Seller and being the subject of the Sale Agreement is the Seller in its capacity as holder of the bare legal title to the Properties.
- (w) To the best of the Seller's knowledge, information and belief, no fraud, misrepresentation or concealment has been perpetrated in respect of a Home Purchase Plan by:
  - (i) any person who prepared a valuation of a Property;
  - (ii) any solicitors who acted for the Seller in relation to any Home Purchase Plan or any Property;
  - (iii) any insurance broker or agent in relation to any Insurance Policy;
  - (iv) any Customer of any Home Purchase Plans; or
  - (v) any other party within the knowledge of the Seller,

which would result in any monies owed by any of the Customers not being or being unlikely to be paid in full under the terms of any of the Home Purchase Plans.

- (x) No payments under a Home Purchase Plan are currently to be made in a currency other than sterling and the currency of the payments cannot be changed by the Customer to a currency other than sterling.
- (y) The Seller has not excluded, restricted or waived or agreed to waive any of its rights against any valuer, solicitor or other professional who has provided information, carried out work or given advice in connection with any Home Purchase Plan and its related Property.
- (z) Prior to originating each Home Purchase Plan to a Customer, the Seller instructed or required to be instructed on its behalf solicitors or licensed or qualified conveyancers to carry out in relation to the relevant Property all investigations, searches and other actions that would have been undertaken in a manner consistent with that of an experienced finance provider, servicer or administrator of home purchase plans to customers in England and Wales (a "**Prudent HPP Provider**") when providing finance in an amount equal to such finance to an individual to be secured on a property of the kind permitted under the Eligibility Criteria and a report on title was received by or on behalf of it from such solicitors or licensed or qualified conveyancers which either initially or after further investigation revealed no material matter which would cause a Prudent HPP Provider to decline such Home Purchase Plan having regard to the Eligibility Criteria.
- (aa) Prior to entering into the Home Purchase Plan Agreements, the relevant Property was valued by an independent valuer from the panel of valuers from time to time approved by the Seller except in cases of Portfolio Assets that have been subject to refinancing between the Seller and the Customer prior to the Issue Date, whereby the valuation of the Property of the time of such refinancing may be calculated by applying the change in a house price index to the most recent independent valuation obtained by the Seller in respect of the Property.
- (bb) The Seller took all reasonable steps to ensure that at the date of completion of each Home Purchase Plan the relevant Property was insured under a policy with an insurance company against fire and other commercial risks for an amount not less than the full reinstatement value determined by a valuer approved by the Seller or the Seller became either the sole or a joint insured and first loss payee or had its interest noted by the insurers or, in the case of leasehold property, is covered by a landlord's buildings insurance policy, with, where possible, the interests

of the Seller and the Customer endorsed or deemed noted thereon, in each case with a reputable insurance company agreed to by the Seller against all risks usually covered by a Prudent HPP Provider when advancing money on the security of a property of the same nature at or around the time the related Home Purchase Plan was completed and the Seller has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.

- (cc) Any person who at the date when the Home Purchase Plan was originated had attained the age of 17 and who has been identified by the Customer of such Home Purchase Plan as residing or about to reside in the relevant Property and who is a spouse or civil partner of the Customer or who contributes financially to the household is either named as a joint Customer or has signed the Seller's standard deed of consent declaring that he or she will assert no right to any overriding or other interest by occupation adverse to the Seller's interests and such person has received independent legal advice.
- (dd) At the date of origination:
  - (i) as far as the Seller was aware the terms of, and the origination steps taken in respect of, all Home Purchase Plans complied with applicable laws and regulations (including without limitation all requirements of UCTA and UTCCR or CRA) that were necessary to ensure that the relevant Home Purchase Plan Agreements were enforceable and the relevant Customer was obliged to pay acquisition payments and rent on the dates specified in the relevant Home Purchase Plan Agreements, subject to any reservations or matter disclosed generally as regards non-compliance with any laws and regulations contained within the legal opinions; and
  - (ii) the Seller had all necessary consents, authorisations, approvals, licences and orders including without limitation all necessary licences under the FSMA to originate the Home Purchase Plans.
- (ee) Each Home Purchase Plan is a Regulated Home Purchase Plan and, as far as the Seller is aware, all requirements of MCOB have been complied with in all material respects.
- (ff) The Seller:
  - (i) is not aware of any material breach by the Customer under any Home Purchase Plan Agreement or related Ancillary Rights which would have a material adverse effect on such Home Purchase Plan Agreement or Ancillary Rights and no steps have been taken by the Seller to enforce any Ancillary Rights as a result of such breach; or
  - (ii) has not received notice of the bankruptcy, sequestration or death of any Customer.
- (gg) All the title deeds and the correspondence file (such as it exists) and microfiche or electronically stored data relating to each of the Home Purchase Plan and the related Property are held by or to the order of the Seller or have been lodged by, or on behalf of, the Seller at the Land Registry.
- (hh) All the Home Purchase Plans in respect of Properties are governed by English law.
- (ii) The Seller has not given express written consent to the grant of a tenancy by a Customer in circumstances where no Prudent HPP Provider at the time such consent was given would give such consent.
- (jj) To the best of the Seller's knowledge and belief, no Property has been let or sublet and no permission has been given by the Seller to its Customers to let the Property.
- (kk) Each Customer is a natural person and was aged 21 years or older at the date that he or she executed the relevant Home Purchase Plan.
- (ll) Each Property is a residential property.
- (mm) No material legal proceedings by Customers are outstanding against the Seller which would call into question their beneficial title to the Property.

- (nn) In relation to any leasehold Property:
  - (i) in any case where the Seller has received written notice from the relevant landlord that it is or may be taking steps to forfeit the lease of that Property, the Seller has taken such steps (if any) and in such time as would be taken by a Prudent HPP Provider to protect its security and the Property; and
  - (ii) any requisite consent of the landlord to, or notice of, the creation of the Home Purchase Plan has been obtained or given (as applicable).
- (oo) Each Property is located in England or Wales.
- (pp) There are no Arrears on the Portfolio Assets comprised in the Completion Pool.
- (qq) The proposed limitations or exclusions of the liability of the Seller contained in the Home Purchase Plan Agreements relating to each Portfolio Asset are fair and reasonable having regard to the circumstances of the particular Customer for the purposes of the Unfair Contract Terms Act 1977 and are not unfair terms within the meaning of UTCCR or, as applicable, the CRA.
- (rr) To the extent that any Home Purchase Plan Agreement relating to a Portfolio Asset was entered into after 1 July 1995 between the Seller and a "consumer" and such Home Purchase Plan Agreement was not "individually negotiated" with such consumer (as such terms are defined in UTCCR), none of the terms contained in such Home Purchase Plans are unfair terms within the meaning of the UTCCR or, as applicable, the CRA; no injunction has been granted by the court pursuant to regulation 8 of the UTCCR which might prevent or restrict the use in a home purchase plan of any particular term or the enforcement of any such term; and in carrying out the procedures for enabling Customers to enter into Home Purchase Plans, the Seller complied with the UTCCR and, in particular, ensured that each Customer had a real opportunity to read and understand the terms of the relevant Home Purchase Plan Agreements before the conclusion of the Home Purchase Plan Agreements.
- (ss) No Ancillary Rights comprise or include (or comprise or include an interest in) stock or marketable securities (within the meaning of s. 122 of the Stamp Act 1891); chargeable securities (within the meaning of s.99 of the Finance Act 1986) or a chargeable interest (within the meaning of s.48 of the Finance Act 2003).
- (tt) The Portfolio Assets:
  - (i) constitute financial assets (as defined in Regulation 2 of the Tax Regulations); and
  - (ii) are not shares (save to the extent that part of the Seller's interest in such Property is represented by shares in the management company of a flat or apartment).
- (uu) Each Home Purchase Plan fell within s.71A Finance Act 2003 when it was entered into between the Seller and the Customers because, the terms of each Home Purchase Plan are such that:
  - (i) the Seller acquired a major interest in land or an undivided share of a major interest in land;
  - (ii) this major interest in land is held on trust for the Seller and the Customers as tenants in common;
  - (iii) the Seller (or the person holding the land or trust) granted a lease or sub-lease to each Customer pursuant to the Lease Agreement; such leases and sub-leases will continue until the Home Purchase Plan is repaid in full; and
  - (iv) each Customer is entitled (and will continue to be entitled until it has acquired the whole of the major interest in land acquired by the Seller in (i) above) to require the Seller or its successor to transfer to it the whole interest in the Property purchased by the Seller and remains within s.91A of the Finance Act 2003 as at the relevant sale date.



- (vv) Each Property which is the subject of each Home Purchase Plan was designed or adapted and intended for use (a) as a dwelling or a number of dwellings; or (b) solely for a relevant residential purpose (within the meaning of paragraph 5 of Schedule 10 to VATA).
- (ww) Each Home Purchase Plan falls within s.504 Corporation Tax Act 2009.
- (xx) In respect of each Home Purchase Plan included in the Portfolio Assets Pool, the relevant Customer has made at least one payment in accordance with the terms of the Home Purchase Plan Agreements.
- (yy) If the relevant Property is subject to a headlease, the Seller has complied with and obtained all consents from the superior landlord required by such headlease, and the terms of the Home Purchase Plan Agreements do not breach the terms of such headlease.
- (zz) No agreements for any Portfolio Asset is subject to regulation by the CCA.
- (aaa) Prior to entering into each Home Purchase Plan, the policies, procedures and criteria of the Seller were satisfied in all material respects.
- (bbb) Subject to the completion of any registration which may be pending at the Land Registry, each Home Purchase Plan includes a Legal Charge which is or will be registered against the relevant Lease Agreement.

### **Releasing Additional Capital**

Any release of additional capital made to a Customer after the Issue Date is a Repurchase Event, and will require the Seller to repurchase the affected Portfolio Asset from the Trustee pursuant to the terms of the Sale Agreement.

### **Eligibility Criteria**

Subject to limited exceptions, the following criteria (the "**Eligibility Criteria**") are a summary consolidating certain of the eligibility criteria applied in relation to the Home Purchase Plans originated by the Seller between November 2008 and November 2017. Capitalised terms used in this section are used in respect of the Eligibility Criteria only, unless the context otherwise requires.

#### *Properties*

- (a) Each Home Purchase Plan must be entered into to acquire a freehold or long leasehold residential property in England or Wales (the "**Property**") subject to acceptable valuation.
- (b) Use of all Properties will be for primary owner occupation for residential use only.
- (c) The Property is held on either freehold or leasehold tenure. Where the Property is leasehold then a minimum unexpired term of 50 years should remain on the lease at the end of the finance term.
- (d) Property of (i) traditional construction, including timber frame, subject to a satisfactory valuation report and (ii) concrete construction, including (a) in-situ cast concrete; or (b) Pre-cast reinforced concrete ("**PRC**") construction designated defective by the Housing Act 1985, provided that it can be proved that the PRC Properties are repaired by either the PRC Homes Ltd Repair Scheme ("**PRC Homes Ltd Repair Scheme**") or the Non-Traditional Homes Approval Scheme ("**Non-Traditional Homes Approval Scheme**"), are acceptable. In the case of newly built properties, the Seller requires that a suitable warranty or insurance backed guarantee is in place. If not, the erection of the property must be supervised by a qualified architect or surveyor employed solely by the applicant, and backed by appropriate insurance for the period of the warranty/guarantee.

Subject to the exception above, properties of non-standard construction are not considered.

- (e) The following are examples of types of property which are deemed unacceptable unless the Seller agrees otherwise:

- (i) Properties designated as defective under the Housing Defects Act 1984 and the Housing Act 1985 (other than as permitted in accordance with paragraph (d) above).
  - (ii) Ex-local authority Properties, provided that ex-local authority Properties may be acceptable in areas where a surveyor has determined that it is located in an area where there is a significant portion of private ownership.
  - (iii) Steel framed houses, provided that steel framed houses built later than in 2000 are acceptable subject to property team approval. Steel framed flats are acceptable security provided construction occurred in 2001 or later.
  - (iv) Customer or Customer-owned business owning more than 25 per cent. of the freehold of the block in so far as can be ascertained at the time of underwriting. A Customer or Customer-owned business owning up to 50 per cent. of freehold of the block will be acceptable where the security comprises a building with only two flats or a Customer or Customer-owned business owning up to 33 per cent. of freehold of the block will be acceptable where the security comprises a building with three flats.
  - (v) Flats above commercial premises, provided that these can be approved by the underwriter if considered of suitable quality.
  - (vi) High rise flats over four storeys, although high quality high rise flats over 10 storeys can be approved by the underwriter if (i) valued at £250,000 or above, (ii) the FTV is equal or less than 75 per cent., and (iii) it is situated in a city centre with no adverse comments in the valuation.
  - (vii) Flying freeholds, provided that these can be approved by the underwriter if considered of suitable quality.
  - (viii) Grade One Listed Properties.
- (f) The following are examples of types of property which are never acceptable:
- (i) Properties with a value below £80,000 based on the surveyor's valuation figure or purchase price, whichever is lower.
  - (ii) Properties without a working kitchen and bathroom.
  - (iii) Properties of which the marketability is poor based on the surveyor's opinion.
  - (iv) Properties with agricultural restrictions.
  - (v) Shared ownership schemes.
  - (vi) Right to buy.
  - (vii) Properties which are being acquired by Customers through the Government's "Help to Buy" scheme.
  - (viii) Key worker scheme.
  - (ix) Freehold flats.
  - (x) Ex-local authority flats or maisonettes where any single unit within the subject block remains in the control of the local authority and Ex-Ministry of Defence properties.
  - (xi) Large panel systems.
  - (xii) Mobile homes or houseboats.
  - (xiii) Vacant land.

- (xiv) Properties where there are any restrictions on occupation or ownership.
  - (xv) Properties determined as unacceptable by the valuer.
  - (xvi) Properties less than 10 years old without either a NHBC certificate, Architects Certificate (Professional Consultant's Certificate), Premier Guarantee, BLP Limited Guarantee, Zurich Municipal Warranty, Checkmate Castle 10 New Home Warranty, LABC New Home Warranty, Build Zone Warranty or CRL Warranty.
  - (xvii) Prefabricated re-enforced concrete (not repaired).
  - (xviii) Properties with Japanese Knotweed on site.
  - (xix) Live/work units.
  - (xx) Properties identified as having dry rot.
- (g) The Property has been professionally valued by a nominated panel company, instructed through the Seller's extant panel managers. All valuations have been carried out on a Market Value basis in accordance with the current guidelines issued by RICS and endorsed by Al Rayan's own guidelines and conditions of engagement. The Seller will rely on the valuer in all instances to determine a fair and accurate Market Value for the Property.
- (h) The Property is comprehensively insured, as verified by the Seller's solicitor prior to completion, for not less than the full reinstatement figure recommended by the valuer and shown on the property valuation report with the Seller noted as first loss payee and co-insured on the policy.

#### *Payment Amounts*

- (a) The minimum finance amount (excluding any applicable fees) is £30,000.
- (b) For purchase and refinancing, the maximum payment amount (excluding any applicable fees) is £750,000 for Home Purchase Plans up to and including 80 per cent. Original FTV, £1,500,000 for Home Purchase Plans up to and including 75 per cent. Original FTV and £1,500,000 or higher for Home Purchase Plans up to and including 70 per cent. Original FTV. No finance provided under a Home Purchase Plan may exceed 80 per cent. Original FTV.

#### *Finance to Value*

- (a) The Original FTV of each Home Purchase Plan at the date of the drawdown was no more than 80 per cent..

#### *Payment term*

A payment term of between seven and 35 years.

#### *Customers*

- (a) A minimum of one and a maximum of four Customers are allowed to be parties to the Home Purchase Plan Agreements. All incomes may be taken into consideration when assessing the Customers' ability to service the finance although a reduction in affordability thresholds will be applied.
- (b) Customers must generally have been at least 21 years of age or older prior to completion of the Home Purchase Plan. The maximum age of any Customer at the end of payment term must not exceed 80 years and, for employed or self-employed Customers, the age of such Customer at the end of the payment term must not exceed 75 years or the declared retirement age, whichever is the earlier.
- (c) The Customer satisfies the Seller's nationality and residence status criteria. The Customer's credit and employment history will have been assessed.

- (d) The Customer's credit and employment history will have been assessed and the Customer meets the Seller's criteria in that regard
- (e) No Customer:
  - (i) is a bankrupt or has previously been bankrupt;
  - (ii) has had or is subject to an individual voluntary arrangement;
  - (iii) has been subject to a debt relief order in the last six years;
  - (iv) had a home previously repossessed; or
  - (v) has an adverse credit history that matches all or any of the following criteria:
    - (A) missed a home purchase plan or mortgage payment in the last 12 months, and missed any more than two payments in the last 24 months, unless they are now fully up to date and such missed payments were caused by error rather than inability to pay;
    - (B) having three months' total arrears (cumulative not individual) on any finance in the last three years equal to a credit status of "3" on the credit report;
    - (C) subject to a County Court judgment totalling more than £500 in the five years prior to the application, unless they have been fully repaid, certificates of satisfaction held and they can be shown to have been a dispute rather than poor payment; and/or
    - (D) defaulted on a due payment totalling more than £500 in the last five years, unless they can be shown to have been a dispute rather than poor payment.

*Income*

- (a) The Customer's income arises from one or more of:
  - (i) employment;
  - (ii) self-employment;
  - (iii) property investment;
  - (iv) earned pension income;
  - (v) bereavement allowance; and
  - (vi) 50 per cent. of regular maintenance payments (subject to a maximum of 70 per cent. of the Original FTV).
- (b) The Customer's income has been calculated in accordance with accepted industry practice and regulatory guidance.
- (c) The Customer's deposit complies with accepted industry practice and regulatory guidance.
- (d) The Customer satisfies the Seller's affordability assessment in accordance with the Seller's policies and procedures.
- (e) The purpose to which the Customer intended to apply the proceeds of any advance under a Home Purchase Plan is acceptable to the Seller in accordance with its policies and procedures.

*Payments*

The Home Purchase Plans require monthly payments of Acquisition Amounts and rent.

## **Sale Undertaking**

Pursuant to the Sale Undertaking, the Trustee will undertake to sell to the Seller the Portfolio Assets and the Ancillary Rights on any Periodic Distribution Date after the Step-Up Date in the event that the Seller gives notice to the Trustee that it wishes to exercise the Sale Undertaking. The Seller may deliver an Exercise Notice to the Trustee specifying the Sale Undertaking Purchase Price and the redemption date (provided that such redemption date must be a Periodic Distribution Date) on (i) in the case of a dissolution following a Trustee call, on giving not less than 15 nor more than 30 days' notice to the Certificateholders in accordance with Condition 13 (*Notice to Certificateholders*) or (ii) in the case of a dissolution for taxation or other reasons, on giving not more than 45 nor less than 30 days' notice to the Delegate and the Certificateholders in accordance with Condition 13 (*Notice to Certificateholders*). The Trustee must also comply with the conditions set out in Condition 5(d) (*Dissolution following a Trustee Call*) or Condition 5(e) (*Dissolution for Taxation or Other Reasons*), as applicable.

The "**Sale Undertaking Purchase Price**" for the Portfolio Assets and the Ancillary Rights under the Sale Undertaking is such amounts as would be sufficient (taking into account any amounts then standing to the credit of the Bank Accounts and any other funds available to the Trustee) to (I) redeem all of the Certificates then outstanding in full together with all accrued but unpaid Periodic Distribution Accruals on such Certificates, (II) pay amounts required under items (i) to (v) of the Post Enforcement Priority of Payments being amounts ranking in priority to or *pari passu* with the Certificates on such redemption date; and (III) pay any other costs associated with such redemption of the Certificates in accordance with the terms of the Sale Undertaking.

The Trustee shall upon request, sign, execute and do all such other deeds, assurances, agreements, instruments, acts and things as the Seller may require in order to give effect to the terms of the Sale Undertaking. Upon the repurchase of the Portfolio Assets and the Ancillary Rights, the Security Trustee will at the request of the Trustee release, re-transfer or re-assign (as appropriate), without recourse, representation or warranty the Charged Property to the Trustee.

## **Redemption and Cancellation of Certificates**

On the Periodic Distribution Date specified in the Exercise Notice, the Certificates will be redeemed in full and the Certificates will be cancelled.

## CREDIT STRUCTURE

The Certificates will not be obligations of the Account Bank, the Arranger, the Cash Manager, the Corporate Services Provider, the Security Trustee, the Delegate, the Servicer, the Seller, the Principal Paying Agent, the Sharia Compliance Adviser, the Standby Servicer, the Joint Lead Managers or anyone other than the Trustee and will not be guaranteed by any such party. None of Account Bank, the Arranger, the Cash Manager, the Corporate Services Provider, the Security Trustee, the Delegate, the Servicer, the Seller, the Principal Paying Agent, the Joint Lead Managers or anyone other than the Trustee will accept any liability whatsoever in respect of any failure to pay any amount due under the Certificates.

As a condition to the issue of the Certificates, the Certificates are expected to be rated Aaa by Moody's and AAA by S&P. Ratings are expected to be assigned to the Certificates as set out above on or before the Issue Date.

The ratings assigned by Moody's address, *inter alia*, the probability of default and expected severity of loss given default of the Certificates held by the Certificateholder.

The ratings assigned by S&P address, *inter alia*, the likelihood of:

- (a) full and timely payment of profit due to the holders of such Certificates on each Periodic Distribution Date; and
- (b) full payment of the Principal Amount Outstanding of the Certificates by a date that is not later than the Final Dissolution Date for the Certificates.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the other ratings, the market value and/or the liquidity of the Certificates.

On the Issue Date, the Trustee will issue the Certificates. The Certificates will be issued fully paid on the Issue Date and the proceeds will be used for the purposes described in the section entitled "*Use of Proceeds*".

### Redemption of the Certificates

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Dissolution Date, the Certificates will be redeemed on each Periodic Distribution Date to the extent that there are Available Principal Funds available to make such partial redemption in accordance with the Pre-Enforcement Principal Priority of Payments set out in Condition 5(b) (*Mandatory Redemption of the Certificates*) up to the Final Dissolution Date.

The Certificates may be redeemed prior to the Final Dissolution Date either (i) following a Trustee call in accordance with Condition 5(d) (*Dissolution following a Trustee Call*) or (ii) upon the occurrence of a Tax Event in accordance with Condition 5(e) (*Dissolution for Taxation or Other Reasons*), in each case pursuant to and in accordance with the terms of the Sale Undertaking (see the section entitled "*Sale of the Portfolio Assets Pool – Sale Undertaking*"), and in accordance with the Post-Enforcement Priority of Payments.

Unless previously redeemed or purchased and cancelled as provided in Condition 5 (*Certificate Redemption and Dissolution of Trust*), the Certificates shall be redeemed at their Principal Amount Outstanding, together with accrued and unpaid profit, on the Final Dissolution Date.

### Receipts

The Cash Manager on behalf of the Trustee will calculate on each Determination Date the Available Revenue Funds and the Available Principal Funds of the Trustee for the previous Collection Period (as set out in the Cash Management Agreement). The Cash Manager will on the next Periodic Distribution Payment Date apply such Available Revenue Funds and Available Principal Funds on behalf of the Trustee to make payments of profit and principal (as applicable) on the Certificates as well as certain amounts under the Pre-Enforcement Revenue Priority of Payments (see Condition 2(c) (*Pre-Enforcement*

*Revenue Priority of Payments*)) and the Pre-Enforcement Principal Priority of Payments (see Condition 5(b) (*Mandatory Redemption of the Certificates*)).

### **Credit Support for the Certificates Provided by "Available Revenue Funds"**

The rent payment rates payable by Customers in respect of the Home Purchase Plans vary in respect of different Customers and different types of Home Purchase Plans. The actual amount of rent payments received from Customers will vary during the life of the Certificates; two of the key factors determining such variations are the level of delinquencies experienced and the weighted average rental rate in each case on the Portfolio Assets Pool. Available Revenue Funds may be applied (after making payments or provisions ranking higher in the Pre-Enforcement Revenue Priority of Payments) on each Periodic Distribution Date towards reducing any Principal Deficiency.

To the extent that the amount of Available Revenue Funds standing to the credit of the Revenue Ledger on each Periodic Distribution Date exceeds the amount required to meet items (i) to (vi) inclusive of the Pre-Enforcement Revenue Priority of Payments such funds are available to replenish the Reserve Fund which is itself available to be drawn upon on any other Periodic Distribution Date upon which there exists a Shortfall.

The Deferred Purchase Price, paid in accordance with the Pre-Enforcement Principal Priority of Payments from Available Principal Funds, also provides credit support to the extent that Available Principal Funds are available in excess of items (i) to (iv) of the Pre-Enforcement Principal Priority of Payments on any Periodic Distribution Date.

### **Reserve Fund**

A reserve of GBP5,000,000 will be established on the Issue Date and funded by the proceeds of the issuance of the Certificates (the "**Reserve Fund**").

#### *Reserve Ledger*

The Cash Manager will maintain a Reserve Ledger in the Transaction Account. The amount standing to the credit of the Reserve Ledger must meet the Reserve Ledger Required Amount throughout the life of the Certificates, and funds will be credited to the Reserve Ledger in accordance with the Pre-Enforcement Revenue Priority of Payments.

#### *Application of the Reserve Fund - Shortfall*

If the Cash Manager determines on the immediately preceding Determination Date that there will be a Shortfall, the Cash Manager may (as set out in the Cash Management Agreement), on any Periodic Distribution Date, apply any amounts standing to the credit of the Reserve Fund towards a Shortfall so that the Trustee shall first pay or provide for that Shortfall by the application of the Reserve Fund.

### **The Certificates**

Each Certificate will be constituted by the Declaration of Trust and will share the same security. Prior to (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event, the Certificates will rank *pari passu* and without preference or priority amongst themselves for all purposes. Following (i) the service of an Enforcement Notice, or (ii) the occurrence of a Redemption Event, the Certificates will rank *pari passu* and without preference or priority amongst themselves for all purposes.

Profit on the Certificates will be payable in arrear as provided in Condition 4 (*Profit*).

### **Principal Deficiency Ledger**

A Principal Deficiency Ledger will be established in order to record:

- (a) upon completion of the Enforcement Procedures by the Servicer in relation to a Portfolio Asset, the amount recovered by the Servicer is less than the outstanding Finance Balance on such Portfolio Asset;

- (b) if part or all of any payment due under a Home Purchase Plan that is a Portfolio Asset is not received by the Trustee as a result of the Customer thereof withholding such amount for any reason other than such Customer's inability to make such payment;
- (c) if part or all of any payment due under a Home Purchase Plan that is a Portfolio Asset is not received by the Trustee where the Customer under such Home Purchase Plan has made such payment in full but the Servicer has not been able for any reason to remit the full amount to the Trustee; and
- (d) amounts used on any Periodic Distribution Date from Available Principal Funds to pay profit on the Certificates in accordance with limb (i) of the Pre-Enforcement Principal Priority of Payments.

Any such amounts, shall be debited from the Principal Deficiency Ledger (such debit items being recredited at item (vi) of the Pre-Enforcement Revenue Priority of Payments) so long as the debit balance on such sub-ledger is less than or equal to the aggregate Principal Amount Outstanding of the Certificates.

### **Collection Account and Bank Accounts**

The principle of the payment of interest is repugnant to Sharia and accordingly the Collection Account, the Transaction Account or any other Bank Account established will not be interest bearing accounts.

#### ***Collection Account***

Unless otherwise agreed in writing by the Trustee and the Security Trustee, all payments by Customers in respect of amounts due under the Portfolio Assets will be made into the Collection Account.

Payments by Customers in respect of amounts due under the Portfolio Assets will be made into an account in the name of Al Rayan Bank PLC (the "**Collection Account**"). The Seller will declare a trust over the Collection Account (the "**Collection Account Declaration of Trust**") in favour of the Trustee.

The Servicer shall be entitled at any time to deduct from the Collection Account any amounts to satisfy any of their obligations and/or liabilities properly incurred under the direct debiting scheme or in respect of other unpaid sums (including but not limited to cheques and payment reversals) in respect of the Portfolio Assets Pool.

All amounts credited to the Collection Account in relation to the Portfolio Assets will be transferred to the Transaction Account within two Business Days of receipt.

#### ***Transaction Account***

The Trustee will open with the Account Bank the Transaction Account in accordance with the Account Bank Agreement, which will be used as the Trustee's operational account in respect of the Portfolio Assets Pool and from which the Trustee (or the Cash Manager on the Trustee's behalf) will make payments in accordance with the applicable Priority of Payments.

Pursuant to the Account Bank Agreement, the Trustee appoints the Account Bank to open the Transaction Account and administer such account in accordance with the terms of the Account Bank Agreement and the Account Mandate. The Account Bank's appointment continues until (i) the Trustee terminates the appointment upon giving 60 days' written notice to the Account Bank, or (ii) the Account Bank resigns its appointment by giving at least 60 days' written notice to the Trustee, the Security Trustee, the Cash Manager and the Delegate and provided that no such resignation shall take effect until a replacement account bank that meets the criteria set out in the Account Bank Agreement has been appointed. The Trustee shall terminate the appointment of the Account Bank if at any time the Account Bank falls below the Account Bank Minimum Required Rating.

Pursuant to the Deed of Charge, the Trustee grants a first fixed equitable charge to the Security Trustee over all the Trustee's right, title, benefit and interest present and future in, to and under the Transaction Account.



## **ADMINISTRATION, SERVICING AND CASH MANAGEMENT OF THE PORTFOLIO ASSETS POOL**

### **Service Agency Agreement**

Al Rayan (the "**Servicer**") is required to administer the Portfolio Assets Pool on behalf of the Trustee under the Service Agency Agreement (see "*The Seller and the Servicer*"). The duties of the Servicer include, *inter alia*:

- (a) maintaining the Portfolio Assets account in respect of each Customer, making appropriate debit and credit entries in accordance with the terms of the applicable Home Purchase Plan Agreements, and sending each Customer an account statement as required by Applicable Law;
- (b) collecting the scheduled monthly payments due on the Portfolio Assets and presenting to the relevant bank the appropriate direct debit instructions at least five days before the relevant payment date;
- (c) notifying Customers of changes in their scheduled monthly payments;
- (d) taking action required in connection with the enforcement of a Portfolio Asset;
- (e) with respect to the warranties given by the Seller as set out in Part 1 of Schedule 1 to the Sale Agreement, the Servicer shall comply with its obligations pursuant to Clause 7.3 of the Sale Agreement;
- (f) following the occurrence of a Perfection Event, implementing, at the Trustee's expense, instructions issued by the Trustee in order to perfect or vest legal title in and to the Portfolio Assets in the Trustee;
- (g) arranging all insurance that an experienced provider, servicer or administrator of home purchase plans made to customers in England and Wales would consider prudent in the circumstances to obtain;
- (h) dealing with the administrative aspects of redemption of a Portfolio Asset, including arranging transfer of the title to the relevant Property together with any deed of release or discharge of the related Legal Charge and delivery of the Property Deeds to the relevant Customer upon receipt of amounts required to pay in full the amounts outstanding under the Portfolio Asset; and
- (i) dealing with enquiries and requests from Customers.

Provided prior notification has been given to the Trustee, the Security Trustee and the Delegate, the Servicer is permitted to Sub-contract or delegate its obligations under the Service Agency Agreement subject to various conditions.

The Servicer will be obliged under the Service Agency Agreement to act upon the instructions of the Trustee in relation to certain aspects of the administration of the Portfolio Assets. The Servicer shall exercise such discretion as is vested in it for the purpose of administering the Portfolio Assets Pool as would be exercised by a Prudent HPP Provider. The Servicer shall, in carrying out its duties, at all times act in compliance with Sharia principles. The Servicer may rely on the advice of the Sharia Compliance Adviser in making a determination as to whether or not any given matter or action complies with Sharia principles.

The Servicer is entitled to the Servicing Fee payable quarterly in arrears on each Periodic Distribution Date, subject to the applicable Priority of Payments, comprising an amount equal to 0.024 per cent. of the Principal Amount Outstanding on the Certificates per annum (inclusive of VAT, if any).

The appointment of Al Rayan as Servicer may be terminated by the Trustee (with the consent of the Security Trustee) or, following delivery of an Enforcement Notice, the Security Trustee by written notice to the Servicer on the occurrence of certain events of default, including:

- (a) non-performance or non-observance by the Servicer of any of its covenants, undertakings and obligations under the Service Agency Agreement which, in the sole opinion of the Delegate, is materially prejudicial to the interests of the Certificateholders and which, in the case of a default that remediable, continues unremedied for a period of 15 days after written notice by the Delegate requiring the same to be remedied;
- (b) if insolvency or similar events occur in relation to the Servicer; or
- (c) an Enforcement Notice is given and the Delegate is of the opinion that the continuation of the appointment of the Servicer is materially prejudicial to the interests of the Certificateholders.

(each a "**Servicer Termination Event**"). The Servicer may agree to continue to provide the duties under the Service Agency Agreement for up to an additional three months after service of notice of termination.

On termination of the appointment of the Servicer under the Service Agency Agreement, the Trustee (prior to the service of an Enforcement Notice and with the consent of the Security Trustee) or (after the service of an Enforcement Notice) the Security Trustee may give notice in writing to the Standby Servicer of such termination and the Standby Servicer shall comply with its obligations under the Standby Servicing Agreement accordingly.

The appointment of the Servicer may also be terminated upon the expiry of not less than six months' notice of termination given in writing by the Servicer to the parties to the Service Agency Agreement, **provided that** *inter alia* the Security Trustee, the Delegate and the Trustee consent in writing to such termination, a replacement servicer shall be appointed no later than the date of termination of the Servicer and on substantially the same terms as the relevant terms of the Service Agency Agreement, and the Security Trustee, the Delegate and the Trustee provide written approval of the replacement servicer. The Trustee or the Security Trustee may also appoint the Standby Servicer in this instance.

## **Services**

### ***Rent rate***

In accordance with the terms of the Service Agency Agreement, the Trustee grants the Servicer full right, liberty and authority to determine and set the rate or rates of rent payable by the Customers on the Portfolio Assets (in accordance with the terms of the Home Purchase Plan Agreements).

The Servicer will set such rent rates in a manner that is consistent with that of a Prudent HPP Provider and in compliance with all statutory and regulatory requirements. The Servicer undertakes to not set the standard variable rental rate at a rate less than the arithmetic sum of Base Rate plus 2.7 per cent. per annum.

The Servicer covenants that it will not grant fixed rental rate periods for longer than five years and three months for Home Purchase Plans in the Portfolio Assets Pool.

### ***Buildings Insurance***

At the time of completion, the relevant Property must have been insured by the Customer under an insurance policy to an amount not less than the full reinstatement value determined by the valuer at or around the time the related Home Purchase Plan was made.

### ***Enforcement of the Home Purchase Plans***

#### ***Legal analysis***

The enforcement of the "security" provided by the Home Purchase Plan Agreements on default by the Customer is, in practical terms, fairly analogous to, but legally distinct from, enforcement of a conventional mortgage loan. The principal difference legally is that, unlike a conventional mortgage structure, Al Rayan retains the legal interest in the relevant Property and will be the registered proprietor at the Land Registry. Accordingly it can sell the Property as legal owner without recourse to the appointment of a receiver or the power of sale contained in a conventional mortgage. In addition however, in order to sell with vacant possession, the Lease will need to be terminated.

Accordingly, the only fetters on Al Rayan's ability to sell the Property are (i) the Customer's beneficial interest therein (which may be protected by a restriction on the title of the Property at the Land Registry but may in any event constitute an overriding interest of a person in occupation pursuant to s.29 of the Land Registration Act 2002) and (ii) the Lease.

The Diminishing Co-Ownership Agreement provides that, following a termination of the Customer's rights thereunder and exercise of Al Rayan's right to sell the Property, the Customer's beneficial interest shall be converted into an equivalent interest in the proceeds of sale. Accordingly, at the point of sale the customer will no longer have a beneficial interest in the Property itself and the Property may be purchased free of any such interest, provided that the sale proceeds are paid to two or more trustees.

However, in order to sell with vacant possession the Lease will also have to be terminated. As the Customer is likely to be in occupation of the property Al Rayan will have to obtain an order for possession from a County Court. This is a very similar procedure to obtaining a County Court order for possession as a conventional mortgagee where a sale with vacant possession is required, save that technically possession is sought by Al Rayan as landlord rather than as a mortgagee.

If the Lease constitutes an Assured Shorthold Tenancy pursuant to the Housing Act 1988 (the "Act") and the grounds for obtaining possession are set out in the Act, whilst the procedure is set out in Part 55 of the Civil Procedures Rules (the "CPR") and associated Practice Direction. In order to obtain the requisite order for possession Al Rayan will need to establish one or more of the mandatory or discretionary grounds for possession set out in schedule 2 of the Act and the Lease must also contain a matching "forfeiture provision".

Alternatively, if Al Rayan simply wishes to obtain possession at the end of the fixed term of the Lease, it has an automatic right to do so, subject to giving the customer at least two months' notice that it requires possession pursuant to s.21 of the Act and subsequently obtaining the requisite court order. Following the notice, Al Rayan is likely to be able to adopt the "accelerated possession procedure" if the conditions set out in rule 55.12 of the CPR apply, by seeking a possession order in writing without the need for a court hearing.

Charges arising from delayed payment are calculated on the cost of recovery and administration, and where any charge is higher than the actual costs incurred, the excess is donated to charity, in accordance with Sharia principles.

#### *Enforcement Procedures*

The Servicer has established enforcement procedures, including early contact with Customers in order to find a solution to any financial difficulties they may be experiencing. These same procedures are from time to time varied in accordance with the Service Agency Agreement and the standards of a Prudent HPP Provider and/or as required by applicable law and regulation (including Sharia principles). The Servicer conducts its business in compliance with Sharia principles and a moral code where all products and services are designed to treat Customers fairly, equally and with respect.

The Servicer collects all payments due under or in connection with the Portfolio Assets in accordance with the administration procedures in force from time to time, but having regard to the circumstances of the relevant Customer in each case and with possession of a Property seen as a final resort.

Each day the Servicer receives notification of any payment due in accordance with the relevant Home Purchase Plan that is not made by the relevant payment date from two separate sources. Firstly, the Servicer will review the report of failed direct debits received from external banks, and secondly, the Servicer generates a report using an internal reporting application which details any Portfolio Assets that are in arrears as of the previous working day.

The Servicer conducts ongoing monitoring of other banking facilities that the Customer holds with the Servicer, and correspondence with the Customer that might indicate early signs of financial hardship that could result in a Portfolio Asset entering into arrears. Contact is made with the Customer from the point a Portfolio Asset is identified as being in arrears, or earlier if necessary pursuant to the ongoing monitoring that the Servicer undertakes.

The Servicer identifies a Portfolio Asset as being "in arrears" when any payment due in accordance with the relevant Home Purchase Plan is not made by the relevant payment date. After identification of arrears, the Servicer immediately sends a letter to the Customer informing them of the arrears and any charges incurred. The Servicer will then make daily telephone calls to the Customer for a period of 30 days. If, following such period, the Portfolio Asset remains in arrears and a second payment due in accordance with the relevant Home Purchase Plan is not made by the relevant payment date, the Servicer sends a second letter and produces a quarterly arrears statement of charges.

The Servicer will provide the Customer with (i) relevant third party information (such as from the Money Advice Service, and contact details for free independent financial advice services), (ii) a list of the due payments that have been missed or partly paid, (iii) details of the charges incurred as a result of such late payment, (iv) the aggregate outstanding amount due under the relevant Home Purchase Plan and (v) an indication of the nature (and where possible level) of further charges the Customer is likely to incur unless the arrears or payment shortfall is cleared.

In compliance with Sharia principles, any charges incurred by a Customer are a reasonable calculation of costs pursuant to the additional administration work completed by the Servicer personnel in managing the recovery of arrears.

In seeking to control and manage arrears, the Servicer will from time to time enter into arrangements with Customers regarding the arrears, including:

- offering Customers the option of deferring a scheduled payment and making such scheduled payment on a later date;
- changing the payment date to an alternative date;
- reducing monthly payment amounts to be made by the Customer for a short period;
- offering a short term period of rent only to Customers who are unable to cover the costs of both the rent and acquisition elements of the relevant Home Purchase Plan;
- term extensions to allow the Customer to make reduced payments over a longer term, although such extensions would require a new financial assessment of the Customer; and
- payment holidays.

Such arrangements will be based on individual Customer circumstances and for varying time limits. The Servicer will also conduct an affordability assessment on a Customer to ascertain the sustainability of any agreed forbearance mechanism.

In addition, the Servicer has a Vulnerable Customer Policy which provides that, where a Customer is perceived to be vulnerable, the Servicer should carefully review the information and explanations provided to the Customer and refer such Customers to line management to undertake a full assessment of the Customer's needs.

Where an assessment of a Customer's circumstances has determined that none of the forbearance strategies or contract variations are suitable, affordable and/or sustainable for that Customer, the Servicer will consider a range of enforcement procedures. If the Customer has been in arrears for 68 days and no contact with the relevant Customer has been made, the Servicer will contact solicitors and issue an event of default notice to the Customer. The Customer then has 14 days to respond. If the Customer fails to respond, the Servicer will instruct its solicitors to take further action. The Servicer remains responsible for all work conducted by third party service providers and, as such, must ensure the relevant third party complies with legal and regulatory requirements.

Prospective investors should note that the Servicer's ability to exercise its power of sale in respect of a Property is dependent upon mandatory legal restrictions (as to which, see the section entitled "*Administration, Servicing and Cash Management of the Portfolio Assets Pool – Enforcement of Home Purchase Plans – Legal analysis*" above). In addition, there may be factors outside the Servicer's control,

such as whether the Customer contests the sale and the market conditions at the time of sale, that may affect the length of time between the Servicer's decision to exercise the power of sale and final completion of the sale.

Where all other attempts to recover the arrears have failed, the Servicer may consider writing off all or a portion of the Portfolio Asset. Write offs are subject to internal approvals, escalated according to the amount of write off.

These arrears management and forbearance procedures may change over time as a result, amongst other things, of a change in the Servicer's business practices, a change in the identity of the Servicer or a change in any relevant business codes of practice or any legislative or regulatory changes.

### **Standby Servicing Agreement**

Homeloan Management Limited (the "**Standby Servicer**") is appointed on the Issue Date under the Standby Servicing Agreement to provide the Standby Services and the Post-Service Transfer Services, each as defined below.

#### *Standby Services*

In accordance with the Standby Service Agreement

- a) within 90 days of the Issue Date, the Standby Servicer shall:
  - i. undertake a review of the Servicer Software and Servicer System and the processes and facilities necessary to carry out the Post-Service Transfer Services;
  - ii. produce a data mapping specification; and
  - iii. write the requisite IT programmes necessary to read the files of the Servicer on the systems of the Standby Servicer in order to ascertain the feasibility of the Standby Servicer performing the Standby Services and, from the Service Transfer Date, the Post-Service Transfer Services, and
- b) on an annual basis, the Standby Servicer shall carry out an operational review to include:
  - i. deliver to the Trustee of a report setting out the results of the review of the following items within 15 Business Days of the end of such annual review period:
    - A. re-running the review carried out pursuant to paragraph (a) above; and
    - B. reviewing the Servicer Policies, the Standard Documentation, product matrices and the Tariff List;
  - ii. re-running the data mapping process to update the conversion report and loading data relating to the Portfolio Assets on to the Standby Servicer's system; and
  - iii. delivery to the Trustee, the Security Trustee and the Servicer a report confirming the satisfactory load of the Portfolio Assets data onto the Standby Servicer's system as required to be performed by the Standby Servicer in paragraph (b)(ii) above, no later than 15 Business Days following the end of each annual period.

These are, together, the **Standby Services**. The Standby Servicer will also receive information from the Servicer detailing the characteristics of the Portfolio Assets Pool in accordance with the Standby Servicing Agreement.

#### *Post-Service Transfer Services*

If, in accordance with the terms of the Service Agency Agreement, the Trustee or the Security Trustee (as applicable) invoke the Standby Servicer following termination of the appointment of the Servicer, the Standby Servicer will, from the Service Transfer Date, provide various services agreed between the

Standby Service and the Trustee in order to ensure the continuous servicing and administration of the Portfolio Assets.

#### *Remuneration*

The Standby Servicer is entitled to fees in the form of:

- (a) the Standby Servicer Standby Fee being a standby fee of 0.008 per cent. (exclusive of VAT, if any) of the Principal Amount Outstanding on the Certificates per annum, subject to a minimum of GBP40,000 payable quarterly in arrear on each Periodic Distribution Date until the earlier of (i) termination of the Standby Servicing Agreement or (ii) the Service Transfer Date; and
- (b) the Standby Servicer Invocation Fee being (i) a one-off payment of GBP250,000 payable on the Periodic Distribution Date falling closest to the Service Transfer Date (exclusive of VAT, if any), and (ii) on each Periodic Distribution Date, quarterly in arrear, (A) an administration fee of 0.14 per cent. of the Principal Amount Outstanding on the Certificates per annum, subject to a minimum of GBP300,000 (exclusive of VAT, if any) (B) a credit management fee of GBP50 (exclusive of VAT, if any) per month payable in relation to each Portfolio Asset where the Customer is in arrears and (C) a redemption processing fee of GBP120 (exclusive of VAT, if any) per Portfolio Asset that is redeemed in full.

#### **Cash Management Agreement**

For the purpose of the servicing of the Portfolio Assets Pool, Elavon Financial Services DAC, acting through its UK Branch (the "**Cash Manager**") will be authorised to operate the Bank Accounts pursuant and subject to the Cash Management Agreement. The duties of the Cash Manager include, *inter alia*:

- (a) making the required ledger entries and calculations in respect of such ledger entries;
- (b) maintaining and/or replenishing the Reserve Fund on behalf of the Trustee in accordance with the relevant Pre-Enforcement Priority of Payments; and
- (c) distributing the Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments, the Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments and, following (i) the date on which the Delegate serves an Enforcement Notice on the Trustee pursuant to Condition 9 (*Dissolution Events*) declaring the Certificates to be due and payable, (ii) the occurrence of a Redemption Event and (iii) the Periodic Distribution Date on which the relevant Certificates are to be redeemed in accordance with Condition 5(d) (*Dissolution Following a Trustee Call*) or Condition 5(e) (*Dissolution for Taxation or Other Reasons*), distributing Available Revenue Funds and Available Principal Funds in accordance with the Post-Enforcement Priority of Payments and making arrangements for the payment by the Security Trustee of profit and principal in respect of the Certificates subject to the terms thereof and to the availability of funds.

The Cash Manager is entitled to charge a fee for its services under the Cash Management Agreement, payable on each Periodic Distribution Date as provided for in the applicable Priority of Payments.

The Cash Manager is entitled to a fee payable quarterly in arrears on each Periodic Distribution Date, subject to the applicable Priority of Payments, as agreed between the Cash Manager and the Trustee.

The appointment of the Cash Manager may be terminated by the Trustee (acting on the instruction of the Security Trustee) or the Security Trustee (after the delivery of an Enforcement Notice) if the Cash Manager defaults in the performance of its obligations under the Cash Management Agreement or if insolvency or similar events occur in relation to the Cash Manager or if, following the giving of an Enforcement Notice in relation to the Certificates, the Delegate is of the opinion that the continuation of the appointment of the Cash Manager is materially prejudicial to the interests of the Certificateholders.

The appointment of the Cash Manager may also be terminated upon the expiry of not less than 3 months' notice of termination given in writing by the Cash Manager to the parties to the Cash Management Agreement, **provided that** *inter alia*, (i) a replacement cash manager shall be appointed no later than the date of termination of the Cash Manager and on substantially the same terms as the relevant terms of the

Cash Management Agreement, (ii) the Security Trustee, the Delegate and the Trustee providing written approval of the replacement cash manager and (iii) a Rating Agency Confirmation is received from each of the Rating Agencies willing to provide written confirmation unless otherwise agreed by an Extraordinary Resolution of the Certificateholders.

### ***Residual Revenue***

Pursuant to the Declaration of Trust, the Trustee will declare that it holds on trust for Al Rayan the Trustee's rights, title, interest and benefit, present and future in, to and under the Portfolio Assets but only to the extent of:

- (a) prior to the giving of an Enforcement Notice, all amounts of Available Revenue Funds available after satisfaction of all payments or allocations of funds to be made in accordance with items (i) to (vii) (both inclusive) of the Pre-Enforcement Revenue Priority of Payments on a Periodic Distribution Date (as determined on the immediately preceding Determination Date); and
- (b) following the giving of an Enforcement Notice, all amounts of funds available after satisfaction of all amounts required to be paid in accordance with items (i) to (vii) (both inclusive) of the Post-Enforcement Priority of Payments,

(the "**Residual Revenue**").

The Trustee acknowledges that the Seller is absolutely entitled to the Residual Revenue. The Residual Revenue will be paid in accordance with the applicable Priority of Payments on each Periodic Distribution Date.

### **Sharia Advisory Agreement**

The Sharia Compliance Adviser is appointed by the Trustee and the Servicer to provide the Sharia Compliance Services. The duties of the Sharia Compliance Adviser include, *inter alia* providing Sharia Compliance Advice to:

- (a) the Trustee and the Servicer as to whether or not any given matter or action in relation to the Services to be provided under the Service Agency Agreement complies with Sharia principles;
- (b) the Trustee as to whether or not the terms of any appointment of any replacement servicer or the Standby Servicer (including any relevant replacement service agency agreement or Standby Servicing Agreement) complies with Sharia principles;
- (c) the Trustee as to whether or not the amendment, restatement, variation, waiver of and/or modification to any Transaction Document, the Certificates or the Conditions complies with Sharia principles; and
- (d) the Servicer as to whether or not the amendment, restatement, variation, and/or modification of any Home Purchase Plan Agreement complies with Sharia principles.

The Sharia Compliance Adviser is entitled to the Sharia Compliance Fee (being £30,000 per annum inclusive of VAT, if any) payable quarterly in arrears on each Periodic Distribution Date, subject to the applicable Priority of Payments.

The appointment of the Sharia Compliance Adviser may only be terminated with the express written consent of each of the Sharia Compliance Adviser, the Trustee and the Servicer.

## WEIGHTED AVERAGE LIVES OF THE CERTIFICATES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Certificates will be influenced by, among other things, the actual rate of payments under the Portfolio Assets.

The model used in this Prospectus for the Portfolio Assets represents an assumed constant per annum rate of payment ("CPR") each month relative to the then outstanding principal finance balance of a pool of home purchase plans. CPR does not purport to be either an historical description of the payment experience of any pool of home purchase plans or a prediction of the expected rate of payment of any home purchase plans, including the Home Purchase Plans to be included in the Completion Pool.

The following tables were prepared based on the characteristics of the Portfolio Assets included in the Provisional Completion Portfolio Assets Pool and the following additional assumptions (the "**Modelling Assumptions**"):

- (a) A Constant Annual Default Rate of 1 per cent.
- (b) A Recovery Rate of 70 per cent.
- (c) Time to Recover of 18 months.
- (d) Constant annual Additional Acquisition Amount payments are in addition to scheduled Acquisition Amounts.
- (e) No Dissolution Event has occurred.
- (f) No events causing a Repurchase Event have occurred.
- (g) Certificates are issued on or about 31 January 2018.
- (h) The cash flow impact from CPR and the Constant Annual Default Rate are calculated on a whole portfolio basis.
- (i) The current rent rate payable on the Portfolio Assets is assumed constant throughout the model, whilst the rate of profit payable on the Certificates is calculated based on forward 3-month sterling LIBOR published by Bloomberg on 5 January 2018 up to 31 July 2034, and remains constant thereafter.
- (j) The rate of profit payable on the Certificates is 0.90 per cent. plus 3-month sterling LIBOR.
- (k) In a scenario where the Sale Undertaking is not exercised, the rate of profit payable on the Certificates will increase to 1.80 per cent. plus 3-month sterling LIBOR.
- (l) The initial principal amount of the Certificates on the Issue Date will be £250,000,000.



The actual characteristics and performance of the Portfolio Assets are likely to differ from the assumptions used in constructing the tables set forth below, which are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Portfolio Assets will be paid off at a constant rate until maturity, that all of the Portfolio Assets will be paid at the same rate or that there will be no defaults or delinquencies on the Portfolio Assets. Moreover, the diverse remaining terms to maturity of the Portfolio Assets could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity of the Portfolio Assets is assumed.

Any difference between such assumptions and the actual characteristics and performance of the Portfolio Assets will cause the weighted average lives of the Certificates to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage of CPR.

**Weighted Average Life in Years**

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Principal Amount Outstanding of each Certificate by the number of years from the date of issue of the Certificate to the related Periodic Distribution Date, (ii) adding the results and (iii) dividing the sum by the aggregate of the net reductions of the Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following table indicates the weighted average lives of the Certificates. The weighted average lives of the Certificates have been calculated on a ACT/365 basis.

**Weighted Average Life in Years (assuming the Sale Undertaking is exercised after the Step-Up Date)**

<u>Weighted Average Life</u>	<u>0.0% CPR</u>	<u>1.0% CPR</u>	<u>2.0% CPR</u>	<u>2.5% CPR</u>	<u>3.0% CPR</u>	<u>5.0% CPR</u>	<u>7.5% CPR</u>	<u>10.0% CPR</u>	<u>12.5% CPR</u>	<u>15.0% CPR</u>	<u>20.0% CPR</u>
Certificates.....	3.0	3.0	2.9	2.9	2.9	2.8	2.6	2.5	2.4	2.3	2.1

**Weighted Average Life in Years (assuming the Sale Undertaking is not exercised at the Step-Up Date)**

<u>Weighted Average Life</u>	<u>0.0% CPR</u>	<u>1.0% CPR</u>	<u>2.0% CPR</u>	<u>2.5% CPR</u>	<u>3.0% CPR</u>	<u>5.0% CPR</u>	<u>7.5% CPR</u>	<u>10.0% CPR</u>	<u>12.5% CPR</u>	<u>15.0% CPR</u>	<u>20.0% CPR</u>
Certificates.....	9.5	8.3	7.3	6.9	6.6	5.5	4.6	4.0	3.5	3.1	2.6

## **SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM**

The Global Certificate contain provisions which apply to the Certificates while they are in global form, some of which modify the effect of the terms and conditions of the Certificates set out in this Prospectus. The following is a summary of certain of those provisions:

1. **Form**

All Certificates will be issued in fully registered form and will be represented, on issue, by the Global Certificate.

The Certificates are not issuable in bearer form.

2. **Amount**

Each Certificate bears a right to receive profit.

The amount of the Global Certificate shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg or any alternative clearing system approved by the Delegate (each a relevant "**Clearing System**").

The Certificates are intended upon issue to be deposited with, and registered in the nominee name of, a Common Safekeeper. The Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Note that this simply means that the Certificates are intended upon issue to be deposited with one of the ICSDs as common safekeeper (and registered in the name of a nominee of one of the ICSDs acting as Common Safekeeper) and does not necessarily mean that the Certificates will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend on the European Central Bank being satisfied that the Eurosystem eligibility criteria have been met.

3. **Issuance of Definitive Certificates**

Holders of Book-Entry Interests in the Global Certificate will be entitled to receive certificates evidencing definitive certificates in registered form ("**Definitive Certificates**") in exchange for their respective holdings of Book-Entry Interests if:

- (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business; 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 therein or thereof having power to tax or in the interpretation or administration of such legislation which becomes effective on or after the Issue Date, the Trustee or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of Tax from any payment in respect of the Certificates which would not be required were the Certificates in definitive form.

In order to receive a Definitive Certificate a person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Trustee and the Registrar may require to complete, execute and deliver such Definitive Certificates.

Any Definitive Certificates issued in exchange for Book-Entry Interests in the Global Certificate will be registered by the Registrar in such name or names as the Trustee shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Definitive Certificates issued in exchange for Book-Entry Interests in the Global Certificate will not be entitled to exchange such Definitive Certificate, for Book-Entry

Interests in the Global Certificate. Any Certificates issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under Condition 1(b) (*Title and Transfer*) **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Certificate.

#### 4. **Payments**

Profit in respect of Certificates represented by the Global Certificate will be paid to its holder. The Trustee shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant Clearing System. Each payment so made will discharge the Trustee's obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Trustee to the Common Safekeeper or its nominees in respect of those Book-Entry Interests.

For the purpose of any payments made in respect of the Global Certificate, Condition 6(d) (*Payments on business days*) shall not apply, and all such payments shall instead be made on a day which is a Clearing System Business Day (as defined below). In addition, for so long as the Certificates are represented by the Global Certificate, Condition 6(b) (*Record Date*) shall not apply and the record date shall instead be as set out in paragraph 5 below.

#### 5. **Book-Entry Interests**

Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants).

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Certificateholders for the purposes of making payments to the Certificateholders. The record date in respect of the Certificates shall be one Clearing System Business Day prior to the relevant Periodic Distribution Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Certificates are being held is open for business. The Trustee expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices and will be the responsibility of such Participants or Indirect Participants. None of the Trustee, any agent of the Trustee, the Arranger, the Joint Lead Managers, the Delegate or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

Except as set forth under "*Issuance of Definitive Certificates*" above, Participants or Indirect Participants will not be entitled to have Certificates registered in their names, will not receive or be entitled to receive physical delivery of Certificates in definitive registered form and will not be considered the holders thereof under the Declaration of Trust. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Certificates under the Declaration of Trust. See "*Action in respect of the Global Certificate and the Certificate Book-Entry Interests*" below.

Unlike legal owners or holders of the Certificates, holders of the Book-Entry Interests will not have the right under the Declaration of Trust to act upon solicitations by the Trustee or consents or requests by the Trustee for waivers or other actions from Certificateholders. 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 a Dissolution Event under the Global Certificate, holders of Book-Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg, as the case may be, unless and until Definitive Certificates are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear or Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Declaration of Trust.

Unless and until Book-Entry Interests in the Global Certificate are exchanged for Definitive Certificates, the Global Certificate registered in the name of a nominee of the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book-Entry Interests in the Global Certificate will hold Book-Entry Interests in the Global Certificate. Investors may hold their Book-Entry Interests in respect of the Global Certificate directly through Euroclear or Clearstream, Luxembourg, if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in the Global Certificate, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

6. **Transfer**

All transfers of Certificate 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 the section above entitled "*Book-Entry Interests*"). Beneficial interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg.

7. **Action in respect of the Global Certificate and the Certificate Book-Entry Interests**

Not later than 10 days after receipt by the Trustee of any notice in respect of the Global Certificate or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Certificate, the Trustee will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Trustee as to the consent, waiver or other action, if any, pertaining to the Certificate Book-Entry Interests or the Global Certificate and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Trustee shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect

of the Certificate Book-Entry Interests or the Global Certificate in accordance with any instructions set out in such request. Euroclear and Clearstream, Luxembourg are expected to follow the procedures described under the section above entitled "*Book-Entry Interests*", with respect to soliciting instructions from their respective Participants.

8. **Trading between Clearing System Participants**

Secondary market sales of Book-Entry Interests in the Certificates held through Euroclear or Clearstream, Luxembourg to purchasers of Book-Entry Interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds and sterling denominated bonds.

9. **Notices**

So long as the Certificates are in global form and held on behalf of a relevant Clearing System, notices to Certificateholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

10. **Meetings**

Subject to the provisions of the Declaration of Trust, the holder of the Global Certificate shall be treated as a Certificateholder for the purposes of constituting a quorum for the purposes of meeting the quorum requirements of a meeting of Certificateholders.

11. **Purchase and Cancellation**

On cancellation of any Certificate required by the Conditions to be cancelled following its purchase, the Trustee shall procure that details of such cancellation shall be entered *pro rata* in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Certificates recorded in the records of the relevant Clearing Systems and represented by the Global Certificate shall be reduced by the aggregate nominal amount of the Certificates so cancelled.

12. **Delegate's Powers**

In considering the interests of Certificateholders while the Global Certificate is held on behalf of a relevant Clearing System, the Delegate may have regard to any information provided to it by such relevant Clearing System or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and shall consider such interests as the holder of such Principal Amount Outstanding of such Certificates.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the terms and conditions of the Certificates in the form in which they will be set out in the Declaration of Trust. If the Certificates were to be represented by Definitive Certificates, the Conditions set out on the reverse of each of such Definitive Certificate would be as follow. While the Certificates are represented by the Global Certificate they will be governed by these terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Certificate. These terms and conditions are subject to the detailed provisions of the Declaration of Trust and the other Transaction Documents (as defined below).*

The £250,000,000 Certificates due 2052 (the "**Certificates**") are issued by Tolkien Funding Sukuk No.1 Plc (the "**Trustee**") and represent an undivided beneficial ownership interest in the Trust Assets (as defined in Condition 16 (*Interpretation*) held on trust (the "**Trust**") for the holders of such Certificates (the "**Certificateholders**")) pursuant to a declaration of trust, as amended or modified from time to time, (the "**Declaration of Trust**") dated on or about 22 February 2018 (the "**Issue Date**") made between the Trustee and U.S. Bank Trustees Limited, in its capacity as (i) the donee of powers set out in clause 7 (*Powers vested in the Delegate*) of the Declaration of Trust, and (ii) as delegate of the Trustee pursuant to clause 5 (*Delegation of authority of the Delegate*) of the Declaration of Trust (the "**Delegate**").

As security for the payment of all monies payable in respect of the Certificates and otherwise under the Declaration of Trust, the Trustee and U.S. Bank Trustees Limited (in its capacity as security trustee, the "**Security Trustee**") will enter into the Deed of Charge, creating security in favour of the Security Trustee for itself and on trust for the other persons expressed to be secured parties thereunder.

The issue of the Certificates was authorised by a resolution of the board of directors of the Trustee passed on 15 February 2018.

These Conditions include summaries of, and are subject to, the detailed provisions of (1) the Declaration of Trust, which includes the form of the Certificates, (2) the paying agency agreement (the "**Paying Agency Agreement**") dated the Issue Date relating to the Certificates between, among others, the Trustee, the Delegate, Elavon Financial Services DAC, UK Branch as agent bank (the "**Agent Bank**"), principal paying agent (the "**Principal Paying Agent** ") and registrar (the "**Registrar**") and the other paying agents named in it (the Principal Paying Agent and any other or further paying agent appointed under the Paying Agency Agreement, the "**Paying Agents**" and together with the Registrar and the Agent Bank, the "**Agents**"), (3) the deed of charge and assignment (the "**Deed of Charge**") dated the Issue Date between the Trustee and the Security Trustee and (4) the cash management agreement (the "**Cash Management Agreement**") dated the Issue Date between, *inter alios*, the Trustee and Elavon Financial Services DAC, UK Branch (the "**Cash Manager**").

In these Conditions, capitalised words and expressions shall, unless otherwise defined below, have the same meanings as those given in the Master Definitions Schedule dated on or about the Issue Date and signed for the purpose of identification, amongst others, by the Trustee and Al Rayan Bank PLC (the "**Seller**" or "**Al Rayan Bank**").

Copies of the Declaration of Trust, the Paying Agency Agreement, the Deed of Charge, the Cash Management Agreement, the Master Definitions Schedule and the other Transaction Documents are available (i) for inspection during usual business hours at the specified offices from time to time of the Principal Paying Agent and (ii) online at [www.usbank.com/abs](http://www.usbank.com/abs) and will be available in such manner for at least as long as the Certificates are admitted to listing on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require. The Certificateholders are entitled to the benefit of the Declaration of Trust and are bound by, and are deemed to have notice of, the provisions of the Declaration of Trust, the Paying Agency Agreement, the Deed of Charge, the Master Definitions Schedule and the other Transaction Documents.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee to apply the sums paid by it in respect of its Certificates towards the acquisition of the Portfolio Assets and to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

## 1 Form, Denomination and Title

### (a) Form and denomination

The Certificates are issued in registered form, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000. No Certificates will be issued with a denomination above £199,000. Definitive Certificates will be issued to each Certificateholder in respect of its registered holding of Certificates in certain limited circumstances. Each Definitive Certificate will be numbered serially with an identifying number which will be recorded on the relevant Definitive Certificate and in the register of Certificateholders (the "**Register**").

*Upon issue, the Certificates will be represented by interests in the Global Certificate, in fully registered form, which will be deposited with a common safekeeper, as the case may be for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), and registered in the name of a nominee for the common safekeeper. Interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Definitive Certificates representing their holdings of Certificates.*

### (b) Title and transfer

- (i) The person registered in the Register as the holder of any Certificate will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Certificate regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Certificate.
- (ii) The Trustee shall cause to be kept at the specified office of the Registrar the Register, on which shall be entered the names and addresses of the holders of the Certificates and the particulars of the Certificates held by them and of all transfers of the Certificates.
- (iii) No transfer of a Certificate will be valid unless and until entered on the Register.
- (iv) A Definitive Certificate may be transferred in whole or in part upon the surrender of the relevant Definitive Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Certificate, a new Definitive Certificate, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.
- (v) Each new Definitive Certificate, to be issued upon transfer of a Definitive Certificate will, within five Business Days of receipt of such request for transfer, be available for delivery at the specified office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Certificate, to such address as may be specified in such request.
- (vi) Registration of Definitive Certificates on transfer will be effected without charge by or on behalf of the Trustee or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

- (vii) No holder of a Certificate may require the transfer of such Certificate to be registered during the period of 15 days ending on the due date for any payment of principal or profit on such Certificate.

All transfers of Certificates and entries on the Register are subject to detailed regulations concerning the transfer of Certificates scheduled to the Paying Agency Agreement. The regulations may be changed by the Trustee with the prior written approval of the Delegate and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

## 2 Status, Security and Administration

- (a) Each Certificate evidences an undivided beneficial ownership interest in the Trust Assets, subject to the terms of the Declaration of Trust and these Conditions, and is a limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates. The Certificates constitute direct, secured and unconditional obligations of the Trustee, recourse in respect of which is limited in the manner described in Condition 10 (*Enforcement of Security, Limited Recourse and Non-Petition*).
  - (i) As regards payments on the Certificates:
    - (A) prior to the earlier to occur of (A) the date on which the Delegate serves an Enforcement Notice on the Trustee pursuant Condition 9 (*Dissolution Events*) declaring the Certificates to be due and repayable, (B) the Final Dissolution Date and (C) the Periodic Distribution Date on which the relevant Certificates are to be redeemed in accordance with Condition 5(d) (*Dissolution following a Trustee Call*) or Condition 5(e) (*Dissolution for Taxation or Other Reasons*) (in the case of (B) and (C) (inclusive) each such date a "Dissolution Date" ("**Dissolution Date**")), payments of profit in respect of the Certificates shall be payable only out of Available Revenue Funds in accordance with the Pre-Enforcement Revenue Priority of Payments and payment of principal in respect of the Certificates shall be payable only out of Available Principal Funds in accordance with the Pre-Enforcement Principal Priority of Payments; and
    - (B) following (i) the date on which the Delegate serves an Enforcement Notice on the Trustee pursuant to Condition 9 (*Dissolution Events*) declaring the Certificates to be due and repayable or (ii) the occurrence of a Dissolution Date, all payments in respect of the Certificates will be made in accordance with the Post-Enforcement Priority of Payments.
  - (ii) The Certificates are constituted by the Declaration of Trust and are secured by the security created pursuant to the Deed of Charge (the "**Security**"), but upon enforcement of the security, the Certificates will rank in the priority set out in the Post-Enforcement Priority of Payments.
  - (iii) The Declaration of Trust contains provisions requiring the Delegate to have regard to the interests of the Certificateholders equally as regards all powers, trusts, authorities, duties and discretions of the Delegate (except where expressly provided otherwise).
  - (iv) The Declaration of Trust contains provisions to the effect that, so long as any of the Certificates are outstanding, the Delegate shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of any other persons having the benefit of the Security constituted by the Deed of Charge and, in relation to the exercise of such powers, authorities and discretions, the Delegate shall have no liability to such persons as a consequence of so acting.



- (v) So long as any of the Certificates remain outstanding, in the exercise of its rights, authorities and discretions under the Declaration of Trust, the Security Trustee is not required to have regard to the interests of any Secured Creditor (other than the Certificateholders).
- (vi) In determining whether the exercise of any right, power, trust, authority, duty or discretion by it under or in relation to the Conditions and/or any of the Transaction Documents is materially prejudicial to the interests of the Certificateholders, the Delegate and/or the Security Trustee (as applicable) may take into account anything that it may consider necessary and/or appropriate in its absolute discretion, including whether the then current rating of the Certificates will be adversely affected.

*(b) Security*

As security for the payment of all monies payable in respect of the Certificates and otherwise under the Declaration of Trust (including the remuneration, expenses and any other claims of the Security Trustee and any Receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Seller under the Sale Agreement, the Servicer under the Service Agency Agreement, the Standby Servicer under the Standby Servicing Agreement, the Cash Manager under the Cash Management Agreement, the Agents under the Paying Agency Agreement, the Account Bank under the Account Bank Agreement, the Corporate Services Provider under the Corporate Services Agreement and any other party which is, or accedes to the Deed of Charge as a Secured Party, the Trustee will enter into the Deed of Charge, creating the following security in favour of the Security Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) first fixed equitable charges and security in favour of the Security Trustee over the Trustee's present and future right, title, benefit and interest in, to and under the Portfolio Assets and Ancillary Rights;
- (ii) an equitable assignment in favour of the Security Trustee of the Trustee's interests in the Insurance Contracts to the extent that they relate to the Portfolio Assets;
- (iii) an assignment in favour of the Security Trustee of the Trustee's right, title, interest and benefit in, to and under the Charged Obligation Documents (other than the Declaration of Trust);
- (iv) a first fixed charge in favour of the Security Trustee over (x) the Trustee's interest in the Bank Accounts, (y) the Trustee's beneficial interest in the Collection Accounts and (z) any other accounts with any bank or financial institution in which the Trustee now or in the future has an interest (to the extent of its interest); and
- (v) a first floating charge in favour of the Security Trustee (ranking after the security referred to in paragraphs (i) to (iv) (inclusive) above) over the whole of the undertaking, property, assets and rights of the Trustee.

*(c) Pre-Enforcement Revenue Priority of Payment*

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Dissolution Date, on each Periodic Distribution Date, the Cash Manager shall apply an amount equal to the "**Available Revenue Funds**", which shall include for the avoidance of doubt:

- (A) the Revenue Collections received for the Collection Period immediately preceding the relevant Determination Date; and

- (B) any amount standing to the credit of the Reserve Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Periodic Distribution Date after application of all other Available Revenue Funds; less
- (C) any amounts payable pursuant to clause 7.3.5 of the Service Agency Agreement, being clawback of any amount received by way of direct debit or any other clawed back amounts including any Unpaid Items,

standing to the credit of the Transaction Account as at the immediately preceding Determination Date, in making the following payments (in each case, plus VAT if any, in accordance with the relevant Transaction Documents) in the following order of priority, but in each case only to the extent that all payments of a higher priority have been made in full (the "**Pre-Enforcement Revenue Priority of Payments**"):

- (i) *first*, to pay *pro rata* (a) when due the remuneration payable to each of the Security Trustee and the Delegate and any fees (including legal fees) and Liabilities incurred by and/or payable to it under the provisions of or in connection with the Declaration of Trust or the Deed of Charge or any other documents entered into by the Security Trustee and/or the Delegate as provided in the Declaration of Trust or the Deed of Charge and (b) any amounts due and payable to any Receiver and any Appointee of the Delegate and/or the Security Trustee in relation to the Transaction Documents;
- (ii) *second*, to pay *pro rata* and *pari passu* when due (a) amounts, including audit fees and company secretarial expenses, which are payable by the Trustee to third parties (including, without limitation, the Irish Stock Exchange, the Listing Agent and the Rating Agencies) and incurred without breach by the Trustee pursuant to the Declaration of Trust or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Trustee after that Periodic Distribution Date and prior to the next Periodic Distribution Date and to provide for the Trustee's liability or possible liability for tax to the extent not payable from the Trustee Profit and (b) the remuneration payable to each of the Cash Manager, the Agents, the Corporate Services Provider, the Standby Servicer and the Account Bank and any Liabilities incurred by and/or payable to any of them under the provisions of or in connection with the Paying Agency Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Standby Servicing Agreement or any other Transaction Document;
- (iii) *third*, to retain an amount equal to the Trustee Profit, which shall be credited to the Trustee Profit Ledger;
- (iv) *fourth*, to pay *pro rata* and *pari passu*, (a), the Servicing Fee, (b) any amounts representing costs and expenses due of the Servicer payable to the Servicer in accordance with the Service Agency Agreement and (c) the Sharia Compliance Fee;
- (v) *fifth*, to pay *pro rata* and *pari passu* amounts (other than in respect of principal) payable in respect of the Certificates (such amount to be paid *pro rata* according to the respective profit entitlement of the Certificateholders);
- (vi) *sixth*, amounts to be credited to the Principal Deficiency Ledger (such amounts to be applied in accordance with the Pre-Enforcement Principal Priority of Payments) until the balance of the Principal Deficiency Ledger has reached zero;
- (vii) *seventh*, amounts to be credited to the Reserve Ledger until the balance of the Reserve Ledger has reached the Reserve Ledger Required Amount; and
- (viii) *eighth*, to pay the Residual Revenue.

(d) *Post-Enforcement Priority of Payments*

Following (i) the service of an Enforcement Notice, the Delegate shall, to the extent that such funds are available, use funds standing to the credit of the charged accounts, excluding (x) amounts standing to the credit of the Trustee Profit Ledger, and (y) any amounts payable pursuant to clause 7.3.5 of the Service Agency Agreement, to make payments (in each case plus VAT if any, in accordance with the relevant Transaction Documents) in the following order of priority pursuant to and in accordance with the Deed of Charge or (ii) on the Dissolution Date, the Security Trustee (or the Cash Manager) shall, to the extent that such funds are available, use funds standing to the credit of the Transaction Account and/or any other Bank Account of the Trustee (the "**Post-Enforcement Priority of Payments**"):

- (i) *first*, to pay, *pro rata*, any remuneration then due and/or payable to the Security Trustee, the Delegate, any Receiver or Appointee and all amounts due in respect of legal fees and other Liabilities then incurred by such receiver and to pay all amounts due and/or payable to the Security Trustee and/or Delegate in respect of their remuneration, fees (including legal fees) and Liabilities due to them;
- (ii) *second*, to pay *pro rata* and *pari passu* when due (a) amounts, including audit fees and company secretarial expenses, which are payable by the Trustee to third parties (including, without limitation, the Irish Stock Exchange, the Rating Agencies and the Listing Agent) and incurred without breach by the Trustee pursuant to the Declaration of Trust or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Trustee and to provide for the Trustee's liability or possible liability for tax to the extent not payable from the Trustee Profit; and (b) the remuneration, costs and expenses payable to each of the Cash Manager, the Agents, the Corporate Services Provider, the Standby Servicer and the Account Bank and any Liabilities incurred by and/or payable to any of them under the provisions of or in connection with the Paying Agency Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Standby Servicing Agreement or any other Transaction Document;
- (iii) *third*, to pay *pro rata* and *pari passu*, (a), the Servicing Fee; (b) any amounts representing costs and expenses due of the Servicer payable to the Servicer in accordance with the Service Agency Agreement; and (c) the Sharia Compliance Fee;
- (iv) *fourth*, to retain an amount equal to the Trustee Profit, which shall be credited to the Trustee Profit Ledger;
- (v) *fifth*, to pay *pro rata* and *pari passu* amounts (other than in respect of principal) payable in respect of the Certificates (such amounts to be paid *pro rata* according to the respective profit entitlements of the Certificateholders) in accordance with Condition 4 (*Profit*) including the Relevant Margin that would be payable after the Step-Up Date;
- (vi) *sixth*, to pay *pro rata* and *pari passu* amounts payable to the Certificateholders in respect of principal on the Certificates until the Certificates are redeemed in full;
- (vii) *seventh*, upon redemption of the Certificates, in or towards payment of the Deferred Purchase Price;
- (viii) *eighth*, to pay the Residual Revenue; and
- (ix) *ninth*, to pay the remaining surplus to the Trustee or any other person entitled thereto.

The Security will become enforceable upon the occurrence of a Dissolution Event (as defined in Condition 9 (*Dissolution Events*)) **provided that** if the Security has become enforceable

otherwise than by reason of a default in payment of any amount due on the Certificates, the Security Trustee will not be entitled to dispose of the assets comprising the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts outstanding in respect of the Certificates or the Delegate is of the opinion, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Delegate, that the cash flow prospectively receivable by the Trustee 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 Trustee, to discharge in full in due course all amounts outstanding in respect of the Certificates.

(e) *The Certificates*

Holders of the Certificates shall be entitled to receive their *pro rata* entitlement to the balance of amounts remaining following payments of all other items senior to the Certificates in the relevant Priority of Payments.

### 3 Covenants of the Trustee

Save with the prior written consent of the Delegate or as expressly provided in or expressly envisaged by the Transaction Documents, the Trustee shall not, so long as any Certificate remains outstanding (as defined in the Declaration of Trust), *inter alia*:

(a) *Negative Pledge*

create or permit to subsist any mortgage, security, pledge, lien (unless arising by operation of law) or charge upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) *Restrictions on Activities*

(i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Trustee will engage in;

(ii) open nor have any interest in any account whatsoever with any bank or financial institution other than the Collection Accounts and Bank Accounts held with Al Rayan Bank and the Account Bank (respectively), save where such account is immediately charged in favour of the Security Trustee so as to form part of the Security described in Condition 2 (*Status, Security and Administration*) and where the Delegate and the Security Trustee receive an acknowledgement from such bank or financial institution of the security rights and interests of the Security Trustee and an agreement that it will not exercise any right of set-off it might otherwise have against the account in question;

(iii) have any subsidiaries or employees or premises; or

(iv) act as a director of any company;

(c) *Dividends or Distributions*

pay any dividend or make any other distribution to its shareholders except from the amount standing to the credit of the Trustee Profit Ledger;

(d) *Borrowings*

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever or give any guarantee in respect of any obligation of any person;

(e) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially or as an entirety to any other person;

(f) *Disposal of Assets*

transfer, sell, lend, part with or otherwise dispose of or deal with, or grant any option over or present or future right to acquire, any of its assets or undertaking or any interest, estate, right, title or benefit therein **provided that** the Trustee may (and may agree to) transfer, sell, lend, pledge, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein where the proceeds of the same are applied, *inter alia*, in or towards redemption of the Certificates in accordance with the terms and conditions of the Certificates and the terms of the Transaction Documents;

(g) *Tax*

- (i) be (or ever have been) a member of a VAT Group;
- (ii) be registered (or part of any registration) or be required to be registered for VAT in the United Kingdom prior to the Issue Date, or voluntarily become registered for VAT in the United Kingdom;
- (iii) make or receive any supplies for VAT purposes otherwise than under and in accordance with the Transaction Documents;
- (iv) have a fixed establishment outside the United Kingdom; and
- (v) be a tax resident in a jurisdiction other than the United Kingdom;

(h) *Independent Director*

at any time have fewer than one independent director;

(i) *Other*

permit any of the Transaction Documents, the Insurance Contracts relating to the Portfolio Assets owned by the Trustee or the priority of the security interests created thereby to be amended, invalidated, rendered ineffective, terminated or discharged, or consent to any variation thereof, or exercise of any powers of consent or waiver in relation thereto pursuant to the terms of the Declaration of Trust and these Conditions, or permit any party to any of the Transaction Documents or Insurance Contracts or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any Portfolio Asset save as envisaged in the Transaction Documents.

#### 4 **Profit**

(a) *Period of Accrual*

Each Certificate bears profit from (and including) the Issue Date. Each Certificate shall cease to bear profit from the Final Dissolution Date unless, upon due presentation, payment of the relevant amount of principal is improperly withheld or refused. In such event, profit will continue to accrue thereon in accordance with this Condition (as well after as before any judgment) up to (but excluding) the date on which all sums due in respect of such Certificate up to that day are received by or on behalf of the relevant Certificateholder, or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Condition 13 (*Notice to Certificateholders*)) that it has received all sums due in respect of each such Certificate (except to the extent that there is any subsequent default in payment).

(b) *Periodic Distribution Dates and Return Accumulation Periods*

Subject to Condition 6 (*Payments*), profit on the Certificates (and amounts (if any) payable on the Certificates) is payable on the Periodic Distribution Date falling in July 2018, and thereafter quarterly in arrear on the 20th day in April, July, October and January in each year unless such day is not a Business Day, in which case profit shall be payable on the following Business Day (each such date a "**Periodic Distribution Date**"). The period from (and including) a Periodic Distribution Date (or the Issue Date) to (but excluding) the next (or first, being the Periodic Distribution Date falling in July 2018) Periodic Distribution Date is called a "**Return Accumulation Period**" in these Conditions.

(c) *Profit Rate*

Subject to Condition 7 (*Prescription*), the Profit Rate (as defined below) payable from time to time and the Profit Amount (as defined below) in respect of the Certificates will be determined on the basis of the provisions set out below:

- (i) on each Profit Determination Date, the Agent Bank will determine the offered quotation to leading banks in the London interbank market for three month sterling deposits, or, in the case of the first Return Accumulation Period, a linear interpolation of the offered quotations for three and six month sterling deposits in the London interbank market by reference to the Reuters Screen LIBOR01 Page (or (a) such other page as may replace the Reuters Screen LIBOR01 Page on that service for the purpose of displaying such information or (b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Delegate) as may replace the Reuters Screen LIBOR01 Page) as at or about 11:00 a.m. (London time) on that date (the "**Screen Rate**"). If on the relevant Profit Determination Date the Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks (as defined in Condition 4(h) (*Reference Banks and Agent Bank*) below) to provide the Agent Bank with its offered quotation as at or about 11:00 a.m. (London time) on that date to leading banks for three month sterling deposits, or, in the case of the first Return Accumulation Period, such rates for three and six month sterling deposits shall be interpolated. The Profit Rate for such Return Accumulation Period shall, subject as provided below, be the aggregate of the Relevant Margin (as defined below) and the Screen Rate or, as the case may be, the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards) of the quotations of the Reference Banks;
- (ii) if, on the relevant Profit Determination Date, the Screen Rate is unavailable and only two of the Reference Banks (as defined in Certificates Condition 4(h) (*Reference Banks and Agent Bank*) below) provide such quotations, the Profit Rate for the relevant Return Accumulation Period shall be determined on the basis of the quotations of the two quoting Reference Banks. If, on the relevant Profit Determination Date, the Screen Rate is unavailable and only one or none of the Reference Banks provides such a quotation, then the Profit Rate for the relevant Return Accumulation Period in respect of the Certificates shall be the Reserve Profit Rate. The Reserve Profit Rate shall be the rate per annum which the Agent Bank determines to be the aggregate of the Relevant Margin and the arithmetic mean (rounded if necessary to the nearest 0.0001 per cent. 0.00005 per cent., being rounded upwards) of the benchmark rates which no fewer than two leading banks in London (selected by the Agent Bank in consultation with the Cash Manager acting on behalf of the Trustee) are quoting, as at or about 11.00 a.m. (London time) on the relevant Profit Determination Date in respect of Sterling, for the relevant Return Accumulation Period. If the Agent Bank notifies that none of the banks selected as provided in Condition 4(h) (*Reference Banks and Agent Bank*) below is quoting to leading banks as aforesaid, then the Reserve Profit Rate shall be the Profit Rate in effect for the Return Accumulation Period ending on the immediately preceding

#### Return Accumulation Period,

provided that, if there has been a public announcement of the permanent or indefinite discontinuation of the Screen Rate, the Trustee (acting on the advice of the Cash Manager) shall use commercially reasonable endeavours to propose an alternative Screen Rate in accordance with Condition 11 (*Meetings of Certificateholders; Modifications; Consents; Waiver*), no later than the discontinuation of the Screen Rate becoming effective.

For the purposes of these Conditions:

**Profit Determination Date** means the first day of the Return Accumulation Period for which the rate will apply;

**Profit Rate** means in relation to the Certificates, the profit rate as determined by the Agent Bank in accordance with this Condition 4 (*Profit*), provided that, where the Profit Rate applicable to Certificates for any Return Accumulation Period is determined to be less than zero, the Profit Rate for such Return Accumulation Period shall be zero; and

**Relevant Margin** shall be on any Profit Determination Date occurring (a) prior to the Step-Up Date 0.8 per cent. per annum; and (b) on and after the Step-Up Date 1.6 per cent. per annum.

#### (d) *Determination of Profit Rates and Calculation of Profit Amount*

- (i) The Agent Bank shall, on each Profit Determination Date, determine and notify the Trustee, the Servicer, the Cash Manager, the Delegate, the Irish Stock Exchange, the Listing Agent and the Paying Agents of (a) the Profit Rate applicable to the relevant Return Accumulation Period in respect of each Certificate and (b) the amount of profit (the "**Profit Amount**") payable in respect of each Certificate for such Return Accumulation Period.
- (ii) The Profit Amount for all Certificates will be calculated by applying the relevant Profit Rate for such Return Accumulation Period to the Principal Amount Outstanding of such Certificate on the first day of such Return Accumulation Period (after taking into account any redemptions occurring in respect of such Certificates on such Periodic Distribution Date), multiplying the product by the actual number of days in such Return Accumulation Period divided by 365 (or, if any portion of such Return Accumulation Period falls in a leap year, the sum of (A) the actual number of days in that portion divided by 366 and (B) the actual number of days in the remainder of such Return Accumulation Period divided by 365) and rounding the resulting figure down to the nearest penny.

#### (e) *Publication of Profit Rate, Profit Amount and other Notices*

The Agent Bank will cause the Profit Rate and the Profit Amount in respect of each Certificate for each Return Accumulation Period and the immediately succeeding Periodic Distribution Date to be notified to the Trustee, the Delegate, the Cash Manager, each of the Paying Agents, and any stock exchange on which the Certificates are then listed. The Profit Rate, Profit Amount and Periodic Distribution Date in respect of each Certificate so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Return Accumulation Period. If the Certificates become due and payable under Condition 9 (*Dissolution Events*), the accrued profit payable in respect of each Certificate shall nevertheless continue to be calculated as previously by the Agent Bank in accordance with this Condition 4 (*Profit*) but no publication of the Profit Rates or the amounts of profit payable so calculated need be made unless the Delegate otherwise requires.

*(f) Determination or Calculations*

If the Agent Bank does not at any time for any reason determine the Profit Rate and/or calculate the Profit Amount in accordance with the foregoing paragraphs, the Trustee shall appoint an agent or third party to (i) determine the Profit Rate at such rate 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 and/or (as the case may be) and (ii) calculate the Profit Amount in the manner specified in Condition 4(a) (*Period of Accrual*) above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank, and the Trustee shall have no Liability in respect thereof. For the avoidance of doubt, the Profit Rate applicable to any Certificates for any Return Accumulation Period as determined in accordance with this Condition 4(f) shall not be less than zero.

*(g) Notifications to be Final and Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 (*Profit*), whether by the Reference Banks (or any of them) or the Agent Bank or the Cash Manager or the Delegate shall (in the absence of fraud, wilful default or gross negligence) be final and binding on the Trustee, the Cash Manager, the Reference Banks, the Agent Bank, the Delegate, the Security Trustee and all Certificateholders and (in such absence as aforesaid) no liability to the Delegate, the Security Trustee or the Certificateholders shall attach to the Trustee, to the Reference Banks, the Agent Bank or the Delegate in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 4 (*Profit*).

*(h) Reference Banks and Agent Bank*

The Reference Banks shall be four major banks in London selected by the Trustee (the "**Reference Banks**"). The initial Agent Bank shall be Elavon Financial Services DAC, UK Branch. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of Elavon Financial Services DAC, UK Branch being unwilling to act as the Agent Bank, the Trustee shall appoint such other bank as may be approved by the Delegate to act as such in its place. The Agent Bank may not resign until a successor approved by the Delegate has been appointed.

*(i) Determinations and Reconciliation*

- (i) In the event that the relevant report to be provided by the Servicer in accordance with the Service Agency Agreement is not prepared in accordance with the Transaction Documents with respect to a "**Collection Period**" (any such Collection Period being a "**relevant Collection Period**" for the purposes of this Condition 4(i)) immediately prior to a Periodic Distribution Date, then the Cash Manager shall use the Quarterly Report in respect of the most recent previous Collection Period (or, where there is no Quarterly Report for the most recent previous Collection Period, the most recent previous Quarterly Report) for the purposes of calculating the amounts available to the Trustee to make payments, as set out in this Condition 4(i). If the Quarterly Report relating to the Collection Period is subsequently received, the Cash Manager will make the reconciliation calculations and reconciliation payments as set out in paragraph (iii) below. Any: (A) calculations properly done on the basis of such previous Quarterly Reports; (B) payments made under any of the Certificates and Transaction Documents in accordance with such calculations; (C) reconciliation calculations; and (D) reconciliation payments made as a result of such reconciliation calculations, each in accordance with paragraph (ii), (iii) and/or (iv) below shall be deemed to be done in accordance with the provisions of the Transaction Documents and will not in themselves lead to a Dissolution Event 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.



- (ii) In respect of any relevant Collection Period, the Cash Manager shall:
  - (A) determine the Performance Determination Ratio by reference to the most recently received Quarterly Report (or, where there is no Quarterly Report for the most recent previous Collection Period, the most recent previous Quarterly Report);
  - (B) calculate the **Revenue Collections** for such relevant Collection Period as the product of:
    - (I) the Performance Determination Ratio; and
    - (II) all payments received by the Trustee during such relevant Collection Period; and
  - (C) calculate the **Principal Collections** for such relevant Collection Period as the product of:
    - (I) one minus the Performance Determination Ratio; and
    - (II) all payments received by the Trustee during such relevant Collection Period.
- (iii) Following any relevant Collection Period, upon delivery of the report to be provided by the Servicer in accordance with the Service Agency Agreement in respect of such relevant Collection Period, the Cash Manager shall reconcile the calculations made in accordance with paragraph (ii) above to the actual collections set out in the Quarterly Report as follows:
  - (A) if the actual Principal Collections exceeds the previously calculated Principal Collections (as determined in accordance with the reconciliation process set out in this Condition 4(i)), the Cash Manager shall on the immediately following Periodic Distribution Date pay or provide for such amount by allocating amounts standing to the credit of the Revenue Ledger as Available Principal Funds; and
  - (B) if the actual Principal Collections is less than the previously calculated Principal Collections (as determined in accordance with the reconciliation process set out in this Condition 4(i)) the Cash Manager shall on the immediately following Periodic Distribution Date pay or provide for such amount by allocating amounts standing to the credit of the Principal Ledger as Available Revenue Funds.

- (iv) If amounts standing to credit of the Revenue Ledger or Principal Ledger, as the case may be, are insufficient to pay or provide for the applicable Reconciliation Amount in full on the relevant Periodic Distribution Date the Cash Manager shall reallocate amounts standing to the credit of the Revenue Ledger or Principal Ledger (as applicable) in accordance with paragraph (iii)(A) or paragraph (iii)(B) above respectively in respect of each subsequent Collection Period (such Reconciliation Amounts to be applied accordingly on the immediately following Periodic Distribution Date) until such Reconciliation Amount is paid or provided for in full.
- (v) If the Cash Manager is required to provide for a Reconciliation Amount in determining Available Revenue Funds and Available Principal Funds in respect of any Periodic Distribution Date, the Cash Manager shall pay or provide for such Reconciliation Amount in accordance with the terms of the Cash Management Agreement and the Cash Manager shall promptly notify the Trustee and the Delegate of such Reconciliation Amount.

In this Condition 4(i):

**Performance Determination Ratio** means: (i) the aggregate Revenue Collections calculated in the preceding Quarterly Report; divided by (ii) the aggregate of the Revenue Collections and the Principal Collections calculated in such Quarterly Report

**Principal Collections** means, in relation to a relevant Collection Period, the amount credited (or in relation to a relevant Collection Period, the actual amount that should have been credited) to the Principal Ledger for such relevant Collection Period

**Quarterly Report** means the quarterly report substantially in the form scheduled as Schedule 2 (*Form of Quarterly Report*) to the Cash Management Agreement or from time to time agreed between the Trustee and the Seller

**Reconciliation Amount** means in respect of a relevant Collection Period: (i) the Principal Collections as determined in accordance with the available Quarterly Reports; less (ii) the Principal Collections in respect of such relevant Collection Period, determined in accordance with Condition 4(i)(ii)(C)

**Revenue Collections** means the amount determined by the Cash Manager on a Determination Date being the aggregate of:

- (i) all payments of rent, fees and other sums not comprising Principal Collections, if any, received by the Trustee in relation to the Portfolio Assets in the Portfolio Assets Pool in respect of the Collection Period ending immediately prior to such Determination Date; and
- (ii) recoveries received by the Trustee and allocable to rent upon enforcement of the Portfolio Asset, and recoveries received by the Trustee and allocable to rent upon a repurchase of any Portfolio Asset in the Portfolio Assets Pool by the Seller in accordance with the terms of the Sale Agreement, in each case received by the Trustee in the Collection Period ending immediately prior to such Determination Date.

## 5 Certificate Redemption and Dissolution of Trust

### (a) *Final Dissolution of Trust*

Unless previously redeemed or purchased and cancelled as provided in this Condition 5, the Trustee shall, subject always to the Post-Enforcement Priority of Payments and Conditions 5(c) (*Certificate Principal Distribution, Principal Amount Outstanding and Pool Factor*) and 10(b) (*Limited Recourse*), redeem the Certificates at their Principal Amount

Outstanding, together with accrued and unpaid profit, on the Periodic Distribution Date falling in July 2052 (the "**Final Dissolution Date**").

The Trustee may not redeem Certificates in whole or in part prior to such relevant date except as provided in paragraph (b) (*Mandatory Redemption of Certificates*), (d) (*Dissolution following a Trustee Call*) or (e) (*Dissolution for Taxation or Other Reasons*) of this Condition 5 but without prejudice to Condition 9 (*Dissolution Events*).

(b) *Mandatory Redemption of the Certificates*

Prior to (i) the service of an Enforcement Notice or (ii) the occurrence of a Dissolution Event, on each Periodic Distribution Date, other than a Dissolution Date, the Trustee or the Cash Manager on the Trustee's behalf shall apply an amount equal to the Available Principal Funds (as defined below) standing to the credit of the Transaction Account as at the Determination Date in making the following redemptions (in each case plus VAT if any, in accordance with the relevant Transaction Documents) in the following priority (the "**Pre-Enforcement Principal Priority of Payments**"):

- (i) *first*, to pay *pro rata* and *pari passu* when due: (a) amounts (other than in respect of principal) payable in respect of the Certificates (such amount to be paid *pro rata* according to the respective profit entitlement of the Certificateholders); (b) the remuneration payable to each of the Security Trustee and the Delegate and any fees (including legal fees) and Liabilities incurred by and/or payable to it under the provisions of or in connection with the Declaration of Trust or the Deed of Charge or any other documents entered into by the Security Trustee and/or the Delegate as provided in the Declaration of Trust, the Deed of Charge or the Collection Account Declaration of Trust, and (c) any amounts due and payable to any Receiver and any Appointee of the Delegate in relation to the Transaction Documents, in each case to the extent that such amounts are not paid in full by the Pre-Enforcement Revenue Priority of Payments;
- (ii) *second*, to pay *pro rata* and *pari passu* when due (a) amounts, including audit fees and company secretarial expenses which are payable by the Trustee to third parties (including, without limitation, the Irish Stock Exchange, the Listing Agent and the Rating Agencies) and incurred without breach by the Trustee pursuant to the Declaration of Trust or the Deed of Charge and not provided for payment elsewhere and to provide for any such amounts expected to become due and payable by the Trustee after that Periodic Distribution Date and prior to the next Periodic Distribution Date and to provide for the Trustee's liability or possible liability for tax to the extent not payable from the Trustee Profit, in each case to the extent that such amounts are not paid in full by the Pre-Enforcement Revenue Priority of Payments and (b) the remuneration payable to each of the Cash Manager, the Agents, the Corporate Services Provider, the Standby Servicer and the Account Bank and any Liabilities incurred by and/or payable to any of them under the provisions of or in connection with the Paying Agency Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Standby Servicing Agreement or any other Transaction Document, in each case to the extent that such amounts are not paid in full by the Pre-Enforcement Revenue Priority of Payments;
- (iii) *third*, in redeeming the Certificates on a *pari passu* and *pro rata* basis until the Periodic Distribution Date on which the Certificates have been redeemed in full;
- (iv) *fourth*, to pay *pro rata* and *pari passu*, (a) any amounts due to the Servicer in accordance with the Transaction Documents, and (b) the Sharia Compliance Fee, in each case to the extent that such amounts are not paid in full by the Pre-Enforcement Revenue Priority of Payments; and
- (v) *fifth*, to pay the Deferred Purchase Price.

The Cash Manager is responsible, pursuant to the Cash Management Agreement, for determining the amount of the Available Principal Funds as at any Determination Date and each determination so made shall (in the absence of gross negligence, fraud or wilful default) be final and binding on the Trustee, the Servicer, the Delegate, the Security Trustee and all Certificateholders, and no liability to the Certificateholders, shall attach to the Trustee, the Delegate, the Security Trustee or (in such absence as aforesaid) to the Cash Manager in connection therewith.

The amount of "**Available Principal Funds**" as at any Determination Date is an amount calculated as the aggregate of:

- (i) the Principal Collections received for the preceding Collection Period; and
- (ii) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledger is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Periodic Distribution Date.

If, between the Pool Cut-Off Date and the Issue Date, in respect of any Portfolio Assets comprising the Provisional Completion Portfolio Assets Pool, (a) the Finance Balance of such Portfolio Asset is fully paid or (b) such Portfolio Asset ceases to comply with the Eligibility Criteria, then an amount equal to the Finance Balance of such Portfolio Assets will be allocated to the Principal Ledger and comprise part of the Available Principal Funds on the first Periodic Distribution Date.

The "**Principal Collections**" as at any Determination Date is an amount determined by the Cash Manager on such Determination Date or is the aggregate of:

- (i) all Acquisition Amounts and any Additional Acquisition Amounts received by the Trustee in relation to the Portfolio Assets in respect of the Collection Period ending on or immediately prior to such Determination Date; and
- (ii) recoveries received by the Trustee and allocable to Acquisition Amounts or any other principal amounts upon an enforcement of the Portfolio Assets, and recoveries received by the Trustee and allocable to Acquisition Amounts or any other principal amounts upon a purchase or a repurchase of the Portfolio Assets by the Seller, in accordance with the terms of the Sale Agreement in each case received by the Trustee in the Collection Period preceding such Determination Date.

(c) *Certificate Principal Payment, Principal Amount Outstanding and Pool Factor*

With respect to each Certificate on (or as soon as practicable after) each Determination Date, the Trustee shall determine (or cause the Cash Manager to determine) (i) the amount of any principal amount due on the Periodic Distribution Date next following such Determination Date (a "**Certificate Principal Payment**"), (ii) the Principal Amount Outstanding of each such Certificate on the Periodic Distribution Date next following such Determination Date (after deducting any Certificate Principal Payment due to be made on that Periodic Distribution Date) and (iii) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of the relevant Certificate (as referred to in (ii) above) and the denominator is the Principal Amount Outstanding of the relevant Certificate as at the date of issue of the relevant Certificate. Each determination by or on behalf of the Trustee of any Certificate Principal Payment, the Principal Amount Outstanding of a Certificate and the Pool Factor shall in each case (in the absence of manifest error or fraud, wilful default or bad faith) be final and binding on all persons.

With respect to the Certificates, the Trustee will cause each determination of a Certificate Principal Payment, Principal Amount Outstanding and Pool Factor to be notified forthwith to the Delegate, the Paying Agents, the Agent Bank and (for so long as the Certificates are listed

on one or more stock exchanges) the relevant stock exchanges, and will immediately cause notice of each such determination to be given in accordance with Condition 13 (*Notice to Certificateholders*) by not later than two Business Days prior to the relevant Periodic Distribution Date. If no Certificate Principal Payment is due to be made on the Certificates on any Periodic Distribution Date a notice to this effect will be given to the Certificateholders. If the Trustee does not at any time for any reason determine (or cause the Cash Manager) with respect to the Certificates, a Certificate Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph (c), such determination may be made by the Delegate (without liability accruing to the Delegate as a result) in accordance with this Condition based on information supplied to it by the Trustee or the Cash Manager and each such determination or calculation shall be deemed to have been made by the Trustee and in the absence of fraud, wilful default, or gross negligence shall be final, and no liability to the Certificateholders shall attach to the Delegate in connection with the exercise or non-exercise by the Delegate of its powers, duties, determinations and discretions.

(d) *Dissolution following a Trustee Call*

(i) Provided that:

- (A) the Trustee delivers to the Delegate a certificate signed by two directors of the Trustee stating that, following a sale of the Portfolio Assets to Al Rayan Bank in accordance with the Sale Undertaking, the Trustee will have the necessary funds when taking into account the receipt of the Sale Undertaking Purchase Price (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Trustee) as would be required to (I) redeem all of the Certificates then outstanding in full together with accrued and unpaid profit on such Certificates, (II) pay amounts required under items (i) to (vi) of the Post-Enforcement Priority of Payments being amounts ranking in priority to or *pari passu* with the Certificates on such redemption date; and (III) pay any other costs associated with the exercise of the Sale Undertaking; and
- (B) Al Rayan Bank has delivered to the Trustee an Exercise Notice exercising Al Rayan Bank's rights under the Sale Undertaking pursuant to Clause 2.1(a) of the Sale Undertaking;

the Trustee shall redeem the Certificates in whole, but not in part, on the redemption date specified in the Exercise Notice (provided that such date must be a Periodic Distribution Date), on giving not less than 15 nor more than 30 days' notice to the Delegate and Certificateholders in accordance with Condition 13 (*Notice to Certificateholders*) (which notice shall be irrevocable) (the "**notice of optional redemption**").

- (ii) Any Certificate redeemed pursuant to this Condition 5(d) will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Certificate to be redeemed with accrued (and unpaid) profit on the Principal Amount Outstanding of the relevant Certificate up to but excluding the date of redemption.

(e) *Dissolution for Taxation or Other Reasons*

If a Tax Event has occurred, then the Trustee shall, if the same would avoid the effect of the Tax Event continuing, 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 as principal debtor under the Certificates, **provided that** the Delegate is satisfied that such substitution is not materially prejudicial to the Certificateholders.

If a Tax Event has occurred and is continuing, and provided that:

- (i) the Trustee delivers to the Delegate a certificate signed by two directors of the Trustee stating that, following a sale of the Portfolio Assets to Al Rayan Bank in accordance with the Sale Undertaking, the Trustee will have the necessary funds when taking into account the receipt of the Sale Undertaking Purchase Price (together with any amounts then standing to the credit of the Bank Accounts and any other funds available to the Trustee) as would be required to (I) redeem all of the Certificates then outstanding in full together with accrued and unpaid profit on such Certificates, (II) pay amounts required under items (i) to (vi) of the Post-Enforcement Priority of Payments being amounts ranking in priority to or *pari passu* with the Certificates on such redemption date; and (III) pay any other costs associated with the exercise of such redemption;
- (ii) Al Rayan Bank has delivered to the Trustee an Exercise Notice exercising Al Rayan Bank's rights under the Sale Undertaking pursuant to Clause 2.1(b) of the Sale Undertaking; and
- (iii) the other opinions and certificates required pursuant to Clauses 2.1(b)(A) and (B) of the Sale Undertaking,

the Trustee shall, on the redemption date specified in the Exercise Notice (provided that such date must be a Periodic Distribution Date) and having given not more than 45 nor less than 30 days' notice to the Delegate and Certificateholders in accordance with Condition 13 (*Notice to Certificateholders*) redeem all (but not some only) of the Certificates at their respective Principal Amount Outstanding together with any profit accrued (and unpaid) thereon up to (but excluding) the date of redemption.

*(f) Notice of Dissolution*

Any such notice as is referred to in paragraph (d) or (e) above shall be irrevocable and, upon the expiration of such notice, the Trustee shall be bound to redeem the Certificates at the Principal Amount Outstanding, plus accrued and unpaid profit, of the relevant Certificate.

*(g) Purchase*

The Trustee shall not purchase any Certificates.

*(h) Cancellation*

All Certificates redeemed will be cancelled upon redemption, and may not be resold or re-issued.

*(i) Opinions and certificates*

The Delegate shall be entitled to accept any certificate or opinion described in Condition 5(d) (*Dissolution following a Trustee Call*) or Condition 5(e) (*Dissolution for Taxation or Other Reasons*) as sufficient evidence of the satisfaction of the requirements set out above, in which event such certificates and/or opinions (as applicable) shall be conclusive and binding on the Certificateholders.

**6 Payments**

*(a) Principal and Certificate Profit*

Payment of principal and Certificate profit shall be made by transfer to an account in Sterling, maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the specified office of any Paying Agent in accordance with the terms of the Paying Agency Agreement.

*(b) Record date*

Each payment in respect of a Definitive Certificate will be made to the person shown as the Certificateholder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "**Record Date**"). The person shown in the Register at the opening of business on the relevant Record Date in respect of a Definitive Certificate shall be the only person entitled to receive payments in respect of any Certificate and the Trustee will be discharged by payment to, or to the order of, each person in respect of each amount paid.

*(c) Payments subject to laws*

All payments are subject in all cases to (i) any applicable laws and regulations in the place of payment or other laws to which the Trustee or the Agents agree to be subject and the Trustee and the Agents will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in s.1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to s.1471 through s.1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Certificateholders in respect of such payments.

*(d) Payments on business days*

If the due date for payment of any amount in respect of any Certificate is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place, and shall not be entitled to any further profit or other payment in respect of such delay. In this paragraph (d), **business day** means, in respect of any place of presentation, any day on which banks are open for presentation and payment of debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a sterling-denominated account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.

*(e) Paying Agents*

The initial Paying Agent and its initial specified office is listed below. The Trustee reserves the right at any time with the approval of the Delegate to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, **provided that** it will maintain a Principal Paying Agent.

The initial specified office of the Paying Agent is at:

Principal Paying Agent

**ELAVON FINANCIAL SERVICES DAC, UK BRANCH** (under the trade name U.S. Bank Global Corporate Trust Services)  
125 Old Broad Street,  
London EC2N 1AR  
United Kingdom

Notice of any change in the Paying Agents or their specified offices will promptly be given to the Delegate and the Certificateholders in accordance with Condition 13 (*Notice to Certificateholders*).

*(f) Incorrect Payments*

The Cash Manager will, from time to time, notify Certificateholders in accordance with the

terms of Condition 13 (*Notice to Certificateholders*) of any over-payment or under-payment of which it has actual notice made on any Periodic Distribution Date to any party entitled to the same pursuant to the Pre-Enforcement Priority of Payments. Following the giving of such a notice, the Cash Manager shall rectify such over-payment or under-payment by increasing or, as the case may be decreasing payments to the relevant parties on any subsequent Periodic Distribution Date or Periodic Distribution Dates (if applicable) to the extent required to correct the same. Any notice of over-payment or under-payment pursuant to this Condition 6 ( f ) shall contain reasonable details of the amount of the same, the relevant parties and the adjustments to be made to future payments to rectify the same. Neither the Trustee nor the Cash Manager shall have any liability to any person for making any such correction.

## 7 **Prescription**

Claims in respect of principal and profit shall become void unless made within a period of 10 years, in the case of principal, and five years, in the case of profit, from the appropriate relevant date on which such sums became due and payable. After the date on which a Certificate becomes void in its entirety, no claim may be made in respect thereof. In this Condition 7, the "**relevant date**", in respect of a Certificate is the date on which a payment in respect thereof first becomes due or (if the full amount of the monies payable in respect of all the Certificates due on or before that date has not been duly received by the Principal Paying Agent or the Delegate on or prior to such date) the date on which the full amount of such monies having been so received, notice to that effect having been duly given to the Certificateholders in accordance with Condition 13 (*Notice to Certificateholders*).

## 8 **Taxation**

All payments in respect of the Certificates will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature unless the Trustee or any Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Certificates subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or charges of whatsoever nature or subject to FATCA Withholding ("**FATCA Withholding**"). In that event, the Trustee or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Trustee, the Principal Paying Agent, any other Paying Agent, nor any other person will be obliged to make any additional payments to the Certificateholders in respect of such withholding or deduction or in connection with any FATCA Withholding.

## 9 **Dissolution Events**

After any of the following events (each a "**Dissolution Event**") occurs and is continuing, the Delegate at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate in Principal Amount Outstanding of the Certificateholders or if so directed by an Extraordinary Resolution of the Certificateholders, shall (subject, in each case, to it being indemnified and/or secured and/or pre-funded to its satisfaction) give notice to the Trustee (an "**Enforcement Notice**") that the Certificates are, and they shall immediately become, due and payable at their Principal Amount Outstanding together with accrued profit:

- (a) default being made for a period of 10 Business Days in the payment of the principal of the Certificates or any profit on the Certificates when and as the same ought to be paid in accordance with these Conditions; or
- (b) the Trustee failing duly to perform or observe any other obligation binding upon it under the Certificates or the Declaration of Trust, as applicable, and, in any such case (except where the Delegate certifies that, such failure is (i) in the opinion of the Delegate, incapable of remedy or (ii) in the opinion of the Delegate, capable of remedy but remains unremedied for a period of 30 days (or such longer period as the Delegate may permit) following the service by the Delegate on the Trustee of notice requiring the same to be remedied; or



- (c) the Trustee, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (d) below, ceasing or, through an official action of the Board of Directors of the Trustee, threatening to cease to carry on business or being unable to pay its debts as and when they fall due; or
- (d) an order being made or an effective resolution being passed for the winding-up of the Trustee except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Delegate in writing or by an Extraordinary Resolution of the Certificateholders; or
- (e) proceedings being otherwise initiated against the Trustee under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition or filing documents with the court or making an application for the appointment of an administrator or liquidator or serving a notice of intent to appoint an administrator) and such proceedings not, in the opinion of the Delegate, being disputed in good faith with a reasonable prospect of success, or an administrator being appointed, or a receiver, liquidator or other similar official being appointed in relation to the Trustee or in relation to the whole or any substantial part of the undertaking or assets of the Trustee, or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Trustee, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Trustee and such possession or process (as the case may be) not being discharged or not otherwise ceasing to apply within 30 days, or the Trustee initiating or consenting to proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally; or
- (f) it is or will become unlawful for the Trustee to perform or comply with any of its obligations under or in respect of the Certificates or the Transaction Documents,

**provided that**, in the case of each of the events described in paragraph (b) of this Condition 9 and the Certificates having not been redeemed in full, the Delegate shall have certified to the Trustee that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders.

## **10 Enforcement of Security, Limited Recourse and Non-Petition**

### *(a) Enforcement of Security*

At any time after an Enforcement Notice has been served, the Delegate may, in its absolute discretion and without further notice, instruct the Security Trustee to (i) take such proceedings and/or other action or steps against or in relation to the Trustee or any other person as it may think fit to enforce the provisions of the Certificates, the Declaration of Trust, these Conditions and the other Transaction Documents to which it is a party and (ii) take such steps as it may think fit to enforce the security, but it shall not be bound to do so unless:

- (i) it shall have been directed by a notice in writing by Certificateholders of Certificates outstanding constituting at least 25 per cent. of the aggregate Principal Amount Outstanding or if so directed by an Extraordinary Resolution of the Certificateholders then outstanding; and
- (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

No Certificateholder shall be entitled to proceed directly against the Trustee unless the Delegate or Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

### *(b) Limited Recourse*

(i) Enforcement of Security

Only the Security Trustee may enforce the Security over the Charged Property in accordance with, and subject to the terms of, the Deed of Charge.

(ii) Insufficient Recoveries

If at any time following:

(A) the occurrence of either:

(I) the Final Dissolution Date or any earlier date upon which all of the Certificates are due and payable; or

(II) the service of an Enforcement Notice; and

(B) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Certificates in accordance with the applicable Post-Enforcement Priority of Payments,

the proceeds of such Realisation are insufficient, after the same have been allocated in accordance with the applicable Priority of Payments, to pay in full all claims ranking in priority to the Certificates and all amounts then due and payable under any Certificates then the amount remaining to be paid (after such application in full of the amounts first referred to in paragraph (B) above) under the Certificates shall, on the day following such application in full of the amounts referred to in paragraph (B) above, cease to be due and payable by the Trustee.

For the purposes of this Condition 10:

**Realisation** means, in relation to any Charged Property, the deriving, to the fullest extent practicable, (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor; and

**Charged Property** means the property of the Trustee which is subject to the Security.

(iii) Certificateholder Acknowledgements

Each Certificateholder, by subscribing for or purchasing Certificates, is deemed to accept and acknowledge that:

(A) in the event of realisation or enforcement of the Charged Property, its right to obtain payment of profit and repayment of principal on the Certificates in full is limited to recourse against the undertaking, property and assets of the Trustee comprised in the Charged Property;

(B) the Trustee will have duly and entirely fulfilled its payment obligations by making available to such Certificateholder its proportion of the proceeds of realisation or enforcement of the Charged Property in accordance with the Post-Enforcement Priority of Payments and all claims in respect of any shortfall will be extinguished and discharged; and

(C) in the event that a shortfall in the amount available to pay principal of the Certificates exists on the Final Dissolution Date or on any earlier date for redemption in full of the Certificates, after payment on the Final Dissolution Date or such date of earlier redemption of all other claims ranking higher in priority to or *pari passu* with the Certificates, and the Charged Property has

not become enforceable as at the Final Dissolution Date or such date of earlier redemption, the liability of the Trustee to make any payment in respect of such shortfall will cease and all claims in respect of such shortfall will be extinguished.

*(c) Non-Petition*

No Certificateholder may take any corporate action or other steps or legal proceedings for the winding-up, dissolution, arrangement, reconstruction or reorganisation of the Trustee unless the Security Trustee or Delegate, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing or for the appointment of a liquidator, receiver, administrative receiver, administrator, security trustee, delegate, manager or similar officer in respect of the Trustee or over any or all of its assets or undertaking.

## **11 Meetings of Certificateholders; Modifications; Consents; Waiver**

*(a) General*

The Declaration of Trust contains provisions for convening meetings of the Certificateholders to consider matters relating to the Certificates, including subject to paragraph (d) below the sanctioning by Extraordinary Resolution of a modification of any Conditions or any provisions of the other Transaction Documents.

The Declaration of Trust provides that (i) a resolution in writing signed by the holders of more than 50 per cent. of the Principal Amount Outstanding of the Certificates or (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) shall for all purposes be as valid and effective as an Ordinary Resolution passed at a meeting of the Certificateholders duly convened and held. Such a resolution passed in writing or electronically may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the Certificateholders.

The Declaration of Trust provides that (i) a resolution in writing signed by the holders of not less than 75 per cent. of the Principal Amount Outstanding of the Certificates or (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of the Certificateholders duly convened and held or. Such a resolution passed in writing or electronically may be contained in one document or several documents in the same form, each signed by or on behalf of one or more of the Certificateholders.

*(b) Resolution Binding*

Any Extraordinary Resolution or an Ordinary Resolution duly passed by the Certificateholders shall be binding on all Certificateholders (whether or not they were present at any meeting at which such resolution was passed and whether or not voting).

*(c) Quorum*

The quorum at any meeting of Certificateholders for passing:

- (i) an Extraordinary Resolution to approve a Basic Terms Modification, shall be one or more persons holding Certificates or representing Certificateholders (x) not less than 50 per cent. of the Principal Amount Outstanding of the Certificates for the initial meeting or (y) not less than 50 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting;
- (ii) an Extraordinary Resolution to approve any matter other than a Basic Terms Modification, shall be one or more persons holding Certificates or representing Certificateholders holding (x) not less than 25 per cent. of the Principal Amount

Outstanding of the Certificates for the initial meeting or (y) not less than 25 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting; and

- (iii) an Ordinary Resolution, shall be one or more persons holding Certificates or representing Certificateholders holding Certificates of in aggregate more than (x) 25 per cent. of the Principal Amount Outstanding of the Certificates for the initial meeting and (y) 10 per cent. of the Principal Amount Outstanding of the Certificates for the adjourned meeting.

(d) *Modification and Waiver*

The Delegate shall agree, without the consent or sanction of any of, or any liability to, the Certificateholders, to:

- (i) (I) any modification of any of the provisions of the Declaration of Trust, the Conditions or any of the other Transaction Documents which is, in its sole opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law or regulation, and (II) any other modification (excluding a Basic Terms Modification), and any waiver or authorisation of any breach or proposed breach of the Certificates, of any of the provisions of the Declaration of Trust, the Conditions or any of the other Transaction Documents which is in the sole opinion of the Delegate not materially prejudicial to the interests of the Certificateholders;
- (ii) determine that a Dissolution Event will not be treated as such where in the opinion of the Delegate such waiver, authorisation or determination is not materially prejudicial to the interests of the Certificateholders; or
- (iii) amendments pursuant to Condition 11(g) (*Additional Right of Modification in Relation to LIBOR Cessation*) being a change to the Screen Rate to replace LIBOR with another benchmark rate.

**provided that** the Delegate will not do so in contravention of an express direction given by an Extraordinary Resolution of Certificateholders or request made pursuant to Condition 9 (*Dissolution Events*). Any such modification, authorisation, determination or waiver shall be binding on the Certificateholders and, if the Delegate so requires, the Trustee will arrange for it to be notified to the Certificateholders as soon as practicable.

Subject to the Declaration of Trust, the Delegate shall be obliged, without any consent or sanction of the Certificateholders or any of the other Secured Creditors, to concur with the Trustee 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 to or enter into any new, supplemental or additional documents that the Trustee considers necessary in order to facilitate the appointment of a replacement servicer appointed by the Trustee in accordance with the terms of the Service Agency Agreement, subject to receipt by the Delegate of a certificate issued by (i) the Trustee or (ii) the Corporate Services Provider on behalf of the Trustee certifying to the Delegate the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement servicer appointed by the Trustee in accordance with the terms of the Service Agency Agreement and have been drafted solely to that effect.

Subject to the Declaration of Trust, the Delegate shall be obliged, without any consent or sanction of the Certificateholders or any of the other Secured Creditors, to concur with the Trustee 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 to or enter into any new, supplemental or additional documents that the Trustee considers necessary in order to facilitate the appointment of a replacement Cash Manager appointed by the Trustee in accordance with the terms of the Cash Management Agreement,

subject to receipt by the Delegate of a certificate issued by the Trustee certifying to the Delegate that the requested amendments are to be made solely for the purpose of facilitating the appointment of a replacement Cash Manager appointed by the Trustee in accordance with the terms of the Cash Management Agreement and have been drafted solely to that effect.

In respect of the amendments effected pursuant to this Condition 11(d), the Delegate shall, in relation only to its obligation to appoint a replacement servicer and/or a replacement cash manager, not consider the impact of such modifications on the interests of any Certificateholders, Secured Creditor or any other person and shall act and rely solely and without further investigation or enquiry on any certificate or evidence provided to it by the Trustee or relevant party, as the case may be and shall not be liable to the Certificateholders, any other Secured Creditors 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 such person.

Any such modifications permitted by this Condition 11(d) shall be binding on the Certificateholders and the other Secured Creditors and, unless the Delegate otherwise agrees, the Trustee shall cause such modification to be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 13 (*Notice to Certificateholders*). So long as the Certificates are rated by the Rating Agencies the Trustee shall notify each of the Rating Agencies of any modification made by it in accordance with this Condition 11(d) as soon as reasonably practicable thereafter.

The Delegate shall not be obliged to agree to any modification of the Declaration of Trust, the Conditions or any other Transaction Document which (in the sole opinion of the Delegate) would have the effect of (x) exposing the Delegate to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction, or (y) increasing the obligations or duties, or decreasing the protections of the Delegate in the Transaction Documents, the Declaration of Trust and/or the Conditions.

*(e) Substitution*

The Declaration of Trust contains provisions permitting the Delegate to agree, subject to such amendment of the Declaration of Trust and such other conditions as are set out in the Declaration of Trust or as the Delegate may otherwise require, but without the consent of, or any liability to, the Certificateholders or the other Secured Creditors to the substitution of certain other entities in place of the Trustee, or of any previous substituted company, as principal obligor under the Declaration of Trust, the Certificates and the other Transaction Documents. In the case of such a substitution the Delegate may agree, without the consent of the Certificateholders, to a change of the law governing the Certificates and/or the Declaration of Trust **provided that** such change would not in the opinion of the Delegate be materially prejudicial to the interests of the Certificateholders.

*(f) Entitlement of the Delegate*

In connection with the exercise of its functions (including but not limited to those referred to in this Condition 11) the Delegate:

- (i) shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders; and
- (ii) may, in determining whether or not a proposed action will be materially prejudicial to the Certificateholders, have regard to, among other things, a Rating Agency Confirmation.

*(g) Additional Right of Modification in Relation to LIBOR Cessation*

Notwithstanding the provisions of Condition 11(d) (*Modification and Waiver*) above, the Delegate shall be obliged, without any consent or sanction of the Certificateholders or any other Secured Creditor, to concur with the Trustee in making any modification to the Declaration of Trust or the Conditions or any other Transaction Document that the Trustee considers necessary for the purpose of changing the Screen Rate (any such rate a "**LIBOR Replacement Rate**") and making such other related or consequential amendments as are necessary or advisable in the reasonable judgment of the Trustee to facilitate such change (a "**LIBOR Modification**"), **provided that**, in relation to any amendment under this Condition 11(g) the Trustee (or the Servicer on the Trustee's behalf), certifies to the Delegate in writing (such certificate, a "**LIBOR Modification Certificate**") that:

- (i) such LIBOR Modification is being undertaken due to (I) LIBOR ceasing to exist or be published, (II) a public statement by the LIBOR administrator that it will cease publishing LIBOR permanently or indefinitely (in circumstances where no LIBOR successor administrator has been appointed that will continue publication of LIBOR), (III) a public statement by the supervisor of the LIBOR administrator that LIBOR has been or will be permanently or indefinitely discontinued or will be changed in an adverse manner, (IV) a public statement by the supervisor of the LIBOR administrator that means LIBOR may no longer be used or that its use is or will be subject to restrictions or adverse consequences, or (V) the reasonable expectation of the Trustee (or the Servicer on the Trustee's behalf) that any of the events specified in paragraphs (I) to (IV) above will occur or exist within six months of the proposed effective date of such LIBOR Modification; and
- (ii) such LIBOR Replacement Rate is:
  - (A) a reference rate published, endorsed, approved or recognised by the Bank of England and the European Central Bank, any regulator in the United Kingdom or the European Union or any stock exchange on which the Certificates are listed (or any relevant committee or other body established, sponsored or approved by any of the foregoing);
  - (B) the Sterling Over Night Index Average or the Broad Treasuries Repo Financing Rate (or any rate which is derived from, based upon or otherwise similar to either of the foregoing);
  - (C) a reference rate utilised in a material number of publicly-listed new issues of asset-backed floating rate notes denominated in the same currency as the Certificates prior to the effective date of such LIBOR Modification;
  - (D) a reference rate utilised in a publicly-listed new issue of asset-backed floating rate notes denominated in the same currency as the Certificates where the originator of the relevant assets is a member of the Al Rayan Bank group; or
  - (E) such other reference rate as the Trustee (or the Servicer on the Trustee's behalf) reasonably determines;
- (iii) a Rating Agency Confirmation is delivered; and
- (iv) Al Rayan Bank pays all fees, costs and expenses (including legal fees) incurred by the Trustee and the Delegate or any other Transaction Party in connection with such modification,

**provided that:**

- (X) at least 30 calendar days' prior written notice of any such proposed modification has been given to the Delegate;
- (Y) the LIBOR Modification Certificate in relation to such modification shall be provided to

the Delegate both at the time the Delegate is notified of the proposed modification and on the date that such modification takes effect; and

- (Z) the Trustee (or the Servicer on the Trustee's behalf) certifies in writing to the Delegate (which certification may be in the LIBOR Modification Certificate) that the Trustee has provided at least 30 calendar days' notice to the Certificateholders of the proposed modification in accordance with Condition 13 (*Notices to Certificateholders*) and Certificateholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Certificates then outstanding have not contacted the Trustee or the Principal Paying Agent (acting on behalf of the Trustee) in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Certificates may be held) within such notification period notifying the Trustee or the Principal Paying Agent (acting on behalf of the Issuer) that such Certificateholders object to the proposed modification.

If Certificateholders representing at least 10 per cent. of the aggregate Principal Amount Outstanding of the Certificates then outstanding have notified the Principal Paying Agent (acting on behalf of the Trustee) or the Trustee in writing (or otherwise in accordance with the then current practice of any applicable clearing system through which such Certificates may be held) within the notification period referred to above that they object to the proposed modification, then such modification will not be made unless an Extraordinary Resolution of the holders of the Certificates then outstanding is passed in favour of such modification in accordance with Condition 11 (*Meetings of Certificateholders; Modifications; Consents; Waiver*).

Notwithstanding anything to the contrary in this Condition 11(g) or any Transaction Document:

- (I) when implementing any modification pursuant to this Condition 11(g), the Delegate shall not consider the interests of the Certificateholders, any other Secured Creditor or any other person and shall act and rely solely, and without further enquiry or liability, on any certificate (including any LIBOR Modification Certificate) or evidence provided to it by the Trustee (or the Servicer on the Trustee's behalf) pursuant to this Condition 11(g) and shall not be liable to the Certificateholders, 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
- (II) the Delegate shall not be obliged to agree to any modification which, in the sole opinion of the Delegate, would have the effect of (a) exposing the Delegate to any liability against which it has not been indemnified and/or secured and/or pre-funded to its satisfaction or (b) increasing the obligations or duties, or decreasing the rights or protection, of the Delegate in the Transaction Documents and/or these Conditions.

Any such modifications shall be binding on all Certificateholders and shall be notified by the Trustee as soon as reasonably practicable to (i) each Rating Agency; (ii) the Delegate and the Security Trustee; and (iii) the Certificateholders in accordance with Condition 13 (*Notices to Certificateholders*).

## **12 Indemnification and Exoneration of the Delegate**

The Declaration of Trust contains provisions governing the responsibility (and relief from responsibility) of the Delegate and providing for its indemnification in certain circumstances including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Delegate and its related companies are entitled to enter into business transactions with, *inter alios*, the Trustee, the Servicer, the Cash Manager and/or related companies of any of them without accounting for any profit resulting therefrom.

The Delegate will not be responsible for any loss, expense or liability which may be suffered as a

result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer, the Cash Manager or any agent or related company of the Servicer, the Cash Manager or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Delegate.

The Declaration of Trust provides that the Delegate shall be under no obligation to monitor or supervise compliance by the Trustee, the Servicer, the Cash Manager with their respective obligations or to make any searches, enquiries, or independent investigations of title in relation to any of the Portfolio Assets.

### **13 Notice to Certificateholders**

#### *(a) Forms of Notice*

All notices to Certificateholders shall be deemed to have been validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing, provided that, for so long as any Certificates are listed, quoted or traded on a stock exchange or are admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

So long as the Certificates are represented in their entirety by the Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such mailing, the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Certificateholders, provided that, for so long as any Certificates are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of the stock exchange, or as the case may be, other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or, as the case may be, or any other relevant authority. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

#### *(b) Other Methods*

The Delegate may approve some other method of giving notice to the Certificateholders if, in its opinion, that other method is reasonable having regard to market practice then prevailing and to the requirements of any stock exchange on which Certificates are then listed and **provided that** notice of that other method is given to the Certificateholders in the manner required by the Delegate.

#### *(c) Notices to Irish Stock Exchange and Rating Agencies*

A copy of each notice given in accordance with this Condition 13 shall be provided to the Rating Agencies and, for so long as the Certificates are listed on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, the Irish Stock Exchange.

### **14 Governing Law**

The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by, and shall be construed in accordance with, English law.

### **15 Privity of Contract**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any terms of the Certificates but this does not affect any right or remedy of any person which exists or is available apart from that Act.

### **16 Interpretation**



In these Conditions:

**Appointee** means any delegate, agent, nominee, custodian, attorney or manager appointed by the Delegate pursuant to the provisions of the Declaration of Trust or the Deed of Charge (as the case may be).

**Basic Terms Modification** means any modification to (a) the maturity of the Certificates or the dates on which profits are payable in respect of the Certificates, (b) any reduction of the amount due in respect of or cancellation of the principal amount of, or profit on or variation of the method of calculating the rate of profit on, the Certificates (other than any LIBOR Modification (as defined in Condition 11(g) (*Additional Right of Modification in Relation to LIBOR Cessation*))), (c) the priority of payment of profit or principal on the Certificates, (d) the currency of payment of the Certificates, (e) the definition of Basic Terms Modification or (f) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Basic Terms Modification or to pass an Extraordinary Resolution.

**Business Day** means, a day on which commercial banks and foreign exchange markets settle payments in London.

**Charged Obligation Documents** means each of the Account Bank Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Service Agency Agreement, the Sale Agreement, the Paying Agency Agreement, the Declaration of Trust, the Collection Account Declaration of Trust, the Trustee/ICSD Agreement, the Standby Servicing Agreement and any other agreement entered into between the Trustee and a secured party to the Deed of Charge.

**Enforcement Notice** means a notice given by the Delegate to the Trustee under Condition 9 (*Dissolution Events*) of the Certificates.

**Extraordinary Resolution** means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the provisions of the Declaration of Trust by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the Certificates, 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 such holders; or
- (c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the Certificates.

**Ordinary Resolution** means:

- (a) a resolution passed at a duly convened meeting of the Certificateholders held in accordance with the provisions of the Declaration of Trust by a majority consisting of more than 50 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of more than 50 per cent. of the votes cast on such poll;
- (b) a resolution in writing signed by or on behalf of the holders of more than 50 per cent. of the Principal Amount Outstanding of the Certificates, 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 such holders; or
- (c) consent given by way of electronic consents through the relevant clearing system(s) (in a

form satisfactory to the Delegate) by or on behalf of the holders of more than 50 per cent. of the Principal Amount Outstanding of the Certificates.

**Rating Agencies** means Moody's and S&P and **Rating Agency** means any of them.

**Rating Agency Confirmation** means (i) written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of Certificates rated thereby being qualified, downgraded or withdrawn or (ii) certification in writing from the Trustee to the Delegate that the Trustee has been unable to obtain such written confirmation but that the Rating Agencies then rating the Certificates have been informed of the implementation of such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of Certificates;

**Tax Event** means, by reason of a change in or amendment to tax law (or regulation or the application or official interpretation thereof), which change becomes effective on or after the Issue Date, on the next Periodic Distribution Date, the Trustee or any Paying Agent having or becoming obliged to deduct or withhold from any payment of principal or profit on any Certificates (other than because the relevant holder has some connection with the United Kingdom other than the holding of Certificates) 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 the United Kingdom or any political sub-division thereof or any authority thereof or therein, other than any taxes referred to in this definition that arise in connection with FATCA; and

**Trust Assets** means the following assets which are held by the Trustee upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with this Declaration of Trust and the Conditions:

- (a) the proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Portfolio Assets;
- (c) all of the Trustee's other rights, title, interest and benefit, present and future, in, to and under the Transaction Documents; and
- (d) all monies standing to the credit of the Transaction Account from time to time, in each case and all proceeds of the foregoing,

but excluding the Residual Revenue.

#### **Waiver of Interest**

The transaction parties acknowledge and agree that the principle of the payment of interest is repugnant to Sharia and accordingly, to the extent that any legal system would (but for the provisions of this Condition 17) impose (whether by contract, statute or court order) any obligation to pay interest, the transaction parties irrevocably and unconditionally, expressly waive and reject any entitlement to recover interest from each other

## SUBSCRIPTION AND SALE

This Prospectus has been approved by the Central Bank of Ireland as the Irish competent authority under the Prospectus Directive. The Central Bank of Ireland has only approved this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the official list and trading on its regulated market, and may be made to the UK Listing Authority for the Certificates to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's regulated market.

The Joint Lead Managers, the Trustee and the Seller have entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which the Joint Lead Managers have agreed to purchase or procure purchasers for the Certificates (the "**Subscribed Certificates**").

On the Issue Date, the Trustee will issue the Certificates. The Trustee and (in respect of certain expenses only) the Seller have agreed in the Subscription Agreement to reimburse and indemnify the Joint Lead Managers for certain of their expenses and liabilities in connection with the issue of Certificates.

The Subscription Agreement is subject to a number of conditions and may be terminated by the Joint Lead Managers in certain circumstances prior to payment for the Subscribed Certificates to the Trustee.

### United Kingdom

Each of the Joint Lead Managers has represented to and agreed with the Trustee that:

- (a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom; and
- (b) 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 investment activity (within the meaning of s. 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which s.21(1) of the FSMA does not apply to the Trustee.

### United States

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Each Joint Lead Manager represents, warrants and undertakes to the Trustee that it has offered and sold the Certificates, and will offer and sell the Certificates:

- (a) *Original distribution*: as part of their distribution at any time;
- (b) *Outside original distribution*: otherwise until 40 days after the later of the commencement of the offering of the Certificates and the Issue Date,

only in accordance with Rule 903 of Regulation S under the Securities Act and accordingly that:

- (i) *No directed selling efforts*: neither it nor any of its affiliates (including any person acting on behalf of such Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Certificates; and
- (ii) *Offering restrictions*: it and its affiliates (including any person acting on behalf of such Joint Lead Manager or any of its affiliates) have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act; and
- (c) *Prescribed form of confirmation*: undertakes to the Trustee that, at or prior to confirmation of sale of the Certificates, it will have sent to each distributor, dealer or person receiving a selling

concession, fee or other remuneration which purchases Certificates from it during the 40 day distribution compliance period a confirmation or notice in substantially the following form:

"The Securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date and except, in either case, in accordance with Regulation S under the Securities Act. Terms used above have the meaning given to them by Regulation S."

#### *U.S. Risk Retention Rules*

Each Joint Lead Manager undertakes and agrees that it will not sell, place or otherwise transfer any Certificates to any person that the Seller has provided written instructions to the Joint Lead Managers not to do so as a result of such person having identified themselves to be a Risk Retention U.S. Person to the Seller.

#### **Ireland**

Each Joint Lead Manager has represented and agreed with the Trustee that:

- (a) it will not underwrite the issue of, or place the Certificates, otherwise than in conformity with the provisions of the Irish European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) ("**MiFID Regulations**"), including, without limitation, Parts 6, 7 and 12 thereof or any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Certificates otherwise than in conformity with the provisions of the Irish Companies Acts 1963 to 2013 (as amended), the Irish Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under s.117(1) of the Irish Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Certificates otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under s.1363 of the Companies Act by the Central Bank of Ireland (the Central Bank); and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Certificates, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) and any rules issued under s.1370 of the Companies Act by the Central Bank.

### **Prohibition of Sales to EEA Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by this Prospectus in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**");
  - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates.

### **Public Offer Selling Restrictions under the Prospectus Directive**

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each of the Joint Lead Managers has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Joint Lead Manager nominated by the Trustee for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates shall require the Trustee or the Joint Lead Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Certificates to the public" in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe the Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive, as amended, in that Member State.

### **General**

Under the Subscription Agreement, each of the Joint Lead Managers has acknowledged that, save for making such applications and for having procured the delivery of a copy of the Prospectus for registration to the Central Bank, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Certificates, or possession or distribution of the Prospectus (in preliminary or final form) or any amendment or supplement thereto or any other offering material relating to the Certificates in any country or jurisdiction where action for that purpose is required. Under the Subscription Agreement, each of the Joint Lead Managers has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Certificates or have in its possession or distribute the Prospectus (in preliminary or in final form) or any amendment or supplement

thereto or any other offering material (including not to do so, as stated in the section entitled "*Important Notice*" above, to retail investors as defined in such section).

Attention is drawn to the information set out on the inside front cover of this Prospectus.

## CERTAIN REGULATORY DISCLOSURES

### EU Retention Requirements

The Seller will retain a material net economic interest of at least five per cent. of the securitised exposures, in accordance with Article 405(1)(d) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR**"), Article 51(1)(d) of the AIFMD Level 2 Regulation and Article 254(2)(d) of the Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Delegated Act**") (the "**EU Retention Requirement**") in the form of Deferred Purchase Price, which the Seller covenants to retain pursuant to the Sale Agreement.

Failure by an investor, investment manager, a credit institution, investment firm, alternative investment fund manager or any other investor to comply with any applicable EU Retention Requirements with respect to an investment in the Certificates offered by this Prospectus may result in the imposition of a penalty regulatory capital charge on that investment or of other regulatory sanctions. The EU Retention Requirements and any other changes to the regulation or regulatory treatment of the Certificates for some or all investors may negatively impact the regulatory position of affected investors and investment managers and have an adverse impact on the value and liquidity of the Certificates offered by this Prospectus. Prospective investors should analyze their own regulatory position, and are encouraged to consult with their own investment and legal advisors, regarding application of and compliance with any applicable EU Retention Requirements or other applicable regulations and the suitability of the offered certificates for investment and none of the Trustees, the Arranger, the Joint Lead Managers, the Seller or any other party to a Transaction Document makes any representation that the information described above is sufficient in all circumstances for such purposes. Investors, who are uncertain as to the risk retention requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

### U.S. Risk Retention Requirements

The credit risk retention regulations implemented by U.S. Federal regulatory agencies including the U.S. Securities and Exchange Commission pursuant to s.15G of the U.S. Securities Exchange Act (the "**U.S. Risk Retention Rules**") generally require the "sponsor" of a "securitization transaction" to retain at least five per cent. of the "credit risk" of the "securitized assets", as such terms are defined for the purposes of that statute, and generally prohibit a sponsor from directly or indirectly eliminating or reducing its credit exposure by hedging or otherwise transferring the credit risk that the sponsor is required to retain. The U.S. Risk Retention Rules also provide for certain exemptions from the risk retention obligation that they generally impose.

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

The Certificates may not be purchased by a Risk Retention U.S. Person except in accordance with the exemption under s.20 and with the prior consent of Al Rayan Bank PLC. Prospective investors should note that the definition of U.S. person in the U.S. Risk Retention Rules is substantially similar to, but not

identical to, the definition of U.S. person under Regulation S and persons who are not U.S. Persons under Regulation S may be Risk Retention U.S. Persons.

None of the Trustee, the Joint Lead Managers or any of their respective affiliates makes any representation to any prospective investor or purchaser of the Certificates as to whether the transaction described in this Prospectus complies with the U.S. Risk Retention Rules on the Issue Date or at any time in the future.

### **Volcker Rule**

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

### **HQLA Regulations**

Al Rayan has received a legal opinion from Norton Rose Fulbright LLP (the "**HQLA Opinion**") as to whether the Certificates are capable of constituting Level 2b assets in accordance with the requirements of (and as defined in) the CRR and Commission delegated regulation (EU) 2015/61 of 10 October 2014 (the "**LCR Delegated Regulation**" and together with the CRR, the "**HQLA Regulations**"). It should be noted that the HQLA Opinion is subject to assumptions regarding certain factual matters which are not capable of legal analysis and need to be satisfied in order for the Certificates to qualify as Level 2b assets under the HQLA Regulations. The HQLA Opinion considers the various criteria set out in Articles 12(1)(a) and 13 that need to be satisfied in order for a securitisation position to qualify as a Level 2b asset.

It should be noted that the HQLA Opinion does not consider the compliance by any holder of the Certificates with any of the provisions of the HQLA Regulations. The failure of such Certificateholder to comply with its obligations under the HQLA Regulations may affect its ability to treat any Certificates it holds as Level 2b assets and no opinion or advice is given in the HQLA Opinion regarding any such matters. The HQLA Opinion does also not consider Article 13(14) of the LCR Delegated Regulation, which paragraph sets out the relevant haircut applicable to a Level 2b asset rather than the eligibility of any such asset to be treated as a Level 2b asset.

The HQLA Opinion considers on a reasoned basis whether the transaction under which the Certificates are issued constitutes a securitisation for the purposes of Article 4(61) of the CRR and concludes that it does. The HQLA Opinion then considers in detail and on a reasoned basis the various paragraphs of Article 13 of the LCR Delegated Regulation and considers whether the terms of the transaction pursuant to which the Certificates are issued satisfy those requirements. The matters considered and opined on include the seniority of the Certificates, the sale of the Portfolio Assets, servicing of the Portfolio Assets and the servicing continuity provisions of the Transaction Documents, whether the transaction has been structured so that the cashflows rely on the sale of the Portfolio Assets, compliance with Article 8b the CRA Regulation (noting that while the transaction under which the Certificates are issued contains obligations on the Servicer to comply with Article 8b, such compliance is currently not possible as the relevant reporting portal has not been established by responsible regulator), compliance with risk retention requirements and whether the originator is an institution. It should be noted that certain criteria are not matters which are capable of legal analysis, but are matters purely of fact. Where such criteria are relevant, the HQLA Opinion has assumed the application of such facts to the transaction pursuant to which the Certificates are issued. Key assumptions include that the Certificates have a sufficient rating to qualify as Level 2b assets, that Al Rayan is an authorised credit institution, that the Portfolio Assets held by the Trustee comply with the requirements of the HQLA Regulations and that the weighted average lives of the Certificates meet the requirements of the HQLA Regulations. Due to the lack of regulatory guidance as to how the term "homogenous underlying assets" is to be interpreted, the HQLA Opinion also assumes the homogeneity of the Portfolio Assets. It should be noted that the HQLA Opinion also assumes certain other matters relating to the transaction under which the Certificates are issued as a whole and the abovementioned assumptions are not a full list of all the assumptions to which the HQLA Opinion is subject. It should further be noted that if any of the assumptions to the HQLA Opinion are not met at any relevant time, the Certificates may not constitute Level 2b assets. Investors should note that certain of the



requirements of the HQLA Regulations (e.g. the rating of the Certificates or the remaining average lives of the Certificates) can (and in some cases will) change over time and that this may affect the current or continued eligibility of the Certificates as Level 2b assets.

While the HQLA Opinion reaches the conclusion that the sale of the Portfolio Assets to the Trustee should not be regarded as being subject to "severe clawback", the meaning of this term is not completely clear. The HQLA Opinion also considers whether the Portfolio Assets can be regarded as constituting "residential loans" and while it reaches the conclusion that they should be, it also notes that the Portfolio Assets do not strictly amount to loans and that this interpretation is therefore not entirely free from doubt.

The HQLA Opinion reaches the conclusion that, subject to the assumptions made and reservations set out within it, the Certificates would qualify as Level 2b assets for the purposes of the HQLA Regulations. Certificateholders should note that their circumstances and compliance with the HQLA Regulations may affect the ability of such Certificateholders to use some or all of the Certificates they hold as Level 2b assets and these matters are not addressed in the HQLA Opinion. The HQLA Opinion is addressed solely to and can be relied on only by Al Rayan. Any investor wishing to use the Certificates as Level 2b assets (or otherwise for the purposes of its liquidity buffer pursuant to the HQLA Regulations) must satisfy itself (and if it deems it necessary, take its own advice) as to the eligibility of the Certificates for such purposes. Norton Rose Fulbright LLP have acted solely as counsel to Al Rayan in relation to the transaction pursuant to which the Certificates are issued and does not accept any responsibility or liability to any other person whether for the advice provided to Al Rayan under the HQLA Opinion or otherwise.

## TAXATION

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and profit in respect of the Certificates. It is based on current law and the published practice of Her Majesty's Revenue and Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Certificates (other than in relation to the comments below concerning stamp taxes). The comments relate only to the position of persons who are absolute beneficial owners of the Certificates. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Certificateholders who are in any doubt as to their tax position should consult their professional advisers. Certificateholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Certificates are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Certificates and the stamp tax position of the Certificates. In particular, Certificateholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Certificates even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### **United Kingdom Withholding Tax**

The Certificates issued by the Trustee which carry a right to profit will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Certificates are and continue to be quoted Eurobonds, payments of profit on the Certificates may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the FSMA) or they are officially listed, in accordance with provisions corresponding to those generally applicable in EEA states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Irish Stock Exchange is a recognised stock exchange. The Trustee's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Main Securities Market of the Irish Stock Exchange are regarded as "listed on a recognised stock exchange" for these purposes.

In all cases falling outside the exemption described above, profit on the Certificates may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### **Stamp Duty and Stamp Duty Reserve Tax**

No United Kingdom stamp duty or stamp duty reserve tax is chargeable on the issue of the Certificates. United Kingdom stamp duty may be chargeable on any instruments transferring a Certificate (including where such Certificates are in definitive form) and Certificateholders are advised to consult with their professional advisors in respect of matters relating to the acquisition and holding of the Certificates.

### **Stamp duty land tax ("SDLT")**

Paragraph 2, Schedule 61 Finance Act 2009 states that Certificateholders are treated as bond-holders, rather than as holders of property interests, with regard to enactments concerning SDLT. There should therefore be no charge to SDLT on the issue of the Certificates.

Paragraph 2 should enable the transfer of the Certificates without a charge to SDLT arising because the underlying interests are themselves 'exempt interests' for the purposes of SDLT

### **Other Rules Relating to United Kingdom Withholding Tax**

Where profit has been paid under deduction of United Kingdom income tax, Certificateholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "**profit**" above mean either profit or rental income generated under the Certificates which economically is equal to "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of a trustee pursuant to Condition 11(e) (*Substitution*) or otherwise and does not consider the tax consequences of any such substitution.

## GENERAL INFORMATION

- (1) The issue of the Certificates has been authorised by resolution of the Board of Directors of the Trustee passed on 15 February 2018.
- (2) Application has been made to the Irish Stock Exchange for the Certificates to be admitted to the official list and to trading on its regulated market. There can be no assurance that any such approval will be granted or, if granted, that such listing will be maintained. The Main Securities Market of the Irish Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive II. Application may also be made to the UK Listing Authority for Certificates to be admitted to the official list of the UK Listing Authority and to the London Stock Exchange for such Certificates to be admitted to trading on the London Stock Exchange's Regulated Market (which is a regulated market for the purposes of the Markets in Financial Instruments Directive II), once the UK Listing Authority has been provided with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.
- (3) The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	Common Code	ISIN (Clearstream/ Euroclear)
Certificates .....	175635629	XS1756356298

- (4) The auditors of the Trustee, Deloitte LLP, are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. The financial year end of the Trustee is 31 December. The first statutory financial statements of the Trustee will be prepared for the period ended 31 December 2018.
- (5) The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position or profitability nor is the Trustee aware that any such proceedings are pending or threatened.
- (6) In relation to this transaction, the Trustee, on or about the date of this Prospectus, has entered into the Subscription Agreement referred to under "*Subscription and Sale*" above which is, or may be, material.
- (7) Since 27 November 2017 (being the date of incorporation of the Trustee), there has been no material adverse change in the financial position or prospects of the Trustee and no significant change in the trading or the financial position of the Trustee.
- (8) The Trustee will:
  - (a) from the Issue Date until the earlier of redemption in full of the last outstanding Certificate or the Final Dissolution Date, provide ongoing performance data on this transaction (including quarterly investor reports (each of which shall contain a glossary of the terms used in such report, whether by reference to this Prospectus or otherwise) and other statistical information regarding the securities to be admitted to trading and the performance of the Portfolio Assets Pool (including anonymised loan level data)), being available at [www.usbank.com/abs](http://www.usbank.com/abs) in electronic form for investors, potential investors and firms that generally provide services to investors. The contents of this website are for information purposes only and do not form part of this Prospectus; and
  - (b) in the first investor report, disclose the amount of the Certificates which are either:
    - (I) privately-placed with investors which are not the Seller or entities affiliated with the Seller (the "**Seller's Group**");
    - (II) retained by a member of the Seller's Group; and

- (III) publicly-placed with investors which are not in the Seller's Group,  
in relation to any amount initially retained by a member of the Seller's Group, but subsequently placed with investors which are not in the Seller's Group, it will (to the extent permissible) disclose such placement in the next investor report.
- (9) From the Issue Date until the earlier of redemption in full of the last outstanding Certificate or the Final Dissolution Date, copies of the following documents may be inspected in electronic or physical form during usual business hours at the registered office of the Trustee or online at [www.usbank.com/abs](http://www.usbank.com/abs) and will be available in such manner for at least as long as the Certificates are admitted to listing on the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require:
- (a) the Memorandum and Articles of Association of the Trustee;
  - (b) drafts (subject to modification) or, if available, final versions of the following documents:
    - (i) the Account Bank Agreement;
    - (ii) the Cash Management Agreement;
    - (iii) the Collection Account Declaration of Trust;
    - (iv) the Corporate Services Agreement;
    - (v) the Declaration of Trust;
    - (vi) the Deed of Charge;
    - (vii) the Master Definitions Schedule;
    - (viii) the Paying Agency Agreement;
    - (ix) the Sale Agreement;
    - (x) the Sale Undertaking;
    - (xi) the Service Agency Agreement;
    - (xii) the Sharia Advisory Agreement;
    - (xiii) the Standby Servicing Agreement; and
    - (xiv) the Trustee/ICSD Agreement.
- (10) As at the date hereof, save for the issue of the Certificates, the Trustee, since its incorporation on 27 November 2017, has not commenced operations nor prepared any accounts.
- (11) The aggregate transaction fees and expenses for the issue and listing of the Certificates are estimated to be in the region of EUR6,641.20.
- (12) The Trustee will, from the Issue Date until the earlier of redemption in full of the last Certificate or the Final Dissolution Date, make available a cash flow model to Certificateholders, either directly or indirectly through one or more entities that provide cash flow models to investors generally.
- (13) The Trustee will, on or about the Issue Date until the earlier of redemption in full of the last Certificate or the Final Dissolution Date, make available loan level data to investors and update such information on a regular basis.

- (14) The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## GLOSSARY OF DEFINED TERMS

"£", "sterling", "GBP" and "pounds"	are references to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.
"€", "EUR" or "Euro"	are references to the lawful currency of the member states of the European Union participating in Economic and Monetary Union as contemplated by the Treaty.
"1999 Regulations"	means the Unfair Terms in Consumer Contracts Regulations 1999 as amended.
"Account Bank"	means Elavon Financial Services DAC, UK Branch (or such other replacement bank or financial institution as may be appointed from time to time in accordance with the Transaction Documents) in its capacity as provider of the Bank Accounts.
"Account Bank Agreement"	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Trustee and the Account Bank.
"Account Bank Provider Downgrade Event"	means the Account Bank no longer maintains the Account Bank Minimum Required Rating.
"Account Bank Minimum Required Rating"	means, in respect of the Account Bank (i) in the case of Moody's, a long term senior unsecured debt rating of at least A3 by Moody's; (ii) in the case of S&P, a short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-1 by S&P (if a short-term unguaranteed, unsecured and unsubordinated debt rating is assigned by S&P) and a long term unguaranteed unsecured and unsubordinated debt rating of at least A by S&P, or should the Account Bank not benefit from a short-term unguaranteed, unsecured and unsubordinated debt rating of at least A-1 from S&P, a long-term unguaranteed, unsecured and unsubordinated debt rating of at least A+ by S&P; or (iii) alternatively to each of (i) and (ii) above, such other ratings that are consistent with the then published criteria of the relevant Rating Agency as being the minimum ratings that are required to support the then rating of the Certificates.
"Acquisition Amount"	means all payments due on a monthly basis and paid by a Customer towards the Finance Balance outstanding on a Portfolio Asset (as defined in the relevant Home Purchase Plan Agreement as the " <i>acquisition cost</i> ") in accordance with the terms of the relevant Home Purchase Plan Agreement, including (without limitation) " <i>agreed acquisition payments</i> " (as defined in the relevant Home Purchase Plan Agreement), but excluding Additional Acquisition Amounts.
"Additional Acquisition Amount"	means any additional payment towards the Finance Balance outstanding on a Portfolio Asset (defined in the Home Purchase Plan Agreement as the " <i>acquisition cost</i> ") which is made in addition to the Acquisition Amounts due under a Home Purchase Plan Agreement, including (without limitation) " <i>additional acquisition payments</i> " (as defined in the Home Purchase Plan Agreement).
"Agent Bank"	means Elavon Financial Services DAC, UK Branch or any successor thereto.

<b>"Agents"</b>	means the Principal Paying Agent, the Registrar, the Agent Bank, any Paying Agents or any of them.
<b>"AIFMD"</b>	means EU Directive 2011/61/EU on Alternative Investment Fund Managers.
<b>"AIFMD Level 2 Regulation" or "AIFMR"</b>	means Commission Delegated Regulation (EU) No. 231/2013 relating to the AIFMD.
<b>"Al Rayan"</b>	means Al Rayan Bank PLC.
<b>"Ancillary Rights"</b>	means any rights in connection with insurance policies and guarantees relating to the Portfolio Assets including, but not limited to, any rights under the Insurance Contracts.
<b>"Appointee"</b>	has the meaning given to it in Condition 16 ( <i>Interpretation</i> ).
<b>"Applicable Law"</b>	means all laws, statutory instruments, regulations and rules including the rules, directions and principles of any relevant Regulatory Authority and any relevant legally binding or mandatory regulatory, judicial or industry codes of conduct or guidance (to the extent published in writing), and the decisions of any relevant court or ombudsman whether relating to substantive or procedural matters, applicable to a party from time to time in the UK, including in connection with the Portfolio Assets, the Ancillary Rights and the Customers, the delivery or the receipt of the Services or a party's obligations under the Service Agency Agreement or the Sharia Advisory Agreement.
<b>"Arranger"</b>	means Al Rayan.
<b>"Arrears"</b>	means in relation to a Portfolio Asset, such amounts due and payable by a Customer that have not been paid on the required date for payment in accordance with the relevant Home Purchase Plan Agreement.
<b>"Authorised Institution"</b>	means an institution authorised to take deposits under the FSMA.
<b>"Authorities"</b>	means the FCA and PRA together with HM Treasury and the Bank of England.
<b>"Available Principal Funds"</b>	means an amount calculated by the Cash Manager on a Determination Date, being the aggregate of the following amounts: <ul style="list-style-type: none"> <li>(a) the Principal Collections received for the preceding Collection Period; and</li> <li>(b) the amount (if any) calculated on that Determination Date pursuant to the Pre-Enforcement Revenue Priority of Payments to be the amount by which the debit balance on any of the Principal Deficiency Ledger is expected to be reduced by the application of the Available Revenue Funds on the immediately succeeding Periodic Distribution Date.</li> </ul>
<b>"Available Revenue Funds"</b>	means an amount calculated by the Cash Manager on a Determination Date, being the aggregate of the following



amounts:

- (a) the Revenue Collections received for the Collection Period immediately preceding the relevant Determination Date;
- (b) any amount standing to the credit of the Reserve Ledger if and to the extent required to make payment of certain amounts in the Pre-Enforcement Revenue Priority of Payments to the extent there will be a Shortfall on the immediately following Periodic Distribution Date after application of all other Available Revenue Funds; less
- (c) any amounts payable pursuant to Clause 7.3.5 of the Service Agency Agreement, being clawback of any amount received by way of direct debit or any other clawed back amounts including any Unpaid Items.

**"Banking Act"**

means the UK Banking Act 2009.

**"Bankruptcy Order"**

means a bankruptcy order issued to an individual by a Court in England and Wales as part of the personal insolvency process.

**"BBR"**

means the Bank of England base rate set from time to time for deposits in sterling on a monthly basis.

**"Bank Accounts"**

means the Transaction Account (or any replacement accounts for such account).

**"Basel Committee"**

means the Basel Committee on Banking Supervision.

**"Basic Terms Modification"**

means any modification to:

- (a) the maturity of the Certificates or the dates on which profits are payable in respect of the Certificates;
- (b) any reduction of the amount due in respect of or cancellation of the principal amount of, or profit on or variation of the method of calculating the rate of profit on the Certificates (other than any LIBOR Modification (as defined in Condition 11(g) (*Additional Right of Modification in Relation to LIBOR Cessation*)));
- (c) the priority of payment of profit or principal on the Certificates;
- (d) the currency of payment of the Certificates;
- (e) the definition of Basic Terms Modification; or
- (f) the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to effect a Basic Terms Modification or to pass an Extraordinary Resolution.

**"Book-Entry Interests"**

means the beneficial interests in the Global Certificate recorded by Euroclear and Clearstream, Luxembourg.

<b>"Business Day"</b>	means a day on which commercial banks and foreign exchange markets settle payments in London.
<b>"Cash Manager "</b>	means Elavon Financial Services DAC, UK Branch or any successor thereto.
<b>"Cash Manager Termination Event"</b>	Means any of the events of default specified under the Cash Management Agreement, including non-performance by the Cash Manager of its obligations thereunder or if insolvency or similar events occur in relation to the Cash Manager.
<b>"Cash Management Agreement"</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Trustee and the Cash Manager.
<b>"CCA"</b>	means the Consumer Credit Act 1974, as amended, including by the CCA 2006.
<b>"CCA 2006"</b>	means the Consumer Credit Act 2006.
<b>"Capital Requirements Directive" or "CRD"</b>	means EU Directive 2006/48/EC (as amended).
<b>"Central Bank"</b>	means the Central Bank of Ireland.
<b>"Certificates"</b>	means the Certificates issued by the Trustee on the Issue Date and, unless expressly stated to the contrary, all references to a Certificate shall be to a Certificate whether in global or in definitive form.
<b>"Certificate Principal Payment "</b>	has the meaning given to such term in Certificate Condition 5(c) ( <i>Certificate Principal Payment, Principal Amount Outstanding and Pool Factor</i> ).
<b>"Certificateholders"</b>	Certificateholders means, (a) for so long as the Certificates are represented by the Global Certificate, each person (other than the Clearing Systems themselves) who is for the time being shown in the records of the Clearing Systems as the holder of a particular Principal Amount Outstanding (as defined in Condition 5(c) ( <i>Certificate Principal Payment, Principal Amount Outstanding and Pool Factor</i> )) of the Certificates (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the Principal Amount Outstanding of the Certificates standing to the account of any person shall be conclusive and binding for all purposes) and such person shall be treated by the Trustee, the Delegate, the Security Trustee and all other persons as the holder of such Principal Amount Outstanding of such Certificates for all purposes, other than for the purpose of payments in respect thereof, the right to which shall be vested, as against the Trustee, the Delegate, the Security Trustee and all other persons, solely in the bearer of the relevant Global Certificate in accordance with and subject to its terms and for which purpose Certificate means the registered holder of the relevant Global Certificate and related expressions shall be construed accordingly; and (b) after the issuance of Definitive Certificates, each person or persons shown in the Register as the registered holder of Certificates.
<b>"Charged Obligation Documents"</b>	means the documents set out at Condition 16 ( <i>Interpretation</i> ).

<b>"Charged Property"</b>	means the property, assets, rights and undertakings for the time being comprised in or subject to the security contained in or granted pursuant to the Deed of Charge and references to the Charged Property shall include references to any part of it.
<b>"Clearing Systems"</b>	means Clearstream, Luxembourg and Euroclear.
<b>"Clearstream, Luxembourg"</b>	means Clearstream Banking, S.A., or its successor.
<b>"CMA"</b>	means the Competition and Market Authority.
<b>"Code"</b>	means the U.S. Internal Revenue Code of 1986, as amended.
<b>"Collection Account"</b>	means (a) the account in the name of Al Rayan Bank PLC that is the account used for collecting payments from Customers; or (b) such additional or replacement account(s) as may be established from time to time so long as these accounts are subject to a declaration of trust in favour of the Trustee, or (c) such other additional or replacement account(s) as may be established from time to time in accordance with the Transaction Documents.
<b>"Collection Account Declaration of Trust"</b>	means the declaration of trust dated on or about the Issue Date created in favour of the Trustee in respect of the Seller's interest in the Collection Account.
<b>"Collection Period"</b>	Each three month period as follows: <ul style="list-style-type: none"> <li>(i) 1 January to 31 March;</li> <li>(ii) 1 April to 30 June;</li> <li>(iii) 1 July to 30 September; and</li> <li>(iv) 1 October to 31 December,</li> </ul> (each inclusive) provided that the first Collection Period shall be the period from (and including) the Issue Date to (and including) 30 June 2018.
<b>"Collections"</b>	means Principal Collections and Revenue Collections.
<b>"Common Safekeeper"</b>	means the Clearing Systems or such other entity which the Trustee may elect from time to time to perform the safekeeping roles (See the section entitled " <i>Summary of Provisions Relating to the Certificates While in Global Form</i> ").
<b>"Completion Pool"</b>	means the Portfolio Assets listed in Appendix A ( <i>Completion Pool</i> ) to the Sale Agreement.
<b>"Conditions"</b>	means the terms and conditions applicable to the Certificates as set out in Schedule 3 ( <i>Terms and Conditions of the Certificates</i> ) to the Declaration of Trust as may from time to time be modified in accordance with the Declaration of Trust. See the section entitled " <i>Terms and Conditions of the Certificates</i> ".
<b>"CONC"</b>	means the Consumer Credit sourcebook.
<b>"Constant Annual Default Rate"</b>	means a constant percentage of default divided by 4, applied to the Finance Balance of the Portfolio Assets Pool on the first

	date of each Return Accumulation Period.
<b>"Consumer Credit Directive"</b>	means the second Directive on consumer credit adopted by the European Parliament and the Council.
<b>"Corporate Services Agreement"</b>	means the agreement so named and dated on or around the Issue Date between, <i>inter alios</i> , the Trustee and the Corporate Services Provider.
<b>"Corporate Services Provider"</b>	means Law Debenture Corporate Services Limited, a company incorporated in England and Wales with registered number 3388362 and having its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom.
<b>"Counter Notice"</b>	means a notice signed by the Trustee and sent by the Cash Manager to the Seller specifying the Sale Undertaking Purchase Price.
<b>"CPR"</b>	means the constant per annum rate of prepayment.
<b>"CPUTRs"</b>	means the Consumer Protection from Unfair Trading Regulations 2008.
<b>"CRA"</b>	means Consumer Rights Act 2015.
<b>"CRA Regulation"</b>	means Regulation (EC) 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended.
<b>"CRD"</b>	means the Capital Requirements Directive.
<b>"CRD IV"</b>	means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013.
<b>"CRR"</b>	means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.
<b>"Cut-Off Date"</b>	means 19 January 2018.
<b>"Declaration of Trust"</b>	means the declaration of trust to be entered into between the Trustee and the Delegate on or about the Issue Date.
<b>"Deed of Charge"</b>	means the deed of charge so named dated on or about the Issue Date between, <i>inter alios</i> , the Trustee and the Security Trustee.
<b>"Deferred Purchase Price"</b>	means the amount by which the aggregate outstanding principal amount of the Portfolio Assets on the Issue Date exceed the Initial Purchase Price.
<b>"Determination Date"</b>	means the date which falls five (5) Business Days prior to a Periodic Distribution Date or, if such day is not a Business Day, the immediately preceding Business Day.
<b>"Diminishing Co-ownership Agreement"</b>	means the diminishing co-ownership agreement entered into between the Seller and the Customer in relation to a Home Purchase Plan.

<b>"Dissolution Date"</b>	has the meaning given to it in Condition 2(a)(i)(A) ( <i>Status, Security and Administration</i> )
<b>"Dissolution Event"</b>	has the meaning given to it in Condition 9 ( <i>Dissolution Events</i> ).
<b>"Distribution Compliance Period"</b>	has the meaning given to such term in the section entitled " <i>Subscription and Sale</i> ".
<b>"Eligibility Criteria"</b>	means the financing criteria as set out in <i>Constitution of the Portfolio Assets Pool – Eligibility Criteria</i> .
<b>"Enforcement Notice"</b>	means a notice given by the Delegate to the Trustee under Condition 9 ( <i>Dissolution Events</i> ) of the Certificates.
<b>"Enforcement Procedures"</b>	means the exercise of the rights and remedies against a Customer, or in relation to the security for the Customer's obligations arising from any default by the Customer under or in connection with the Portfolio Asset or Ancillary Rights relating to such Customer, in accordance with the procedures established by the Servicer including as per the arrears management and forbearance policy, as varied from time to time in accordance with the procedures that could reasonably be expected of a Prudent HPP Provider and dictated by the Seller and " <b>completion of the Enforcement Procedures</b> " shall be deemed to have occurred in respect of a particular Portfolio Asset and its Ancillary Rights when the Servicer has determined, having regard to the circumstances of the relevant Customer and the then applicable Enforcement Procedures, the prospect of any further recovery of amounts due by that Customer is remote or such further recovery is uneconomic.
<b>"EU Retention Requirement"</b>	means the requirement to retain, on an ongoing basis as an originator within the meaning of the CRR, a material net economic interest of at least five per cent. in the securitisation, in accordance with Article 405(1)(d) of the CRR and Article 51(1)(d) of the AIFMD Level 2 Regulation (EU) 2015/35 and Article 254(2)(d) of the Solvency II Delegated Act.
<b>"Euroclear"</b>	means Euroclear Bank SA/NV, or its successor.
<b>"Eurozone"</b>	means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam.
<b>"Excess Spread"</b>	any Available Revenue Funds available for distribution in accordance with items (vi) to (ix) of the Pre-Enforcement Revenue Priority of Payments on each Periodic Distribution Date.
<b>"Expected Revenue Collections"</b>	means, in relation to any Collection Period, the amount of Revenue Collections that the Seller expects to be collected during that Collection Period based on the historical performance of the Portfolio Assets prior to the Sale Date.
<b>"Extraordinary Resolution"</b>	means: <ul style="list-style-type: none"> <li>(a) a resolution passed at a duly convened meeting of the Certificateholders and held in accordance with the</li> </ul>

provisions of the Declaration of Trust by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll;

- (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the Certificates, 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 such holders; or
- (c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. of the Principal Amount Outstanding of the Certificates.

**"FATCA"**

means:

- (a) s.1471 to s.1474 of the Code and any associated regulations and other official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraph (a) or (b) above with the U.S. Internal Revenue Service, the U.S. Government or any governmental or taxation authority in any other jurisdiction.

**"FATCA Withholding"**

means a deduction or withholding from a payment required by FATCA.

**"FCA"**

means the Financial Conduct Authority or any successor authority or authorities fulfilling the regulatory role currently occupied by the Financial Conduct Authority.

**"FFI" or "foreign financial institution"**

has the meaning given to such term in the section entitled "*U.S. Foreign Account Tax Compliance*".

**"FTIR"**

means finance-to-income ratio.

**"Final Dissolution Date"**

means for all Certificates, the Periodic Distribution Date falling in July 2052.

**"Final RTS"**

means Commission Delegated Regulation (EU) No. 625/2014 supplementing the CRR.

**"Finance Balance"**

means, at any time in relation to a Portfolio Asset, the acquisition costs of a Property less any Acquisition Amount and Additional Acquisition Amount payments made prior to that time plus any other disbursement, legal expense, fee, charge or premium capitalised and added to the amounts secured by the relevant Legal Charge in accordance with the

	conditions of the Home Purchase Plan on or prior to such date less any payments of such amounts.
<b>"Finance to Value Ratio" or "FTV"</b>	means the ratio, expressed as a percentage, which the amount of a Home Purchase Plan (exclusive of any arrangement fee) bears to the valuation of the relevant Property at origination of the Home Purchase Plan or, in some cases as set out in the Eligibility Criteria, the lower of such valuation and the sale price of such Property.
<b>"Fitch"</b>	means Fitch Ratings Ltd.
<b>"Fixed Threshold Repurchase Event"</b>	means if, from the Issue Date, in relation to a Portfolio Asset in the Portfolio Assets Pool: <ul style="list-style-type: none"> <li>(a) the Servicer agrees with a Customer (i) under a Standard Variable Rental Rate Home Purchase Plan or a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or (ii) under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan to a new fixed rental rate at the end of the current fixed rental rate term; and</li> <li>(b) such switch described in paragraph (a)(i) above or such new fixed rental rate described in paragraph (a)(ii) above would result in the aggregate Finance Balance of the Portfolio Assets that are Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plans exceeding or being equal to 80 per cent. of the aggregate Finance Balance of all Portfolio Assets.</li> </ul>
<b>"foreign passthru payments"</b>	has the meaning given to such term in the section entitled " <i>U.S. Foreign Account Tax Compliance</i> ".
<b>"FSA"</b>	means the Financial Services Authority or any successor authority or authorities fulfilling the regulatory role currently occupied by the FSA (which term, when used in relation to a date on or after 1 April 2013, shall be deemed to refer to the FCA and/or PRA (as applicable)).
<b>"FSMA"</b>	means the Financial Services and Markets Act 2000.
<b>"FTT"</b>	means the proposed financial transactions tax and " <b>Commission's proposal</b> " in relation thereto means the draft Directive for such financial transactions tax.
<b>"Global Certificate"</b>	means the certificate which represents the Certificates or some of them substantially in the form set out in Schedule 1 ( <i>Form of Global Certificate</i> ) of the Declaration of Trust, which is held in a manner which could allow Eurosystem eligibility.
<b>"HMRC"</b>	means Her Majesty's Revenue and Customs.
<b>"HPP Service Agency Agreement"</b>	means the service agency agreement entered into between the Seller and the Customer in relation to a Home Purchase Plan.

<b>"Home Purchase Plan"</b>	means each home purchase plan in the Portfolio Assets Pool originated by the Seller to a Customer and documented by the Home Purchase Plan Agreements.
<b>"Home Purchase Plan Agreements"</b>	means the agreements constituting Home Purchase Plans entered into by the Customer and the Seller in the form of the Standard Documentation.
<b>"ICSDs"</b>	means Euroclear and Clearstream, Luxembourg.
<b>"Initial Principal Amount"</b>	means, in relation to each Certificate, the initial face principal amount of that Certificate upon issue of the relevant Global Certificate relating to that Certificate.
<b>"Initial Purchase Price"</b>	GBP245,000,000, (being the consideration for the Portfolio Assets being purchased on the Issue Date).
<b>"Insurance Contracts"</b>	means the insurance contracts referred to in Schedule 6 ( <i>Insurance Contracts</i> ) of the Sale Agreement, including the right to receive the proceeds of any claims, in so far as they relate to the Property and any other insurance contracts in replacement, addition or substitution therefor from time to time.
<b>"ISE" or "Irish Stock Exchange"</b>	means the Irish Stock Exchange plc.
<b>"Issue Date"</b>	means 22 February 2018.
<b>"Joint Lead Managers"</b>	means Al Rayan and Standard Chartered Bank.
<b>"Land Registry"</b>	means HM Land Registry.
<b>"Lease Agreement"</b>	means the lease agreement entered into between the Seller and the Customer in relation to a Home Purchase Plan.
<b>"Ledgers"</b>	means the Trustee Profit Ledger, the Reserve Ledger, the Revenue Ledger and the Principal Ledger, any other ledgers opened in the Transaction Account and the Principal Deficiency Ledger, in each case maintained by the Cash Manager in accordance with the Cash Management Agreement.
<b>"Legal Charge"</b>	means the first ranking legal charge of the Customer's right, title and interest under the Lease Agreement and the Diminishing Co-Ownership Agreement which is security for a Home Purchase Plan.
<b>"LIBOR "</b>	means the London Interbank Offered Rate.
<b>"LIBOR Modification "</b>	has the meaning given to it in Condition 11(g) ( <i>Additional Right of Modification in Relation to LIBOR Cessation</i> ).
<b>"LIBOR Modification Certificate "</b>	has the meaning given to it in Condition 11(g) ( <i>Additional Right of Modification in Relation to LIBOR Cessation</i> ).
<b>"LIBOR Replacement Rate "</b>	has the meaning given to it in Condition 11(g) ( <i>Additional Right of Modification in Relation to LIBOR Cessation</i> ).
<b>"Main Market"</b>	means the regulated market of the Irish Stock Exchange.
<b>"Manager Related Person"</b>	means any related entity, associate, officer or employee of the



	Joint Lead Managers.
<b>"Market Abuse Regulation"</b>	means Regulation (EU) No 596/2014.
<b>"Markets in Financial Instruments Directive II"</b>	means Directive 2014/65/EU.
<b>"Market Value"</b>	means the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
<b>"Master Definitions Schedule"</b>	means the document named dated on or about the Issue Date and initialled for the purposes of identification by, <i>inter alios</i> , the Trustee and the Security Trustee.
<b>"MCD"</b>	means the European Mortgage Credit Directive (2014/17/EU).
<b>"MCOB"</b>	means the FCA's Mortgages and Home Finance: Conduct of Business sourcebook, as the same may be amended, revised or supplemented from time to time.
<b>"Meeting"</b>	means a meeting of Certificateholders (whether originally convened or resumed following an adjournment).
<b>"Member State"</b>	means a member state of the European Union.
<b>"MiFID Regulations"</b>	has the meaning given to such term in the section entitled " <i>Subscription and Sale</i> ".
<b>"Modelling Assumptions"</b>	means the assumptions set out in the section entitled " <i>Weighted Average Lives of the Certificates</i> ".
<b>"Moody's"</b>	means Moody's Investors Service Ltd.
<b>"N(M)"</b>	means 31 October 2004.
<b>"OFT"</b>	means the Office of Fair Trading.
<b>"Ombudsman"</b>	means the Financial Ombudsman Service.
<b>"Ordinary Resolution"</b>	means: <ul style="list-style-type: none"> <li>(a) a resolution passed at a duly convened meeting of the Certificateholders held in accordance with the provisions of the Declaration of Trust by a majority consisting of more than 50 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of more than 50 per cent. of the votes cast on such poll;</li> <li>(b) a resolution in writing signed by or on behalf of the holders of more than 50 per cent. of the Principal Amount Outstanding of the Certificates, 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 such holders; or</li> <li>(c) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of the holders of</li> </ul>

more than 50 per cent. of the Principal Amount Outstanding of the Certificates.

**"outstanding"**

means all the Certificates which have been issued except:

- (a) those which have been redeemed in full in accordance with the Conditions;
- (b) those in respect of which the date for redemption in full has occurred and the full amount of redemption moneys (including all profit accrued on such Certificates to the date for such redemption and any profit payable under the Conditions after such date) have been duly paid to the Delegate or to the Principal Paying Agent as provided in Clause 2 (*Amount of the Certificates and Covenant to Pay*) of the Declaration of Trust (and, where appropriate, notice to that effect has been given to the Certificateholders in accordance with Condition 13 (*Notice to Certificateholders*)) and remain available for payment against presentation and surrender of Certificates; and
- (c) those which have become void or in respect of which claims have become prescribed,

**provided that** for each of the following purposes:

- (A) ascertaining the right to attend and vote at any meeting of the Certificateholders;
- (B) the determination of how many Certificates are outstanding for the purposes of Condition 9 (*Dissolution Events*) and Condition 10 (*Enforcement of Security, Limited Recourse and Non-Petition*) and Condition 11 (*Meetings of Certificateholders; Modifications; Consents; Waiver*) and Schedule 7 (*Provisions for Meetings of Certificateholders*) to the Declaration of Trust;
- (C) the exercise of any discretion, power or authority which the Delegate is required, expressly or impliedly, to exercise in or by reference to the interests of the Certificateholders; and
- (D) the determination by the Delegate of whether any event or potential event is or would be materially prejudicial to the interests of the Certificateholders,

those Certificates which are beneficially held by or on behalf of the Trustee the Parent, Al Rayan Bank, any Subsidiary of Al Rayan Bank or any of their affiliates shall (unless no longer so held) be deemed not to remain outstanding and, for the purposes of this proviso, in the case of the Global Certificate, the Trustee and/or the Delegate shall be entitled to rely on the records of Euroclear and Clearstream,

Luxembourg in relation to any determination of the nominal amount outstanding of the Global Certificate.

**"Parent"** means Tolkien Holding Sukuk No. 1 Limited and whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom.

**"Parent Share Trust Deed"** means the trust deed so named and dated 12 December 2017 between the Share Trustee and the Parent.

**"Parent Term Qard Hasan Agreement"** means the interest-free loan (qard hasan) agreement so named and dated 12 December 2017 between the Parent and the Share Trustee.

**"Paying Agency Agreement"** means the agreement so named and dated on or about the Issue Date between, *inter alios*, the Trustee, the Security Trustee, the Delegate and the Agents.

**"Paying Agents"** means the Principal Paying Agent and any additional paying agent appointed pursuant to the Paying Agency Agreement or any of them.

**"Perfection Events"** means the occurrence of any of the following:

- (a) the Security Trustee determining that the Charged Property or any part thereof is in jeopardy (including due to the possible insolvency the Seller);
- (b) the Servicer being in material breach of its obligations under the Service Agency Agreement and the Delegate having determined that such material breach of the Servicer's obligations will, in the absence of actions described in Clause 6.1.2 of the Sale Agreement being taken, materially adversely affect the interests of the Certificateholders;
- (c) action has been taken or is pending, other steps have been taken by any person (including, without limitation, the Seller, the directors of the Seller, or any floating charge holder) or legal proceedings have been commenced or are threatened or are pending for (i) the winding up, liquidation, dissolution or administration or reorganisation (other than on solvent grounds) of the Seller; or (ii) the Seller to enter into any composition or arrangement with its creditors generally or with a view to obtaining a moratorium in respect of any indebtedness; or (iii) the appointment of a receiver, administrator, administrative receiver, trustee or similar officer in respect of the Seller or any of its property, undertaking or assets; or (iv) any event equivalent to any of the foregoing under (i), (ii) or (iii) has occurred in or under the laws of any relevant jurisdiction; or
- (d) the Trustee, the Security Trustee or the Seller becoming obliged to effect any such assignment and/or transfer and/or notice by an order or decree of any court having jurisdiction or by law or by a mandatory requirement of any regulatory authority

having jurisdiction,

as more particularly described in Clause 6.1 (*Further Assurance*) of the Sale Agreement.

<b>"Periodic Distribution Accruals"</b>	means, in relation to a Certificate and a Return Accumulation Period, the amount of profit payable in respect of that Certificate for that Return Accumulation Period as determined in accordance with the Conditions.
<b>"Periodic Distribution Date"</b>	means the 20th day in April, July, October and January in each year unless such day is not a Business Day, in which case profit shall be payable on the following Business Day.
<b>"Portfolio Assets"</b>	means the Receivables, their related Properties and Portfolio Asset Rights in the Completion Pool other than Receivables which have been fully paid or in respect of which funds representing acquisition payments outstanding have otherwise been received in full or which have been re-transferred to the Seller pursuant to the Sale Agreement or in respect of which Enforcement Procedures have been completed, excluding the Residual Revenue.
<b>"Portfolio Assets Pool"</b>	means the Receivables and Portfolio Asset Rights in the Completion Pool, excluding the Residual Revenue.
<b>"Portfolio Assets Rights"</b>	has the meaning given to it in Clause 2.2.1 of the Sale Agreement.
<b>"Post-Enforcement Priority of Payments"</b>	means the Post-Enforcement Priority of Payments set out in Condition 2(d) ( <i>Post-Enforcement Priority of Payments</i> ).
<b>"Post-Service Transfer Services"</b>	means the services set out in Schedule 1 (Post-Service Transfer Services) of the Standby Servicing Agreement to be carried out by the Standby Servicer following a Service Transfer Date.
<b>"Pre-Enforcement Principal Priority of Payments"</b>	means the Pre-Enforcement Principal Priority of Payments as set out in Condition 5(b) ( <i>Mandatory Redemption of the Certificates</i> ).
<b>"Pre-Enforcement Priority of Payments"</b>	means the Pre-Enforcement Revenue Priority of Payments or the Pre-Enforcement Principal Priority of Payments, as the case may be.
<b>"Pre-Enforcement Revenue Priority of Payments"</b>	means the Pre-Enforcement Revenue Priority of Payments set out in Condition 2(c) ( <i>Pre-Enforcement Revenue Priority of Payment</i> ).
<b>"Principal Amount Outstanding"</b>	means the total principal amount of the Certificates issued on the Issue Date, less any amounts paid pursuant to item (iii) of the Pre-Enforcement Principal Priority of Payments up to and including the relevant Determination Date.
<b>"Principal Collections"</b>	means an amount determined by the Cash Manager on a Determination Date being the aggregate of:  (a) all payments or prepayments of principal (including Acquisition Amounts and Additional Acquisition Amounts) received by the Trustee in relation to the Portfolio Assets in respect of the Collection Period

ending on or immediately prior to such Determination Date; and

- (b) recoveries received by the Trustee and allocable to principal (including Acquisition Amounts) upon an enforcement of the Portfolio Assets, and recoveries received by the Trustee and allocable to principal upon a purchase or a repurchase of the Portfolio Assets by the Seller, in accordance with the terms of the Sale Agreement, in each case received by the Trustee in the Collection Period preceding such Determination Date.

**"Principal Deficiency"**

means the amount debited from time to time to the Principal Deficiency Ledger for the purposes of recording:

- (a) upon completion of the Enforcement Procedures by the Servicer in relation to a Portfolio Asset, the amount recovered by the Servicer is less than the outstanding Finance Balance on such Portfolio Asset;
- (b) if part or all of any payment due under a Home Purchase Plan that is a Portfolio Asset is not received by the Trustee as a result of the Customer thereof withholding such amount for any reason other than such Customer's inability to make such payment;
- (c) if part or all of any payment due under a Home Purchase Plan that is a Portfolio Asset is not received by the Trustee where the Customer under such Home Purchase Plan has made such payment in full but the Servicer has not been able for any reason to remit the full amount to the Trustee; and
- (d) amounts used on any Periodic Distribution Date from Available Principal Funds to pay profit on the Certificates in accordance with limb (i) of the Pre-Enforcement Principal Priority of Payments.

**"Principal Deficiency Ledger"**

means the ledger of such name created for the purpose of recording any Principal Deficiency, and maintained by the Cash Manager.

**"Principal Ledger"**

means the ledger of such name created for the purpose of recording Principal Collections and maintained by the Cash Manager in the Transaction Account.

**"Principal Paying Agent"**

means Elavon Financial Services DAC, UK Branch or any successor thereto appointed in accordance with the Paying Agency Agreement.

**"Priority of Payments"**

means the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments, as applicable.

**"Profit Determination Date"**

means, the first day of a Return Accumulation Period for which the rate of profit will apply.

**"Property"**

means the freehold or long leasehold residential property situated in England or Wales to which the Seller holds the legal title and the Customer holds a beneficial interest in accordance with a Diminishing Co-ownership Agreement and

	which is let to the Customer by the Seller in accordance with the terms of the Lease Agreement;
"Prospectus"	means this prospectus of the Trustee for the purposes of the Prospectus Directive.
"Prospectus Directive"	means EU Directive 2003/71/EC (as amended).
"Provisional Completion Portfolio Assets Pool"	means the Portfolio Assets proposed to be included in the Completion Pool (as at the Cut-Off Date) with the characteristics set out in the section entitled " <i>Characteristics of the Portfolio Assets Pool</i> ".
"Provisions for Meetings of Certificateholders"	means the provisions contained in Schedule 4 of the Declaration of Trust.
"Prudential Regulation Authority" or "PRA"	means the Prudential Regulation Authority which replaced the FSA on 1 April 2013.
"Prudent HPP Provider"	means a reasonably prudent home purchase plan provider acting in a manner consistent with that of an experienced financier, servicer or administrator of home purchase plans to customers in England and Wales.
"Quarterly Report"	means the quarterly report substantially in the form scheduled as Schedule 2 ( <i>Form of Quarterly Report</i> ) to the Cash Management Agreement or from time to time agreed between the Trustee and the Seller.
"RAO"	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended).
"Rating Agencies"	means Moody's and S&P and " <b>Rating Agency</b> " means either of them.
"Rating Agency Confirmation"	means (i) the written confirmation from each Rating Agency that the implementation of such matters would not result in the then current ratings of the Certificates thereby being qualified, downgraded or withdrawn or (ii) the certification in writing from the Trustee (or the Servicer on behalf of the Trustee) to the Security Trustee and the Delegate that the Trustee has been unable to obtain such written confirmation but that the Rating Agencies then rating the Certificates have been informed of the implementation of such matters and none of such Rating Agencies have indicated that the implementation of such matters would result in a qualification, downgrade or withdrawal of the then current ratings of the Certificates.
"Rating Agency Monitoring Fee"	means amounts due to the Rating Agencies for providing a rating of the Certificates.
"Receivables"	means any and all claims and rights of the Seller against a Customer under or in connection with any Home Purchase Plan (including all principal (including Acquisition Amounts) payments, rent, amounts in respect of VAT, and fees and expenses, in each case due from the Customer under the terms of the Home Purchase Plan).
"Receiver"	means any receiver, manager or administrative receiver appointed in respect of the Trustee by the Trustee in

	accordance with Clause 10 ( <i>Receiver</i> ) of the Deed of Charge.
<b>"Reconciliation Amount"</b>	has the meaning given to such term in Condition 4(i) ( <i>Determinations and Reconciliation</i> ).
<b>"Recovery Rate"</b>	means the total amount of payments received in relation to a Portfolio Asset following a default by the Customer, divided by: the Finance Balance of the relevant Portfolio Asset plus any Arrears in relation to the relevant Portfolio Asset at the point default.
<b>"Redemption Event"</b>	means the earlier to occur of (i) the Final Dissolution Date or (ii) the Periodic Distribution Date on which the relevant Certificates are redeemed in accordance with Condition 5(d) ( <i>Dissolution following a Trustee Call</i> ) or Condition 5(e) ( <i>Dissolution for Taxation or Other Reason</i> ).
<b>"Reference Banks"</b>	has the meaning given to that term in Condition 4(h) ( <i>Reference Banks and Agent Banks</i> ).
<b>"Registrar"</b>	means Elavon Financial Services DAC, UK Branch or any successor thereto appointed in accordance with the Paying Agency Agreement.
<b>"Regulated Home Purchase Plan"</b>	means any regulated home purchase plan under FSMA and, in particular, Article 63F(3) of the RAO.
<b>"Regulation S"</b>	means Regulation S of the Securities Act.
<b>"Regulatory Authority"</b>	means the FCA, the Office of Fair Trading and the Information Commissioner having regulatory and/or supervisory authority over all or any part of (a) the Services, (b) the business of the Seller and/or the Trustee and/or assets owned by the Seller and/or the Trustee, (c) the Portfolio Assets and/or Ancillary Rights and/or Customers; or (d) the Servicer.
<b>"Relevant Implementation Date"</b>	has the meaning given to such term in the section entitled " <i>Subscription and Sale</i> ".
<b>"Relevant Information"</b>	has the meaning given to such term in the Risk Factor entitled " <i>Conflicts of interest</i> ".
<b>"Relevant Member State"</b>	has the meaning given to such term in the section entitled " <i>Subscription and Sale</i> ".
<b>"Relevant Rules"</b>	means the rules and guidance of the Financial Services Authority or any successor regulatory authority implementing CRD.
<b>"Repurchase Date"</b>	means the date on which a Portfolio Asset is repurchased by the Seller.
<b>"Repurchase Event"</b>	means: <ul style="list-style-type: none"> <li>(a) that there is breach of a Warranty in relation to a Portfolio Asset set out in Schedule 1, Part 1 (Warranties and Representations of the Seller in respect of the Portfolio Assets and the Properties) of the Sale Agreement, which could (having regard to, but without limitation, whether a loss is likely to be</li> </ul>

incurred in respect of that Portfolio Asset to which the breach relates after taking into account the likelihood of recoverability or otherwise of any sums under any applicable insurance policies) have a material adverse effect on the value of that Portfolio Assets, and which if capable of remedy, is not so remedied by the Seller within 21 days of notification of such breach to the Seller by the Servicer on behalf of the Trustee;

- (b) the Seller provides any further financing to a Customer under a Portfolio Asset;
- (c) the Servicer or the Seller, as applicable agrees to extend the payment term of any Portfolio Asset (other than extension to a payment term granted by the Servicer as part of a default recovery or Customer rehabilitation process);
- (d) if an SVR Repurchase Event occurs; or
- (e) if a Fixed Threshold Repurchase Event occurs.

**"Repurchase Price"**

means a cash payment to the Trustee or to such person as the Trustee may direct, in an amount equal to:

- (a) 100 per cent. of the Finance Balance of the relevant Portfolio Asset as at the Repurchase Date;
- (b) rent accrued on the Portfolio Asset as at the Repurchase Date, minus an amount equal to any rent not yet accrued on that Portfolio Asset as at the Repurchase date, but paid in advance to the Trustee;
- (c) an amount equal to all amounts (other than such amounts as set out in (a) and (b) above) which are due and payable as at the Repurchase Date under that Portfolio Asset; and
- (d) the reasonable legal costs of the Trustee incurred in relation to such sale, transfer or assignment.

**"Reserve Fund"**

means a reserve of GBP5,000,000 to be established on the Issue Date and funded by the proceeds of the issuance of the Certificates.

**"Reserve Ledger"**

means the ledger by that name of the Trustee on the Transaction Account to record the Reserve Fund.

**"Return Accumulation Period"**

means the period from (and including) a Periodic Distribution Date to (but excluding) the next Periodic Distribution Date, **provided that** the first Return Accumulation Period shall be the period from (and including) the Issue Date to (but excluding) the first Periodic Distribution Date.

**"Revenue Collections"**

means an amount determined by the Cash Manager on a Determination Date being the aggregate of:

- (a) all payments of rent, fees and other sums not comprising Principal Collections, if any, received by the Trustee in relation to the Portfolio Assets in the



Portfolio Assets Pool in respect of the Collection Period ending immediately prior to such Determination Date; and

- (b) recoveries received by the Trustee and allocable to rent upon an enforcement of the Ancillary Rights, and recoveries received by the Trustee and allocable to rent upon a repurchase of any Portfolio Assets in the Portfolio Assets Pool by the Seller in accordance with the terms of the Sale Agreement, in each case received by the Trustee in the Collection Period ending immediately prior to such Determination Date.

**"Revenue Ledger"** means the ledger of such name created for the purpose of recording Revenue Collections transferred by the Servicer and maintained by the Cash Manager in the Transaction Account.

**"S&P"** means Standard & Poor's Ratings Services, a division of Standard & Poor's Credit Market Services Europe Limited.

**"Sale Agreement"** means the sale agreement dated on or about the Issue Date between, *inter alios*, the Trustee, the Security Trustee, the Seller and the Delegate.

**"Sale Date"** means in relation to the Completion Pool, the Issue Date or such earlier date as the Seller and the Trustee may agree

**"Sale Undertaking"** means the sale undertaking dated on or about the Issue Date between the Trustee and Al Rayan.

**"Sale Undertaking Purchase Price"** is such amounts as would be sufficient (taking into account any amounts then standing to the credit of the Bank Accounts and any other funds available to the Trustee) as would be required to (I) redeem all of the Certificates then outstanding in full together with all accrued but unpaid Periodic Distribution Accruals on such Certificates, (II) pay amounts required under items (i) to (vi) of the Post Enforcement Priority of Payments being amounts ranking in priority to or *pari passu* with the Certificates on such redemption date; and (III) pay any other costs associated with such redemption of the Certificates in accordance with the terms of the Sale Undertaking.

**"SDLT"** means stamp duty land tax.

**"Secured Creditors"** means each of the following:

- (a) the Certificateholders;
- (b) the Delegate
- (c) the Security Trustee;
- (d) any Receiver (in its capacity as a creditor secured by the Deed of Charge);
- (e) the Agents;
- (f) the Cash Manager

- (g) the Servicer;
- (h) the Standby Servicer;
- (i) the Account Bank;
- (j) the Corporate Services Provider;
- (k) the Sharia Compliance Adviser;
- (l) the Seller; and
- (m) any party who accedes to the Deed of Charge and any other person who is expressed in any deed supplemental to the Deed of Charge to be a Secured Creditor.

<b>"Securities Act"</b>	means the United States Securities Act of 1933, as amended.
<b>"Security"</b>	means the security created in favour of the Security Trustee by, and contained in or granted pursuant to the Deed of Charge.
<b>"Security Trustee"</b>	means U.S. Bank Trustees Limited in its capacity as Security Trustee for the Certificateholders or any successor thereto and for the Secured Creditors appointed in respect of the Security created pursuant to the Deed of Charge and any supplemental Deed of Charge and such term shall include its successors and assigns.
<b>"Seller"</b>	means Al Rayan acting as the Seller of the Portfolio Assets under the Sale Agreement.
<b>"Service Agency Agreement"</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Trustee and the Servicer.
<b>"Service Transfer"</b>	means the transfer of the servicing or any part of the servicing as regards the whole or part of the Portfolio Assets Pool for whatever reason (including, without limitation, in connection with the termination of the Service Agency Agreement) from the Servicer to the Standby Servicer.
<b>"Service Transfer Date"</b>	means the date on which a Service Transfer takes effect.
<b>"Servicer"</b>	means (a) Al Rayan under the Service Agency Agreement or (b) if Al Rayan's appointment is terminated under the Service Agency Agreement, any other servicer appointed by the Trustee with the approval of the Security Trustee and the Delegate.
<b>"Servicer Policies"</b>	means the policies which the Servicer will follow in the provision of the Services as amended from time to time.
<b>"Servicer Software"</b>	means the software which is owned by and/or licensed to the Servicer and which is used in the provision of the Services.
<b>"Servicer Termination Event"</b>	means any of the events of default specified under the Service Agency Agreement, including non-performance by the Servicer of its obligations thereunder or if insolvency or similar events occur in relation to the Servicer.

<b>"Services"</b>	means the specific duties of the Servicer agreed to be performed by it in the Service Agency Agreement.
<b>"Servicing Fee"</b>	means a fee of 0.024 per cent. of the Principal Amount Outstanding on the Certificates per annum (inclusive of VAT, if any), payable quarterly in arrears by the Trustee to the Servicer on each Periodic Distribution Date in accordance with the applicable Priority of Payments for services provided by the Servicer to the Trustee under Service Agency Agreement.
<b>"Sharia Advisory Agreement"</b>	means the agreement so named and dated on or about the Issue Date between, <i>inter alios</i> , the Trustee and the Sharia Compliance Adviser.
<b>"Sharia Compliance Advice"</b>	means any advice, opinion, determination, judgement, information, guidance or consultation provided by the Sharia Compliance Adviser to the Trustee and/or the Servicer pursuant to the Sharia Advisory Agreement.
<b>"Sharia Compliance Fee"</b>	means a fee of £30,000 per annum (inclusive of applicable VAT, if any), payable quarterly by the Trustee to the Sharia Compliance Adviser in accordance with the applicable Priority of Payments for services provided by the Sharia Compliance Adviser to the Trustee under the Sharia Advisory Agreement.
<b>"Sharia Compliance Services"</b>	means the services to be provided by the Sharia Compliance Adviser pursuant to the Sharia Advisory Agreement.
<b>"Shortfall"</b>	means, on each Periodic Distribution Date, the amount by which the Available Revenue Funds for the immediately following Periodic Distribution Date is insufficient to provide for items (i) to (vi) of the Pre-Enforcement Revenue Priority of Payments on the immediately following Periodic Distribution Date.
<b>"Solvency II"</b>	means Directive 2009/138/EC.
<b>"SRR"</b>	means the special resolution regime.
<b>"Standard Documentation"</b>	means the documents used by the Seller in connection with its home purchase plan activities in substantially the forms identified in Appendix B ( <i>Standard Documents</i> ) to the Sale Agreement and such other documents as may from time to time be substituted or added thereto.
<b>"Standby Servicer"</b>	Homeloan Management Limited.
<b>"Standby Servicing Agreement"</b>	means the agreement so named dated on or about the Issue Date between, <i>inter alios</i> , the Trustee and the Standby Servicer.
<b>"Step-Up Date"</b>	means the Periodic Distribution Date falling in 20 April 2021.
<b>"Subscription Agreement"</b>	means the subscription agreement dated on or around 16 February 2018 between the, <i>inter alios</i> , Trustee and the Joint Lead Managers.
<b>"SVR Repurchase Event"</b>	means if, following the Step-Up Date the Servicer, in relation

to a Portfolio Asset in the Portfolio Assets Pool:

- (a) agrees with a Customer under a Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan or Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan;
- (b) agrees with a Customer to enter into a new or extended fixed rate period under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan;
- (c) agrees with a Customer to a new discount period under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan;
- (d) agrees with a Customer under a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan; or
- (e) agrees with a Customer under a Standard Fixed-to-Standard Variable Rental Rate Home Purchase Plan to switch to a Standard Discount-to-Standard Variable Rental Rate Home Purchase Plan.

**"Tariff List"**

means the list of charges payable by the Customer that the Seller may make for carrying out certain tasks in relation to a Home Purchase Plan, as may be varied from time to time in accordance with the Home Purchase Plan Agreements.

**"Tax Regulations"**

means the Taxation of Securitisation Companies Regulations 2006 made under s.84 of the Finance Act 2005, now s.624 of the Corporation Tax Act 2010.

**"Time to Recover"**

means the period beginning on the date of default by a Customer in relation to a Portfolio Asset and ending on the earlier of (i) the date upon which all amounts due and payable by the Customer in relation to the relevant Portfolio Asset have been paid and (ii) the date upon which, in the opinion of the Servicer (acting in a manner consistent with a Prudent HPP Provider), no further monies can be recovered in relation to the relevant Portfolio Asset and amounts remaining due and payable by the Customer in relation to the relevant Portfolio Asset are to be written off in accordance with the Servicer's write off policy.

**"Transaction Account"**

means the account in the name of the Trustee at the Account Bank, or such other replacement account as may be established from time to time in accordance with the Transaction Documents.

**"Transaction Documents"**

means each of the following:

- (a) the Account Bank Agreement;
- (b) the Cash Management Agreement;
- (c) the Collection Account Declaration of Trust;

- (d) the Corporate Services Agreement;
- (e) the Declaration of Trust (including the Conditions);
- (f) the Deed of Charge;
- (g) the Master Definitions Schedule;
- (h) the Sale Agreement;
- (i) the Sale Undertaking;
- (j) the Servicing Agency Agreement;
- (k) the Sharia Advisory Agreement;
- (l) the Standby Servicing Agreement,

and any other document agreed between the Trustee and the Security Trustee to be a Transaction Document

**"Transaction Parties"**

means each of the following:

- (a) the Security Trustee;
- (b) the Delegate;
- (c) the Agents;
- (d) the Cash Manager;
- (e) the Servicer;
- (f) the Account Bank;
- (g) the Corporate Services Provider;
- (h) the Seller;
- (i) the Sharia Compliance Adviser; and
- (j) the Standby Servicer.

**"Treaty"**

means the Treaty on the functioning of the European Union (as amended).

**"Trustee"**

Means Tolkien Funding Sukuk No. 1 Plc whose registered number is 11084430 and whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom.

**"Trustee/ICSD Agreement"**

means the agreement so named dated on or before the date hereof between the Trustee and each of Euroclear and Clearstream, Luxembourg.

**"Trustee Profit"**

means retained profit of the Trustee in an annual amount of GBP7,500 payable quarterly on each Periodic Distribution Date for retention by the Trustee and to be recognised in the accounts of the Trustee as profit for the relevant accounting year and the payment of a distribution (if any) to Parent.

**"Trustee Profit Ledger"**

means a ledger established and maintained by the Cash Manager in the Transaction Account used to record the

	retained revenue of the Trustee in accordance with the Cash Management Agreement.
<b>"Trustee Security Power of Attorney"</b>	means the power of attorney granted by the Trustee in favour of the Security Trustee and any Receiver pursuant to Clause 14.3 of the Deed of Charge.
<b>"Unfair Commercial Practices Directive"</b>	means the directive on unfair business-to-consumer commercial practices adopted by the European Parliament and the Council on 11 May 2005.
<b>"Unpaid Items"</b>	means any amounts received in the Collection Account that have been returned unpaid, recalled, reversed or otherwise reclaimed.
<b>"US-UK IGA"</b>	has the meaning given to such term in the section entitled " <i>U.S. Foreign Account Tax Compliance</i> ".
<b>"UTCCR"</b>	means the 1999 Regulations and (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994.
<b>"VAT"</b>	means <ul style="list-style-type: none"> <li>(a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and</li> <li>(b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.</li> </ul>
<b>"VAT Group"</b>	means a group for the purposes of the VAT Grouping Legislation;
<b>"VAT Grouping Legislation"</b>	means (a) section 43 to 43D (inclusive) of VATA and (b) the Value Added Tax (Groups: eligibility) Order 2004 (SI2004/1931);
<b>"VATA"</b>	means the Value Added Tax Act 1994;
<b>"Warranties" or "Warranty"</b>	means, in relation to the Portfolio Assets, the representations, warranties and undertakings referred to in Clause 7 ( <i>Warranties and Representations</i> ) of the Sale Agreement (see the section entitled " <i>Sale of the Portfolio Assets Pool – Warranties and Repurchase</i> ").
<b>"Weighted Average Original FTV"</b>	means, in respect of the Portfolio Assets in the Portfolio Assets Pool, the weighted average of the original finance balance divided by the property valuation against which the Portfolio Asset was underwritten.

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