



# **INVESTMENT MEMORANDUM KHK CAPITAL SECURED BONDS**

**ISSUED BY MTN FUNDING PLC**

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## **INVESTMENT MEMORANDUM**

### **KHK CAPITAL LIMITED AND MTN FUNDING PLC**

**Issue by MTN Funding PLC of up to:**

**GBP 75,000,000 9 per cent fixed rate medium term secured notes 2029  
(the “KHK GBP 9 per cent. Bonds”)**

**ISIN CH1161139923**

**and up to:**

**EUR 75,000,000 8 per cent fixed rate medium term secured notes 2029  
(the “KHK EUR 8 per cent. Bonds”)  
(together the “KHK Secured Bonds”))**

**ISIN CH1161139915**

**under the GBP 2,000,000,000 Secured Medium Term Note Programme**

(MTN Funding plc is incorporated with limited liability in England and Wales with registered number 12474989)

The KHK Secured Bonds described in this Investment Memorandum are to be issued under the GBP 2,000,000,000 secured medium term note programme (the “**Programme**”) of MTN Funding PLC (the “**Issuer**”) as described in the listing particulars dated 3 April 2024 (the “**Listing Particulars**”).

The proceeds of the issue of all the KHK Secured Bonds will then be lent to KHK Capital Limited under a facility agreement secured as set out below. A description of how KHK will use the proceeds and of KHK’s business model is set out in the section headed “OVERVIEW OF THE KHK SECURED BOND SERIES.”

An application has been made to the Frankfurt Stock Exchange for the bonds issued under the Programme to be admitted to trading on the unregulated Open Market of the Frankfurt Stock Exchange. The unregulated Open Market of the Frankfurt Stock Exchange is not a regulated market for the purposes of Markets in Financial Instruments Directive (2014/65/EU) (“**MiFID II**”).

**The Frankfurt Stock Exchange takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.**

The KHK Secured Bonds constitute a Series under the Programme and may comprise one or more tranches (each a “**Tranche**”) of KHK Secured Bonds. Each Tranche of KHK Secured Bonds will be issued on the terms set out herein under the section headed “TERMS AND CONDITIONS OF THE KHK SECURED BONDS” (the “**Conditions**”) as completed by the Pricing Supplements set out herein (the “**Pricing Supplements**”).

In relation to any Tranche of the KHK Secured Bonds, this Investment Memorandum and the relevant Pricing Supplement must be read and construed together with the Listing Particulars.

**IMPORTANT – EEA Retail Investors** – The KHK Secured Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available at any time to any retail investor (and, for the avoidance of doubt, this means any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIPs Regulation**”) for offering or selling the KHK Secured Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the KHK Secured Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK Retail Investors** – The KHK Secured Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available at any time to any retail investor (and, for the avoidance of doubt, this means any retail investor in the UK). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (“**FSMA**”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of EUWA (the “**UK Prospectus Regulation**”). Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of EUWA (as

amended, the “**UK PRIIPs Regulation**”) for offering or selling the KHK Secured Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the KHK Secured Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the PRIIPs Regulation.

This Investment Memorandum contains forward-looking statements. Forward-looking statements often include words such as “anticipate”, “expect”, “intend”, “plan”, “believe”, “continue” or similar words in connection with discussions of future operating or financial performance. The forward-looking statements are based on the directors’ and where relevant the Issuer’s current expectations and assumptions regarding commercial performance, the economy and other future conditions, circumstances and results. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. The actual results may vary materially from those expressed or implied in its forward-looking statements.

Investing in KHK Secured Bonds issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its respective obligations under the KHK Secured Bonds are discussed under “Risk Factors” below and in the Listing Particulars.

The rating of certain Series of KHK Secured Bonds may be specified in the applicable Pricing Supplement. The Programme is not rated. Notes to be issued under the Programme will be rated or unrated. Notes may be rated by Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”) and/or S&P Global Ratings (“S&P”) and any of their affiliates or successors carrying out ratings services, or any other reputable debt rating agency as specified in the Pricing Supplement.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**6 February 2025**

Signed by:  
  
 9DA80D7E40F24BF...  
 Daniel Beach

MTN Funding plc  
 07 February 2025

Signed by:  
  
 FCD67233A74647E...  
 Steve Kent

KHK Capital  
 06 February 2025

Signed by:  
  
 E73EE5DC089046B...  
 Scott Harris

KHK Capital  
 06 February 2025

## IMPORTANT NOTICES

Save as set out in the section headed “DESCRIPTION OF THE ISSUER” below, KHK Capital Limited (“**KHK Capital**” or the “**Borrower**”) accepts responsibility for the information contained in this Investment Memorandum confirms, having made all reasonable enquiries, that to the best of its’ knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

MTN Funding PLC (the “**Issuer**”) accepts responsibility for the information contained in the section “DESCRIPTION OF THE ISSUER” below and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in such sections is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

KHK has confirmed to the Settlement Agent and the Distributor (if any) that this Investment Memorandum contains all information which is (in the context of the issue and offering and sale of the KHK Secured Bonds) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Investment Memorandum does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue and offering and sale of the KHK Secured Bonds) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Investment Memorandum or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Trustee, the Settlement Agent or any Distributor.

Neither the Settlement Agent, the Trustee or the Distributor nor any of their respective affiliates have authorised the whole or any part of this Investment Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Investment Memorandum. Neither the delivery of this Investment Memorandum or the Pricing Supplements nor the offering, sale or delivery of any KHK Secured Bond shall, in any circumstances, create any implication that the information contained in this Investment Memorandum is true subsequent to the date hereof or the date upon which this Investment Memorandum has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Investment Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Investment Memorandum and the Pricing Supplements and the offering, sale and delivery of the KHK Secured Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Investment Memorandum and / or the Pricing Supplements comes are required by the Issuer, the Settlement Agent and the Distributor to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of KHK Secured Bonds and on the distribution of this Investment Memorandum or the Pricing Supplements and other offering material relating to the KHK Secured Bonds, see “**Subscription and Sale**”. In particular, KHK Secured Bonds have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the “**Securities Act**”) and are subject to U.S. tax law

requirements. Subject to certain exceptions, KHK Secured Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

This Investment Memorandum and any Pricing Supplement is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This Investment Memorandum and any Pricing Supplement is for distribution only to, and is only directed at, persons who (i) are outside the United Kingdom or (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)); (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any KHK Secured Bonds may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). Accordingly, by accepting delivery of this Investment Memorandum and any Pricing Supplement, the recipient warrants and acknowledges that it is such a relevant person. Any KHK Secured Bonds will be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such KHK Secured Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. No part of this Investment Memorandum and any Pricing Supplement should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without our prior written consent. KHK Secured Bonds will not be offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

Neither this Investment Memorandum nor the Pricing Supplements constitutes an offer or an invitation to subscribe for or purchase any KHK Secured Bonds and should not be considered as a recommendation by the Issuer, the Settlement Agent, the Distributor, the Trustee, or any of them that any recipient of this Investment Memorandum or the Pricing Supplements should subscribe for or purchase any KHK Secured Bonds. Each recipient of this Investment Memorandum or the Pricing Supplements shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

In this Investment Memorandum, unless otherwise specified, references to a “Member State” are references to a Member State of the European Economic Area, references to “pounds sterling”, “sterling” “GBP” and “£” are to the lawful currency of the United Kingdom, references to “U.S.\$”, “U.S. dollars” or “dollars” are to United States dollars and references to “EUR”, “€” or “euro” are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended.

The KHK Secured Bonds may not be a suitable investment for all investors. Each potential investor in the KHK Secured Bonds must determine the suitability of that investment in light of its own circumstances. Each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

1. has sufficient knowledge and experience to make a meaningful evaluation of the KHK Secured Bonds, the merits and risks of investing in the KHK Secured Bonds and the information contained or incorporated by reference in this Investment Memorandum or any applicable supplement;

2. has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the KHK Secured Bonds and the impact the KHK Secured Bonds will have on its overall investment portfolio;
3. has sufficient financial resources and liquidity to bear all of the risks of an investment in the KHK Secured Bonds, including KHK Secured Bonds where the currency for principal or interest payments is different from the potential investor's currency;
4. understands thoroughly the terms of the KHK Secured Bonds and is familiar with the behaviour of financial markets; and
5. is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (1) KHK Secured Bonds are legal investments for it, (2) KHK Secured Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any KHK Secured Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of KHK Secured Bonds under any applicable risk-based capital or similar rules.

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## OVERVIEW OF THE KHK SECURED BONDS SERIES

### SUMMARY

The KHK Secured Bonds are constituted and issued by MTN Funding plc in dematerialised form under the Swiss Code Obligation (see “*CONSTITUTION OF THE KHK SECURED BONDS*” below).

The proceeds of the KHK Secured Bonds will be used by MTN Funding plc to advance loan facilities to KHK Capital and will be secured by a debenture over the assets of KHK Capital (see “*USE OF PROCEEDS*” below). This security is subordinated to security previously granted by KHK Capital to more senior lenders under existing loan facilities (see “*THE BORROWER SECURITY STRUCTURE*” below).

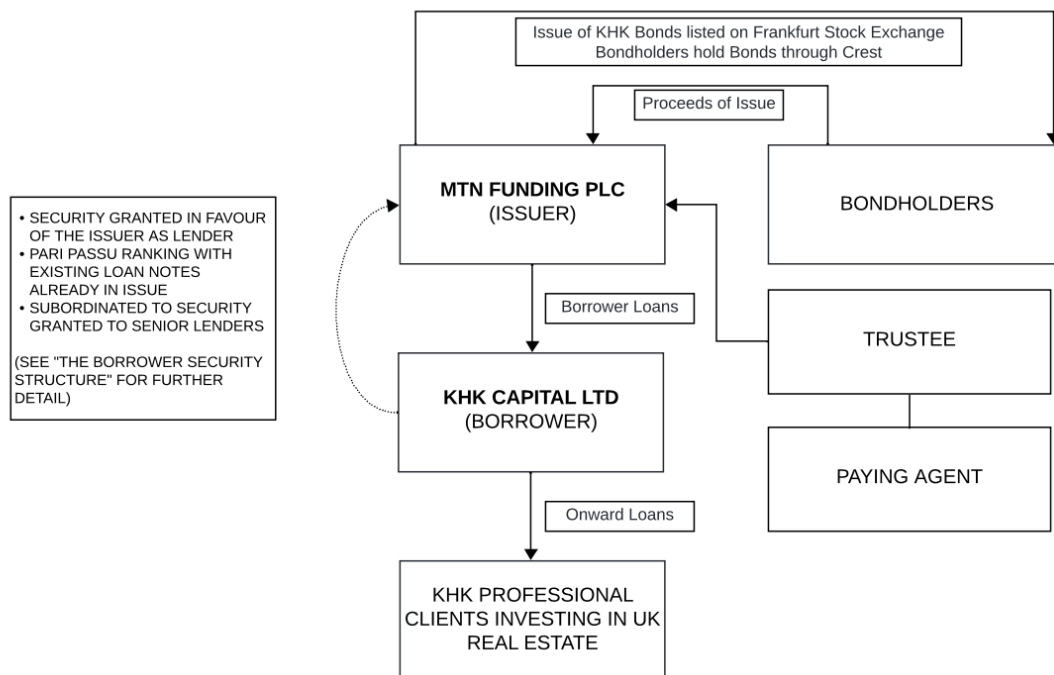
MTN Funding plc’s rights over the loans to KHK Capital and the security granted to it by KHK Capital are secured and assigned to Truva Trust Corporation plc, who holds this security as trustee and security agent for the holders of the KHK Secured Bonds and holders of other secured loan notes issued by KHK Capital, equally on a *pari passu* basis, and all subject to the prior ranking of security previously granted by KHK Capital to more senior lenders under existing loan facilities (see “*THE ISSUER SECURITY STRUCTURE*” and “*THE BORROWER SECURITY STRUCTURE*” below).

An investment in KHK Secured Bonds involves certain risks (see “*RISK FACTORS*” below).

### KEY PARTIES

<b>Issuer</b>	MTN Funding PLC (incorporated in England with registered number 12474989).
<b>KHK Capital or Borrower</b>	KHK Capital Limited (incorporated in England with registered number 10482158).
<b>Trustee</b>	Truva Trust Corporation PLC (incorporated in England with registered number 13327899);
<b>Paying Agent</b>	ISP Securities LTD of Höschgasse 45, P.O Box, 8008 Zurich, Switzerland.
<b>Security Agent</b>	Truva Trust Corporation PLC (incorporated in England with registered number 13327899).
<b>Servicer and Calculation Agent</b>	Truva Corporate Administration Limited (incorporated in England with registered number 12642399).
<b>Senior Lenders</b>	Shawbrook Bank Limited (incorporated in England with registered number 00388466) and Hampshire Trust Bank PLC (incorporated in England with registered number 01311315).
<b>Senior Security Agent</b>	TMF Trustee Limited, (incorporated in England and Wales with registered number 03814168).

<b>KHK Secured Bondholders</b>	The holders of the KHK Secured Bonds to be issued under the Programme, as described in this Investment Memorandum.	
<b>KHK 2020 Loan Noteholders</b>	<b>Loan</b>	The holders of the loan notes constituted by a loan note instrument dated 24 February 2020 as described in this Investment Memorandum (the “ <b>KHK 2020 Loan Notes</b> ”). They may be secured or unsecured, depending on whether or not they have signed or acceded to the Security Agency Agreement.
<b>KHK 2020 Secured Loan Noteholders</b>	<b>Loan</b>	The KHK 2020 Loan Noteholders that have signed or acceded to the Security Agency Agreement.
<b>KHK 2025 Secured Loan Noteholders</b>	<b>Loan</b>	The holders of the loan notes constituted by a loan note instrument dated 20 December 2024 as amended and restated on 30 January 2025, as described in this Investment Memorandum (the “ <b>KHK 2025 Secured Loan Notes</b> ”). The KHK 2025 Secured Loan Noteholders are automatically secured under the terms of the Second Loan Note Instrument.
<b>KHK Secured Loan Noteholders</b>	<b>Loan</b>	<p>The KHK 2020 Secured Loan Noteholders and the KHK 2025 Secured Loan Noteholders shall be collectively referred to as the “KHK Secured Loan Noteholders”. All KHK Secured Loan Noteholders share in the security granted to the Issuer by KHK Capital under the Debenture (Borrower Deed of Charge) as described in this Investment Memorandum.</p> <p>For the avoidance of doubt, KHK 2020 Loan Noteholders that have not signed or acceded the Security Agency Agreement will not be secured and will therefore not constitute KHK Secured Loan Noteholders.</p>
<b>Issuer Secured Creditors</b>	The secured creditors of MTN Funding PLC under the programme, which includes the KHK Secured Bondholders, the KHK Secured Loan Noteholders, the Trustee, any receiver appointed by the trustee and any agent, servicer administrator or collateral adviser appointed under the Programme as set out in the Trust Deed.	



## CONSTITUTION OF THE KHK SECURED BONDS

The KHK Secured Bonds have been constituted by the execution of a deed supplementing the master programme trust deed dated 9 March 2020, as amended, entered into between the Issuer, the Trustee and the agents named therein. The master programme trust deed as supplemented for the constitution of the KHK Secured Bonds is referred to as the **"Trust Deed"**.

By the execution of the Trust Deed:

1. the KHK Secured Bonds were constituted and issued in dematerialised form under the articles 973a, 973b and 973c of the Swiss Code Obligation, as amended from time to time. The KHK Secured Bonds are represented exclusively by book in the records of SIX Clearing System. Access to the SIX Clearing System is available through its SIX Clearing System participants whose membership extends to securities such as the KHK Secured Bonds. SIX Clearing System participants include certain banks, stockbrokers and Euroclear and Clearstream, Luxembourg.
2. the Trustee was appointed to act as note and security trustee in respect of any and all Tranches of KHK Secured Bonds, and will hold the security for the benefit of the KHK Secured Bondholders and KHK Secured Loan Noteholders and the other Issuer Secured Creditors (see the section titled *"THE ISSUER SECURITY STRUCTURE"* and *"THE BORROWER SECURITY STRUCTURE"* below)

## USE OF PROCEEDS

The proceeds of the KHK Secured Bonds will be used, less certain costs and expenses, to advance up to GBP 75,000,000 loan facilities and EUR 75,000,000 loan facilities to KHK Capital, (each such advance, a **"Borrower Loan"** and together, the **"Borrower Loans"**) under a GBP loan agreement and an EUR loan agreement respectively (each, a **"Facility Agreement"** and together, the **"Facility Agreements"**) both

secured by a debenture over the assets of KHK Capital (the “**Debenture (Borrower Deed of Charge)**”). The Issuer’s rights under the Debenture (Borrower Deed of Charge) are subordinated to the Senior Lenders pursuant to the Intercreditor Agreement (see the section titled “*THE BORROWER SECURITY STRUCTURE*” below).

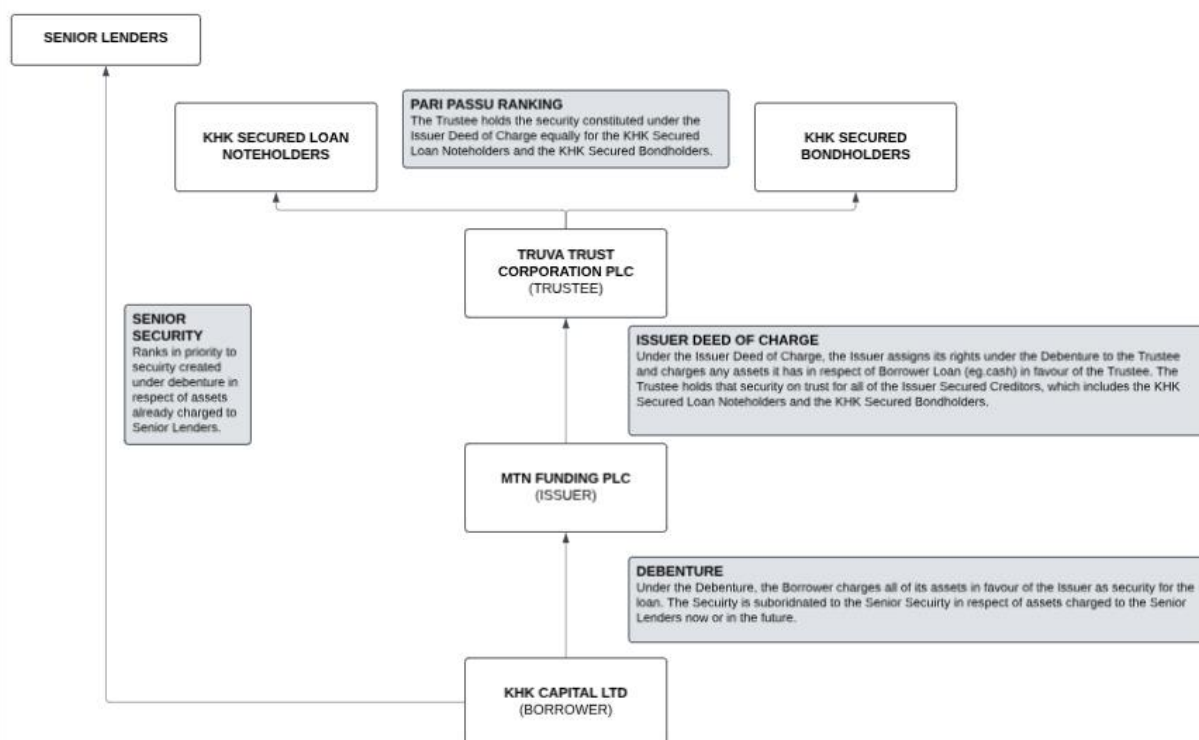
The Issuer’s rights over the Borrower Loans, the Facility Agreements and the Debenture (Borrower Deed of Charge) (collectively, the “**Secured Assets**”) are secured and assigned to the Trustee for the benefit of the KHK Secured Bondholders, the KHK Secured Loan Noteholders and the other Issuer Secured Parties as described in the section titled “*THE ISSUER SECURITY STRUCTURE*” below. The KHK Secured Bonds will not be subject to any credit enhancements and the Issuer will rely on the repayments to be made by Borrower pursuant to the Secured Assets to ensure that the Issuer is able to meet its obligations under the KHK Secured Bonds.

## THE ISSUER SECURITY STRUCTURE

Upon the execution of the Trust Deed, the Trustee, the KHK Secured Bondholders, the KHK Secured Loan Noteholders and the other Issuer Secured Parties will share in the benefit of the security granted in respect of the KHK Secured Bonds by the Trust Deed and a deed of charge entered into between the Issuer and Truva Services Limited (the “**Trustee**”) dated 9 March 2020 (the “**Issuer Deed of Charge**”). The security consists of fixed and floating first priority security over the Issuer’s rights in respect of the Secured Assets and the Transaction Documents to the extent that they relate to such Series and, where applicable, over any segregated bank accounts opened by the Issuer in respect of such Series (the “**Issuer Security**”). The Borrower Security (as defined below) will form part of the Issuer Security, and the Trustee will hold the Borrower equally on trust for both all the KHK Secured Bondholders and the KHK Secured Loan Noteholders, which will rank *pari passu* with each other and among themselves.

By granting the Issuer Security to the Trustee for the benefit of the Issuer Secured Creditors, the rights of the KHK Secured Bondholders, the KHK Secured Loan Noteholders and the other Issuer Secured Creditors in respect of the Secured Assets rank first in priority to other creditors of the Issuer (including any affiliates of the Issuer) in the event of a default or an insolvency or insolvency related event of the Issuer. The rights of the KHK Secured Bondholders, the KHK Secured Loan Noteholders and the other Issuer Secured Creditors will not be affected by the insolvency or an insolvency related event of any other entity affiliated to the Issuer.

## THE BORROWER SECURITY STRUCTURE



### Existing Indebtedness, security and intercreditor arrangements of KHK Capital

#### *The Senior Loan Agreement and guarantee*

On 22 December 2020 a senior revolving senior facilities agreement (as amended and restated, the “**Senior Loan Agreement**”) was arranged for by Shawbrook Bank Limited (as lead arranger) in favour of KHK One Limited, a subsidiary of KHK Capital (the “**Subsidiary**”), and entered into between the Subsidiary as borrower, KHK Capital as parent, servicer and guarantor (the Subsidiary and KHK Capital being “**Obligors**”) and Shawbrook Bank Limited as mandated lead arranger, agent, security agent and original lender (each of the agent, arranger, security agent and lender being a “**Finance Party**”). In April 2022, in response to the successful growth of the KHK business, the facility granted under the Senior Loan Agreement was increased on multiple occasions and Hampshire Trust Bank plc was added as an additional arranger and lender (together with Shawbrook Bank Limited the “**Senior Lenders**”). After this syndication, the Senior Loan Agreement has been further increased in size, amended and varied. Shawbrook Bank Limited was replaced by TMF Global Services (UK) Limited as agent and TMF Trustee Limited as security agent (the “**Senior Security Agent**”) under the Senior Loan Agreement and Rockstead LLP was appointed as operational auditor of KHK Capital for the purposes of monitoring compliance with the requirements of the Senior Loan Agreement. Rockstead LLP produce quarterly audit reports which are made available to KHK Secured Bondholders and KHK Loan Noteholders.

Under the Senior Loan Agreement, KHK Capital, as guarantor, has irrevocably agreed to:

- (a) guarantee to the finance parties involved in the lending, as defined in the Senior Loan Agreement (the “**Finance Parties**”) the performance by each other KHK entity involved in

the borrowing, as defined in the Senior Loan Agreement (each, an “**Obligor**”) of all obligations under the Senior Loan Agreement or any other finance documents relating to the Senior Loan Agreement (the “**Finance Documents**”);

- (b) undertake to the Senior Lenders and each Finance Party that whenever another Obligor does not pay any amount when due under or in connection with any Finance Document, it shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) agrees with each Finance Party that if any obligation guaranteed by it is, or becomes, unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of an Obligor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due.

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

#### *The Share Charge*

On 22 December 2020, KHK Capital granted a share charge and assignment of specific contracts in favour of Shawbrook Limited as security agent (since replaced by TMF Trustee Limited as set out above) (as amended and restated, the “**Share Charge**”). The Share Charge was subsequently amended from time to time, and specifically to include Hampshire Trust Bank plc as a second lead arranger on 29 April 2022. Under the Share Charge, the KHK Capital secured all its shares in the Subsidiary and any related rights by way of fixed charges and assignment in favour the Senior Security Agent to secure KHK Capital’s group’s obligations to the Senior Lenders under the Senior Loan Agreement. The security held by the Senior Security Agent to secure KHK Capital’s group’s obligations to the Senior Lenders under the Senior Loan Agreement is known as the “**Senior Security**”.

#### *The Intercreditor Agreement*

As intercreditor agreement was also put in place on 22 December 2022 between Shawbrook Bank Limited as agent, arranger, security agent, and senior lender, the Subsidiary and KHK Capital as Subordinated Creditor (as amended and restated, the “**Intercreditor Agreement**”). Pursuant to the Intercreditor Agreement, each of the parties agreed that the liabilities owed by KHK Capital and the Subsidiary to the agent, the arranger and each Senior Lender would rank first in right and priority of payment and any transaction security created in favour of the Senior Lenders (such as the Share Charge) shall rank first and secure the liabilities of the Senior Lenders only.

#### *The KHK 2020 Loan Notes and the KHK 2025 Secured Loan Notes*

After the execution of the Senior Loan Agreement with Shawbrook Bank Limited, on 24 February 2020, KHK Capital constituted a principal amount of GBP 25,000,000 fixed rate unsecured loan notes (the “**KHK 2020 Loan Notes**”) pursuant to a loan note instrument dated 20 February 2020 (the “**First Loan Note Instrument**”). Under the terms of the First Loan Note Instrument, the KHK 2020 Loan Notes were not secured. KHK 2020 Loan Noteholders who subsequently signed or acceded to the Security Agency Agreement (as described below) were granted security with Truva Trust Corporation plc acting as their security agent and agreed to be subordinated to the Senior Lenders pursuant to the Intercreditor Agreement. On 20 December 2024, KHK Capital constituted a principal amount of GBP 25,000,000 fixed rate secured loan notes (the “**KHK 2025 Secured Loan Notes**” and, together with the KHK 2020

Loan Notes, the “**KHK Loan Notes**”) pursuant to a loan note instrument dated 20 December 2024 and amended and restated on 30 December 2025 (the “**Second Loan Note Instrument**”). Under the terms of the Second Loan Note Instrument, the KHK 2025 Secured Loan Notes are automatically secured with Truva Trust Corporation plc acting as the security agent for the KHK 2025 Secured Loan Noteholders and subordinated to the Senior Lenders pursuant to the Intercreditor Agreement.

## **New security and intercreditor arrangements of KHK Capital in connection with the KHK Secured Bonds**

### *The Debenture*

The Borrower Loans funded by the KHK Secured Bonds are secured, under an English law debenture dated 19 August 2024, (the “**Debenture (Borrower Deed of Charge)**”) pursuant to which KHK Capital has provided security to the Issuer in respect of the Borrower Loans. The security will consist of fixed and floating charges over the property, undertaking and assets of KHK Capital (the “**Borrower Security**”). The Debenture (Borrower Deed of Charge) contains customary representations and warranties from the Borrower to the Issuer, including, without limitation, representations and warranties as to the ownership by the Borrower of its assets, that such assets are free from other security (except for the Senior Security), that there are no adverse claims against such assets, that the Borrower has complied with all relevant laws in respect of those assets and that the security being granted under the Borrower Deed of Charge is enforceable. The Debenture (Borrower Deed of Charge) will secure the rights of the Issuer in respect of both Borrower Loans equally.

### *The Security Agency Agreement and the Second Loan Note Instrument*

Under a security agency agreement dated 17 September 2020, Truva Trust Corporation plc was appointed to act as Security Agent on behalf of the KHK 2020 Loan Noteholders that initially signed or later acceded to it in order to hold the Borrower Security on their behalf as well as the KHK Secured Bondholders, subject to the terms of the Intercreditor Agreement, and to generally exercise their rights under the First Loan Note Instrument as instructed by them. By virtue of signing or acceding to the Security Agency Agreement, the KHK 2020 Loan Noteholders agree that their rights to receive payment under the KHK 2020 Loan Notes are subordinated to the Senior Lenders as set out in the Intercreditor Agreement. KHK 2020 Loan Noteholders that have signed or acceded to the Security Agency Agreement are secured, while accepting that their security is subordinated to the Senior Lenders, shall be referred to as the “**KHK 2020 Secured Loan Noteholders**” to distinguish them from any KHK 2020 Loan Noteholders that have not signed or acceded to the Security Agency Agreement, who will not share in the Borrower Security and will thus remain unsecured.

The KHK 2025 Secured Loan Notes were constituted by the Second Loan Note Instrument. The Second Loan Note Instrument includes provisions for the automatic appointment of Truva Trust Corporation plc to act as Security Agent to hold the Borrower Security on their behalf as well as on behalf of the KHK Secured Bondholders and the KHK 2020 Secured Loan Noteholders, subject to the terms of the Intercreditor Agreement, and to generally exercise their rights under the Second Loan Note Instrument as instructed by them with no further accession required to any other document. By virtue of subscribing for KHK 2025 Secured Loan Notes, the KHK 2025 Secured Loan Noteholders agree that their rights to receive payment under the KHK 2025 Secured Loan Notes are subordinated to the Senior Lenders as set out in the Intercreditor Agreement.

The KHK 2020 Secured Loan Noteholders and the KHK 2025 Secured Loan Noteholders are collectively referred to as “**KHK Secured Loan Noteholders**”. Their rights to repayment rank equally *pari passu* with each other, among themselves, and with the KHK Secured Bondholders and they all share in the same Borrower Security.

### *The Amendment and Restatement of the Intercreditor Agreement*

The Intercreditor Agreement was amended and restated on 18 September 2024 to (i) include MTN Funding as creditor of KHK under the Borrower Loan Agreement and (ii) include Truva Trust Corporation plc as security agent for the KHK Secured Loan Noteholders and (iii) subordinate the liabilities owed by the Subsidiary and KHK Capital under the KHK 2020 Loan Notes to the Senior



Lenders. On 20 December 2024, the Intercreditor Agreement was further amended and restated to subordinate the liabilities owed by the Subsidiary and KHK Capital under the KHK 2025 Secured Loan Notes to the Senior Lenders.

Pursuant to the amendment and restatement of the Intercreditor Agreement, the Issuer and the KHK Secured Loan Noteholders agreed that the Senior Lenders would rank first in right and priority of payment and any transaction security created in favour of the Senior Lenders (such as the Share Charge) shall rank ahead of the Borrower Security. In addition, the parties agreed that prior to the date that the liabilities of KHK Capital and the Subsidiary under the Senior Loan Agreement are discharged, KHK Capital, the Subsidiary or any other member of the KHK group can only make payments of principal, interest or otherwise under the KHK Secured Bonds and the KHK Loan Notes only if (i) there is no default under the Senior Loan Facility (ii) the quarterly redemption amount under the Borrower Loan Agreement is less than 20% of the outstanding principal under the Borrower Loan Agreement, unless the majority of the Senior Lenders consent to that payment or it is made to facilitate the payment of the Senior Loan Facility (iii) there is no breach of the underlying financial covenants in the Senior Loan Agreement.

#### *Additional Security*

In addition, KHK Capital intends to, from time to time, grant additional security over (a) shares it holds in a group subsidiary (b) contracts, contractual rights or rights to receivables (choses in action) it holds over or against a group subsidiary, in each case for the specific purpose of securing any financial indebtedness incurred by such group subsidiary.

## **DESCRIPTION OF THE BORROWER**

### **Business of KHK Capital**

KHK Capital provides short-term finance, secured on UK property, to property professionals and others for business purposes. Finance is provided on residential, commercial, and semi-commercial property. The finance is for bridging, refurbishment, and development. The finance is predominantly for light refurbishment or straight bridging on residential property.

Projects include the refurbishment of residential properties and division into multiple units, permitted development schemes to convert commercial property to residential, ground-up housing projects, and simple bridge loans. KHK Capital funds purchases, auction purchases and refinancings.

KHK Capital has a small and responsive team, directly controlled by its equity owners. KHK Capital is raising funds by offering subordinated secured bonds. The funds will be used to make onward loans to professional clients (bridging borrowers) investing in property. KHK Capital also uses a revolving facility from the Senior Lenders and proceeds of the issuance of KHK Loan Notes.

KHK Capital's three senior directors are also sole and equal owners of the company. With decades of experience in investment banking, finance and property development & management the senior team is both mature and commercial.

### **KHK Capital Assurances:**

- **Skin in the Game:** KHK Capital will always lend at least 5% of the total borrowing with its own equity. This commitment demonstrates the willingness of the directors to share in the risks associated with each loan.

- Professional Validation and Securitization:
  - Every property used as security is valued by an independent valuer (carrying appropriate Professional Indemnity Insurance and recognised by the UK's Royal Institute of Chartered Surveyors (though rare exceptions will be made – where a formal valuation is not desirable, we may rely on our own assessment of value, subject to director approval and more-conservative lending criteria)).
  - Every loan will be completed by a solicitor (carrying appropriate Professional Indemnity Insurance and recognised by the UK's Solicitors Regulation Authority).
- Lending Stringency: KHK Capital will adhere to the lending criteria set out in Appendix 1.
- Governance & Transparency: KHK Capital will follow the rules set out in Appendix 2.

## RISK FACTORS

Prospective investors in the KHK Secured Bonds should read the entire Listing Particulars and this Investment Memorandum. Words and expressions defined in this Investment Memorandum and, to the extent not inconsistent with this Investment Memorandum, the Listing Particulars have the same meanings in this section.

The Issuer believes that the factors listed in the Listing Particulars and the following specific factors may affect its ability to fulfil its obligations under the KHK Secured Bonds. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described in the Listing Particulars and below represent the principal risks inherent in investing in the KHK Secured Bonds issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the KHK Secured Bonds may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the KHK Secured Bonds are exhaustive. Prospective investors in the KHK Secured Bonds should also read the detailed information set out elsewhere in this Investment Memorandum and the Listing Particulars and reach their own views prior to making any investment decision.

Risk	Description
Pari Passu security	The Trustee will hold the Borrower Security equally on trust for the KHK Secured Bondholders and the KHK Secured Loan Noteholders, which will rank <i>pari passu</i> with each other and among themselves. Investors in the KHK Secured Bonds should be aware that, therefore, on enforcement, they will not just be sharing the proceeds of realisation of security among themselves, but also with the KHK Secured Loan Noteholders, thus reducing the amounts available to them.
Discretion and Determinations of the Trustee	<p>Pursuant to the Trust Deed, in the event of conflicting instructions received from the KHK Secured Bondholders and KHK Secured Loan Noteholders, the Trustee shall have sole and absolute discretion to take action as it sees fit, subject to acting in a way that is not materially prejudicial to either. As between itself and the KHK Secured Bondholders and KHK Secured Loan Noteholders, the Trustee may determine all questions and doubts arising in relation to any of the provisions of the Trust Deed. Such determinations, whether made upon such a question actually raised or implied in the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee and the KHK Secured Bondholders and KHK Secured Loan Noteholders, as the case may be.</p> <p>Prospective investors in the KHK Secured Bonds should be aware that the exercise of these discretions might impact the returns on the KHK Secured Bonds.</p>

Subordinated Security	The Borrower Security is subordinated to the Senior Security. Prospective investors in the KHK Secured Bonds should be aware that in the event of an enforcement, they will only be able to recover proceeds from KHK Capital to the extent that any liabilities to the Senior Lenders have been discharged, which means there may not be sufficient funds available to the KHK Secured Bondholders and KHK Secured Loan Noteholders.
Risk of Capital Loss	<p>Unlike a bank deposit, the KHK Secured Bonds are not protected by the UK Financial Services Compensation Scheme (the “FSCS”) or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an investor in the KHK Secured Bonds upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, KHK Secured Bondholders may lose all or part of their investment in the KHK Secured Bonds. If the KHK Secured Bonds have been sold or advised through a regulated financial intermediary, compensation may be available as a result of advice provided directly to the KHK Secured Bondholders.</p> <p>If the KHK Secured Bonds default before their Maturity Date, KHK Secured Bondholders may lose part or all of their capital investment, meaning they may receive less than the full amount invested.</p>
Regulatory Risk	The Issuer does not need to be (and is not) licensed or authorised under any current securities, commodities, insurance or banking laws of any jurisdiction and has not applied (and does not expect to apply) for any such licences or authorisations. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by any such regulatory authority could have an adverse impact on the Issuer or the KHK Secured Bondholders.
Market Risk	Market Risk refers to the potential value of the KHK Secured Bonds fluctuating due to changes in market conditions. Several factors may contribute to this, including the volume of issuance (see “ <i>Lower than expected volumes of issuance</i> ” below), the lack of an established secondary market (see “ <i>Secondary market</i> ” below), changes in interest rates (see “ <i>Interest Rate Risk</i> ” below), rising inflation (see “ <i>Inflation Risk</i> ” below) changes in credit quality of the Secured Assets (see “ <i>Credit Risk</i> ” below), changes in credit spreads (see “ <i>Yield Curve Risk</i> ” below), change in the exchange rate of the currency of the KHK Secured Bonds in relation to currency in which the KHK Secured Bondholder’s principal financial activities are denominated (see “ <i>Foreign Exchange Risk</i> ” below) and market volatility & sentiment more generally (see “ <i>Market Volatility &amp; Sentiment</i> ”).
Lower than expected volumes of issuance	No assurance is provided that investors will subscribe for the full amount of KHK Secured Bonds which are made available for subscription during a particular offer period. The volume of issuance of a particular Tranche of KHK Secured Bonds will depend on a number of factors including, without limitation, prevailing market conditions and the availability of alternative investment opportunities. To the extent that the volumes of issuance of the

	KHK Secured Bonds are lower than expected, the liquidity of the KHK Secured Bonds in the secondary market will be limited.
Secondary market	<p>KHK Secured Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their KHK Secured Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for KHK Secured Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of KHK Secured Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities.</p> <p>Further, if an investor chooses to sell its KHK Secured Bonds in the open market or through any other available channel including over-the-counter, at any time prior to maturity of the KHK Secured Bonds, the price the investor will receive from a purchaser may be more or less than its original investment, and may be more or less than the amount due to be repaid at maturity of the KHK Secured Bonds if the investor were to hold onto the KHK Secured Bonds until then. Factors that will influence the price received by investors who choose to sell their KHK Secured Bonds may include, but are not limited to, market appetite, inflation, the period remaining to maturity of the KHK Secured Bonds, prevailing interest rates and the perceived view of investors to the investment objectives or strategies.</p>
Credit Risk	The ability of the Issuer to meet its payment obligations under the KHK Secured Bonds will be adversely affected by defaults in the underlying Secured Assets. The Issuer is inherently exposed to risks arising from changes in credit quality and the recoverability of Secured Assets. Defaults by obligors of Secured Assets may reduce the recoverability and value of the Issuer's assets.
Foreign Exchange Risk	The Issuer will pay in the Specified Currency specified in the applicable Pricing Supplements. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the " <b>Investor's Currency</b> ") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the KHK Secured Bonds, (ii) the Investor's Currency equivalent value of the principal payable on the KHK Secured Bonds and (iii) the Investor's Currency equivalent market value of the KHK Secured Bonds. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Market Sentiment & Volatility	Financial markets can experience periods of increased volatility, driven by economic, geopolitical, or other factors. Elevated market volatility can result in rapid price fluctuations for debt securities. Investors should be prepared for the possibility of increased market volatility and its impact on the market value of the KHK Secured Bonds.
Reinvestment Risk	If the Issuer is unable to meet its financial obligations the Trustee may declare that the KHK Secured Bonds shall become immediately due and payable at their early termination amount. Potential investors should consider reinvestment risk in light of other investments available at that time.
Counterparty Risk	The Issuer relies on certain key parties for the performance of certain functions under the KHK Secured Bonds (see the section titled “ <i>OVERVIEW OF THE KHK SECURED BONDS SERIES</i> ”). To the extent that such parties fail to adequately perform their obligations or enter into financial difficulties, the value of the KHK Secured Bonds may be adversely impacted.

## KHK CAPITAL'S BUSINESS FOCUS: THE UK BRIDGING MARKET

KHK Capital's business focus is bridge lending or "**Bridging**". Bridging has experienced significant growth in recent years, and continues to project strong growth trends.

The bridging market is both highly fragmented and competitive, with different areas of focus providing differentiation between lenders.

KHK Capital is a small owner-run business with significant skin-in-the-game. It's speed, expertise and client relationships differentiate it. Success can be seen from the fact that about half of all new loans are done with repeat clients or word of mouth recommendations.

*"The short-term lending market has ended the year [2023] strongly, with a fairly large increase in loans written ... compared to the same period the previous year, application volumes were more than 25% higher in Q4 2023, completions increased by more than 18% and loan books grew by over 16%. Member loan books have now surpassed £7bn for the third consecutive quarter, setting a new record."* (Vic Jannels, CEO of the Association of Short-Term Lenders (ASTL) in the Mortgage Gazette 21st February 2024)

KHK Capital's key to providing bridging and short-term loans is to be a lender who is both fast and flexible. Bridging calls for individual underwriting. Each case is looked at on its specific merits with a turn-around time of days if not hours. Achieving this while carrying out thorough due diligence plus providing good exit strategies for bridging borrowers is key to our success.

## FACTORS DRIVING BRIDGING LOAN MARKET GROWTH

There are many factors driving the continued and forecast robust growth of the UK bridging market. In the real estate market, demand is driven in particular by:

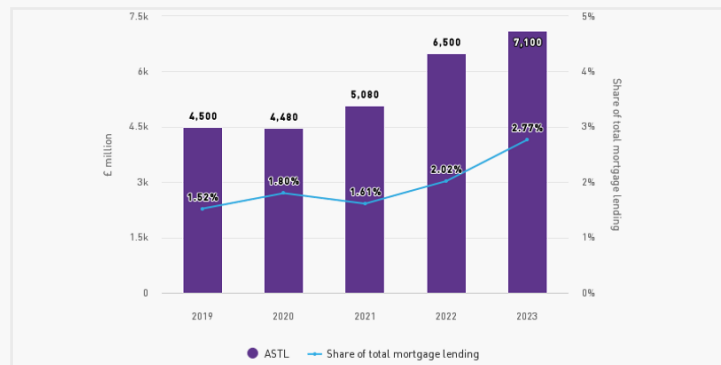
- the historic strong growth, performance and liquidity of the UK property market generally, driven by structural under-supply of property available for development
- a retreat by high street banks and mainstream lenders from financing refurbishment or development projects
- a historically strong buy-to-let market
- at governmental drive to improve planning regimes to address the under-supply of housing stock
- Bridging's share of the overall mortgage lending market has significant room to keep growing

## Bridging reaches industry-high share of total mortgage lending

Despite the industry's substantial growth over the last decade, it still accounts for a small part of the UK mortgage lending market.

However, with uncertainty around how long interest rates will rise for and as risk appetite in the mortgage market persists, more property buyers are looking at alternative finance in order to complete purchases.

As a result, bridging finance is expected to account for an industry-high 2.77% of the market by the end of 2023.



Source: MBD estimates and analysis of ASTL and UK Finance data

Read on [mintel.com](https://store.mintel.com/report/uk-bridging-loans-market-report)

CHART SOURCE: <https://store.mintel.com/report/uk-bridging-loans-market-report>

## WHO USES BRIDGING LOANS?

Originally bridging was used by individuals to fund auction purchases or to buying a home before selling their existing one. These bridging borrowers still exist but far more prolific now is its use by enterprise bridging borrowers - developers, landlords and property investors who use bridging to buy, refurbish and/or develop property. That is KHK Capital's core client base.

In addition to real estate entrepreneurs using bridging, a reduction in commercial lending by high street banks has also led to an increase in corporate businesses using short-term finance.

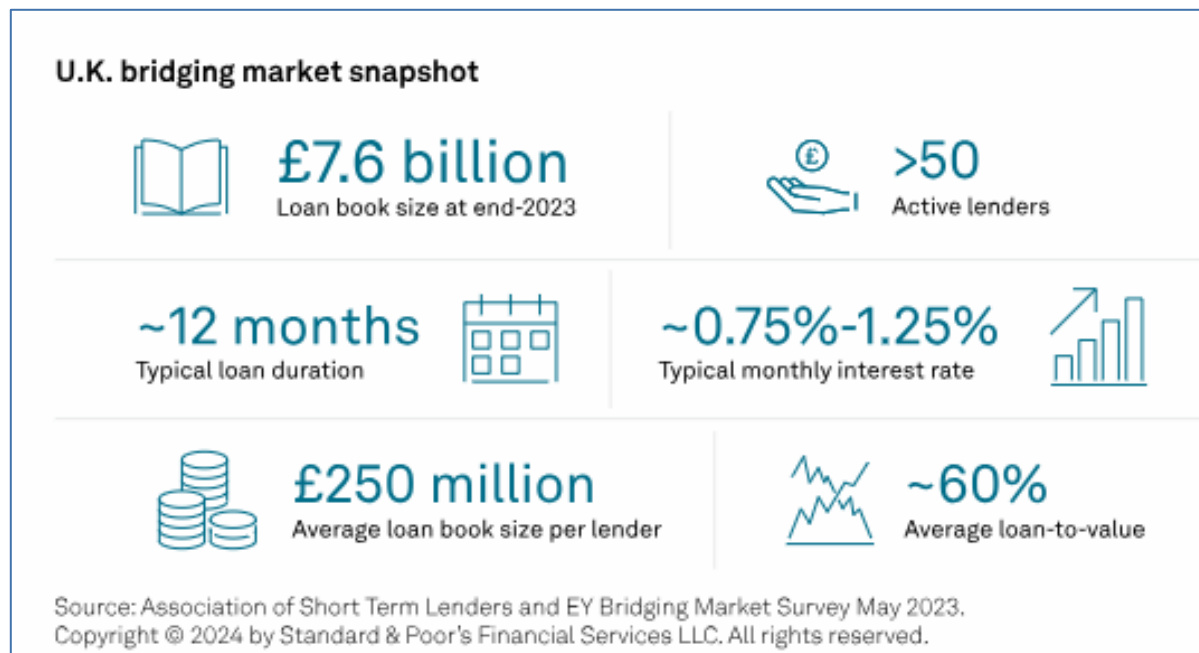
Consequently, businesses of all types, who own property, now use bridging as a fast source of additional capital, borrowing to fund business acquisition, expansion or to take advantage of other opportunities.

An EY survey conducted in March this 2023, found 66% of bridging lenders said "refurbishment" was a top 3 reason their customers gave for taking a bridge loan, 49% have "business purposes" in their top 3. Interestingly 61% have "mortgage delays" as a top 3 reason - up from 45% in 2020.

So bridging is increasingly a first-choice option, meeting a very specific need of the business community.

The bridging market now bears little resemblance to that of ten years ago. In a 2019 survey by the EY Financial Services Corporate Finance team, 79% of lenders surveyed believe the market size to be more than £3 billion with 29% estimating it to be over £5 billion. The actual size of the bridging market cannot be measured as it comprises many smaller lenders across the country with no formal register of who is lending. The market has continued to grow and in March 2024, Standard & Poor's presented the following snapshot:





Source: <https://www.spglobal.com/ratings/en/research/articles/240320-credit-faq-abs-frontiers-u-k-bridging-loan-rmbs-explained-13036557>

The Association of Short-Term Lenders has played a big part in the growing respectability of bridging which in turn grows the market for bridging borrowers. While there were always reputable bridging lenders, the ASTL's Code of Conduct and Values Charter has helped raise standards across its membership and in turn across the market. KHK Capital's lending policy and operational policy suite are consistent with ASTL guidelines.

## UNDERSTANDING THE UNDERLYING BORROWER AND EXIT ROUTES

Exit routes for a bridging borrower are just as important as their ability to make monthly repayments. Bridging loans are similar to interest-only mortgages, with the entire sum paid off at the end, although with a much shorter term of (typically) 3 and 24 months. When evaluating a loan the key issue for all bridge lenders is whether the how funds will be repaid within that set time. i.e. the exit strategy.

When evaluating a bridging borrower for a loan it is critical to understand the bridging borrower's sector.

For example with respect to real estate, at KHK Capital we make sure that we know up-front, the likelihood of the bridging borrower obtaining a longer-term mortgage or sale. We know this because we are close to the market and know and understand the underwriting policies of most mainstream lenders and we track the predicted movement of property prices in the region in which our proposed bridging borrower operates. Among the decades of industry experience in our team is many years of history in the mainstream mortgage and BTL brokerage market – a key exit route for many loans.

We also get to know the bridging borrowers well and understand whether they are intending to refinance our loan or to sell the underlying assets.

For example, developers often buy a property in a state of disrepair, or one to adapt into flats or a house of multiple occupation, then refinance our loan with a buy-to-let mortgage and rent the properties. Other property investors plan to sell the property once work has been completed. Evaluating the bridging borrower's prospects of success and the requested borrowing is how we decide to make a loan or not.

One of KHK Capital's USP's is the very high percentage of repeat-bridging borrower clients. So we often know the professional history of our clients first hand.

## REGULATED AND UNREGULATED BRIDGING LOANS

KHK does not operate in the regulated "consumer" bridging loan market, our loans are all for business purposes only. This means we can enforce on our security by statutory power (under section 101 of Law of property Act 1925) without the need of any court order. This makes the underlying security of our Loan Book far more liquid.

All Bridging made by KHK Capital are not subject to FCA regulations.

## KEY ATTRIBUTES OF BRIDGE LOANS

The number of providers in the UK market ensures that there is product differentiation available to the discerning user of a bridging facility. Nevertheless, typically there will remain some constant, defining features as follows:

1. single bullet repayment at maturity;
2. interest either rolled up and paid at maturity or deducted from the initial advance;
3. fast offer and execution of facilities by providers;
4. facility term typically 3-12 months;
5. significant penalties for stretching beyond the stated facility term;
6. simple and non-subjective underwriting criteria; and
7. loan to value ("LTV") of 70% or less.

## UNDERWRITING

Underwriting tends to be very focussed on two key considerations –

1. valuation and LTV, and
2. exit from the loan.

## VALUATION AND LTV

Most lenders, including KHK Capital, will employ the services of an RICS qualified professional valuation agent for the valuation of property assets. Some of the larger and more established providers will have in-house functionality to perform this service, although this is relatively rare as lenders will generally feel more comfortable having the ability to rely on a third party's professional indemnity insurance cover.

The majority of lenders will focus in on 70% LTV as being their maximum level of advance, although competition and innovation in the market is driving some higher LTV figures. (*EY – UK bridging market study; A view for 2018 and beyond*), although Bridging Trends, a quarterly publication

published by bridging lender MT Finance Limited, recently reported that this figure had grown across their member businesses to 57% for Q4 2018 (Bridging Trends).

## **FACILITY EXIT**

Typically, exit from a bridging facility will be facilitated either by a sale of the asset or a refinancing, often with the benefit of an enhanced value. The lender will normally be able to monitor the bridging borrower's progress towards a timely exit.

## DESCRIPTION OF THE ISSUER

### General

MTN Funding PLC (the “**Issuer**”) was incorporated in England and Wales (registered number 12474989) on 20 February 2020 as a public limited company under the Companies Act 2006. The Issuer's registered office is Ground Floor, 45 Pall Mall, London, United Kingdom, SW1Y 5JG. The legislation under which the Issuer operates is the Companies Act 2006.

The Issuer's Legal Entity Identifier Code (“**LEI**”) is 213800XZU1R7P56TAN43.

### Principal Activities

The Issuer's objects and purposes are unrestricted. The Issuer is a special purpose company and was established to raise money for inter alia the purposes set out in this Investment Memorandum, to enter into the transactions set out herein and to issue secured securities.

There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

### Directors and Secretary

The directors and secretary of the Issuer and their other principal activities are:

Name	Position in the Issuer
Kevin Richard Haines	Director
Truva Directors 1 Limited	Director
Truva Directors 2 Limited	Director
Truva Corporate Administration Limited	Company Secretary

There are no potential conflicts of interest between the private interests or other duties to third parties of the directors of the Issuer and their duties to the Issuer.

### Corporate Governance

The Issuer will adopt corporate governance policies which comply with the UK Corporate Governance Code and the UK Market Abuse Regulation. The Issuer is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council in May 2010 and which is publicly available on their website at [www.frc.org.uk](http://www.frc.org.uk).

## **Financial Information**

The Issuer has published audited financial statements for the period to 28 February 2023. The Issuer also intends to publish its audited financial statements in respect of the period ending on 29 February 2024 on or about 30 August 2024.

Reports and accounts published by the Issuer will, when published, be available for inspection during normal office hours at its business address set out above or upon request made to such office.

The Issuer has appointed Hillier Hopkins LLP, (Company number OC303707) of 45 Pall Mall, London SW1Y 5JG as its auditors. Hillier Hopkins LLP is a member of the Institute of Chartered Accountants in England and Wales.

## **Conflict of Interest**

The Directors hereby confirm that there are no current conflicts of interest in respect of the Issuer or the issuance, and they are not aware of any potential conflicts of interest that will arise in the future. None of the Directors of the Issuer have an interest (beneficial or otherwise) in any existing note or bond issued by the Issuer.

## DESCRIPTION OF THE BORROWER

### General

KHK Capital Limited (the “**Borrower**” or “**KHK Capital**”) was incorporated in England and Wales (10482158) on 16 November 2016. The Borrower's registered office is Address is 7 Stratford Place, London, England, W1C 1AY.

### Principal Activities

The Borrower provides short-term, property-secured loans to property professionals, and others, for business purposes. KHK Capital’s clients typically use funds to refurbish or develop the properties, then sell or refinance with a bank mortgage.

### Financial Information

Reports and accounts published by KHK Capital will, when published, be available for inspection during normal office hours at its business address set out above or upon request made to such office.

KHK Capital publishes fully audited accounts, audited by Moore Kingston Smith, each year and a summary of the audited accounts for the group is at Appendix 3.

# APPENDIX

## APPENDIX 1: LENDING CRITERIA OF KHK CAPITAL

### Introduction

This appendix sets out criteria applied by KHK Capital to assess property-backed loans which it originates.

### Regulatory Compliance

KHK Capital does not offer regulated loans (as defined in Section 8 of the Consumer Credit Act 1974). KHK Capital will seek to ensure that none of our loans fall under regulatory protection.

### Purpose & Exit Strategy

As a responsible lender, KHK Capital aims to understand a sensible commercial purpose for all loans, as well as a plausible plan for timely repayment.

### Security, Valuation & Loan to Value (“LTV”)

KHK Capital obtains a written valuation report of any potential loan security. The valuation is conducted by an appropriate, valuer, recognised by RICS, with appropriate Professional Indemnity Insurance. The valuer will give a general report on the property including their opinion of the **Open Market Value (“OMV”)** of the property. Where the bridging borrower proposes to develop the property, the valuer will also offer an opinion of the **Gross Development Value (“GDV”)** – the value of the property once development work is complete.

The total liability set out in the loan will never exceed **75%** of the value of the security over either the OMV or GDV of the relevant property (75% “LTV”).

### LTV Limits – Detailed guidance

PRODUCT	MAX Loan to OMV	MAX Loan to GDV
Bridging Loan	75%	N/A
Development – Light Refurb	75%	75%
Development – Moderate Refurb	70%	70%
Development – Heavy Refurb	70%	65%

**Bridging Loan:** A loan where the total repair and development budget is less than or equal to 10% of the “OMV” value. For the avoidance of doubt, bridging loans include loans with no repair or development budget.

**Development Loan:** A loan where the total repair and development budget is more than 10% of the loan amount.

**Light Refurbishment:** Refurbishment budget or total build cost is less than or equal to 50% of “OMV”



value.

**Moderate Refurbishment:** Refurbishment budget or total build cost is less than or equal to 100% of “OMV” value and does not qualify under Light Refurb above.

**Heavy Refurbishment:** Refurbishment budget or total build cost (inclusive of professional fees) is greater than or equal to 100% of “OMV” value and the property does not qualify under Light or Moderate Refurb above.

**Loan to “OMV” Value:** Initial loan amount at the origination date inclusive of rolled interest through maturity divided by the “OMV”.

**Loan to “GDV” Value:** Maximum loan amount inclusive of rolled interest through maturity (including the maximum amount permitted to be funded in respect of future drawdowns) divided by “GDV” appraised value.

## Permitted Loan Terms

The following table describes the terms of eligible loans

<b>Borrower</b>	Either (i) UK legal resident(s) or (ii) limited companies (companies registered and trading in jurisdictions other than England and Wales are permitted with a local legal opinion). Borrowers and guarantors must be at least 18 years of age.
<b>Lien</b>	First, second or equitable charge on the primary collateral and a debenture if the bridging borrower is a limited company.
<b>Loan Type</b>	Unregulated loans. Loans may be structured with either (i) a single advance at closing or (ii) an advance at closing with additional refurb drawdowns over time. Interest payments may be rolled, retained or serviced. Loan documents must be in a form approved by KHK Capital and closed by a solicitor approved by KHK Capital.
<b>Term</b>	Three months up to 24 months.
<b>Permitted Collateral</b>	One or more properties which meet the Property Requirements (as set out below).
<b>Guarantor</b>	If the bridging borrower is a limited company, a full recourse guarantee by one or more individual(s) which in aggregate own at least 51% of the shares is required.
<b>Interest Rate Type</b>	Fixed Rate
<b>Minimum Loan Size</b>	£50,000
<b>Maximum Loan Size</b>	£5,000,000
<b>Minimum Property Value</b>	£100,000

## Property Requirements

Only properties located in England & Wales will be considered eligible.

Eligible property types include the following:

- Residential properties
- Multi-unit residential properties or houses in multiple occupation (up to ten units/rooms, the property value must be at least £100,000; more than ten units/rooms the value must be at least the greater of £100,000 or £7,500 per unit)
- Mixed use properties (Residential space is more than 50% of the property square footage). The per unit value of the residential space must conform with the multi-unit limits above)
- Commercial property where the bridging borrower has obtained or intends to obtain planning to convert the use to a permitted use as set forth above

The following property types are NOT eligible for financing:

- Shared ownership property
- Properties subject to agriculture or other planning restrictions, restrictions relating to sale or occupancy, notice of mineral extraction contaminated land or previous mining subsidence or landfill
- Properties being purchased under the Right to Buy Scheme or Housing Association Scheme
- Subject to a pre-emption clause
- Flying freeholds
- Working farms

## Title Requirements

Prior to making a loan, a solicitor approved by KHK Capital must carry out in relation to the property all investigations, searches, and other actions customarily undertaken when lending to an individual or limited company on real estate collateral of this type.

The following title requirements are applicable to loans as reflected on the title report prepared by the solicitor:

- Good and marketable title free of any encumbrance.
- Freehold or leasehold properties are permitted (subject to a minimum of 70 years of unexpired term at the commencement of the mortgage).
- Each property must have adequate rights of access to public utilities and public rights of way.

## Valuation

Accurate valuations are critical to the underwriting process. Lenders must obtain a current (within six months of closing) valuation report to determine the property value and the suitability of the property for mortgage purposes which meets the following guidelines:

- Valuations must include an “OMV” and, if the loan allows for future funding, a “GDV” sale value which is based upon the budget and scope of work, in each case based on an open market sale.
- Investment valuations are required for multi-unit residential and HMOs in each case with more than four tenants as well as for all mixed-use properties.
- Commercial property OMV valuations where the bridging borrower intends to obtain planning consent to convert to residential must be based on the existing use.

Valuations must be ordered by the lender or by another licensed lending institution which is independent of the bridging borrower from a MRICS surveyor. In no event are valuations ordered by bridging borrowers/guarantors or provided by vendors selected by the bridging borrower/guarantor acceptable.

## **Refurbishment Budget/Build Cost**

If the loan is a Development Loan, the bridging borrower must submit a budget for each property containing the scope and expected cost of the planned work to be done.

- The scope of the budget must be sufficient to enable the collateral to qualify for eligibility for a conventional refinancing, upon completion of the budgeted scope of work.
- The budgeted scope of work and total cost are consistent with the property condition as reflected in the interior property photos and valuation commentary and inspection.
- The total project cost provides the bridging borrower a market-based profit margin assuming the property is sold at the property’s “GDV” value (if available) or estimated sale price (otherwise).

## **Property Insurance Requirements**

Each property must be insured by an index-linked building insurance policy with coverage for hazards as are customary in the area where each property is located, in an amount not less than the rebuilding cost of the property. All policies may only contain standard exclusions and customary excesses. For leasehold properties, the freeholders may already have adequate cover in force under the lease.

## **Exceptions**

Certain exceptions may be made to the policies if signed off by a Director. These are as follows:

- Where there is ample equity in the property, KHK Capital may consider waiving a personal guarantee.
- Where there is ample equity in the property, KHK Capital may consider waiving a formal valuation and relying on KHK Capital’s own assessment of the value.
- Minor defects or encumbrances with the title, or leases shorter than 70 years, may be accepted where risks are mitigated and/or appropriate insurance policies are in place.
- Any other exception which the Directors deem appropriate, in line with the aim of creating a portfolio of short-term property-backed loans on sensible terms, judged at Directors discretion.

## APPENDIX 2: OPERATIONAL POLICIES KHK CAPITAL

This section contains specifically those operational policies created for the protection and satisfaction of KHK Secured Bondholders and KHK Loan Noteholders. KHK Capital's full schedule of policies is available upon request.

### 1. Transparency

Important documents will be made available to KHK Secured Bondholders and KHK Loan Noteholders upon request. These include:

- Details of all investments (some details may be redacted for Privacy & Data Protection)
- Annual Accounts and recent Management Accounts of KHK Capital

### 2. Expenses and profits

Most of the administrative costs of completing a loan are covered by the end Borrowers, who expect to pay lenders' legal, administrative and valuation costs. As a result, KHK Capital's costs can be well-contained

The three directors take regular stipends totalling £7k per month. The board may review this periodically. Directors' total stipends will not be increased in excess 1% of Assets Under Management nor in excess of 35% of Gross Profit.

The Directors (being also the shareholders) may also award themselves additional service payments, dividends or carry out share buy-backs at their discretion, subject always to maintaining an equity cushion of not less than 5% of total balance sheet loans.

### 3. Loan Delinquencies; Asset Impairment; Equity Shortfall

A loan will be considered Non-Performing if any due payment (whether interest, capital or fees) has not been received by KHK Capital within 60 days of becoming due. As Loan Manager, KHK Capital will use its discretion to maximise recovery of Non-Performing Loans. This will normally involve the appointment of a receiver and the prompt sale of any property security, plus the pursuit of any additional securities (debentures and personal guarantees).

For the purposes of maintaining a proper equity cushion, a Non-Performing Loan will be treated as impaired if the total liability is in excess of 90% of the value of any property security. Pursuant to this, KHK Capital will use its judgement to revalue the security of a Non-Performing Loan and may request a refreshed valuation from an independent valuer. Impaired loans will then be treated as being worth no more than 90% of the property security value, and KHK Capital's equity requirement increased accordingly.

If KHK Capital's equity falls below 5% of KHK Capital's total balance sheet loans for any reason, the Directors will immediately cease any additional service payments, dividends and share buybacks. If the deficiency persists for more than 60 days, KHK Capital will inform all KHK Secured Bondholders and KHK Loan Noteholders in writing as soon as reasonably possible. Should KHK Secured Bondholders and KHK Loan Noteholders wish to redeem their KHK Secured Bonds or KHK Loan Notes (as the case may be) early on account of an equity deficiency, KHK Capital will require only the repayment notice period of three months (meaning, for the KHK Loan Notes that have a minimum term of six months, that such minimum term will be waived).

## APPENDIX 3: CAPITAL STRUCTURE AND ACCOUNTS OF KHK CAPITAL

The **KHK Secured Bond** will form part of a pool of funds which KHK Capital will use for property-backed lending. The pool of funds comprises the following:

1. Senior Funds provided by institutional lenders (banks and others) which will typically comprise 65-85% of the total lend.
2. At least 5% of the total lend will be funded by the Directors, either by way of their equity holding in KHK Capital\*<sup>1</sup> or otherwise.
3. The balance of the lend will be financed from the KHK Secured Bond and the KHK Loan Notes.

### Example – Consider:

- **A £100M pool** of first-charge property loans.
- Average Loan-To-Value of 65%.
- Institutional funding of 75% of the loan book.

In this example,

- £75M of funds are provided by institutions, who will be senior creditors.
- At least £5M of funds are provided by the Directors as a first-loss equity cushion.
- Up to £20M of funds are provided from the KHK Loan Notes and KHK Secured Bonds.
- **The underlying loans are secured in favour of KHK Capital by property valued at £154M.**

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<sup>1</sup> At least 5% of KHK Capital's balance sheet loan book will be financed by equity (or equivalent) which belongs only to: The Directors; their immediate families; UK corporations whose Ultimate Beneficial Owners are the Directors or their immediate families.



## **KHK Capital and Group Companies**

### **Consolidated Summary of Annual Reports and Financial Statements – YE 31 December 2023**

The Directors present a consolidated group financial report for KHK Capital Ltd and its group companies. The report should be read in conjunction with the audited Annual Report and Financial Statements for KHK Capital Ltd and its subsidiary, KHK One Ltd.

<b>Profit and Loss Account - YE 31 Dec 2023</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Turnover	7,858,759	5,435,828	2,790,381
Cost of Sales	-613,638	-348,034	-204,214
Gross Profit	7,245,121	5,087,794	2,586,167
Administrative Expenses	133,062	-600,978	-313,699
Operating Profit	7,378,183	4,486,816	2,272,468
Interest payable and similar expenses	-5,392,906	-3,134,809	-1,287,994
Profit before taxation	1,985,277	1,352,007	984,474
Tax on profit	-470,575	-265,133	-154,399
Profit for the financial year	1,514,702	1,086,874	830,075

<b>Balance Sheet - 31 Dec 2023</b>			
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Assets</b>			
Debtors (Loans)	70,400,872	47,433,959	29,742,474
Cash	1,434,589	869,801	1,150,198
<b>Total Assets</b>	<b>71,835,461</b>	<b>48,303,760</b>	<b>30,892,672</b>
<b>Liabilities</b>			
Trade creditors	-15,320	-17,271	-110,883
Tax	-510,014	-268,092	-154,399
Bank creditors	-50,006,210	-33,176,213	-21,160,117
Loan Note	-17,478,528	-11,711,497	-7,973,460
Subordinated Equity Note	-1,500,000	-1,600,000	-750,000
Retained Earnings	-2,325,377	-1,530,675	-743,801
Called up share capital	-12	-12	-12
<b>Total Liabilities</b>	<b>-71,835,461</b>	<b>-48,303,760</b>	<b>-30,892,672</b>

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*Andy Kent*  
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**Andy Kent**  
Finance Director  
KHK Capital

DocuSigned by:  
*Moore Kingston Smith LLP*  
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**Ian Matthews**  
Senior Auditor and Accountant  
Moore Kingston Smith

## PRICING SUPPLEMENT KHK GBP 9 PER CENT. BONDS

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a Person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a Person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Pricing Supplement dated 19 August 2024**

**Issue of GBP 75,000,000 KHK GBP Series 9 per cent. Secured Bonds due 2029  
under the £2,000,000,000 Secured Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Listing Particulars dated 3 April 2024 (the “**Listing Particulars**”).

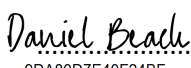
Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars. The Listing Particulars is available for viewing during normal business hours at Ground Floor, 45 Pall Mall, London, United Kingdom, SW1Y 5JG.

1.	Issuer:	MTN Funding plc
2.	(i) Series Number:	KHK GBP Series 9 per cent. Secured Bonds due 2029

	(ii) Tranche Number:	1
	(iii) Date on which the Notes become fungible:	Not Applicable
3.	Specified Currency or Currencies:	GBP
4.	Aggregate Nominal Amount:	Up to GBP 75,000,000
5.	Issue Price:	a range of 90 per cent. – 110 per cent. of the Aggregate Nominal Amount
6.	(i) Specified Denominations:	GBP 1, provided that the minimum amount of Notes that an investor can subscribe for is an amount equivalent to EUR 100,000 in accordance with Article 4(d) of the Prospectus Regulation
	(ii) Calculation Amount:	100,000
7.	(i) Issue Date:	19 August 2024
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	19 August 2029
9.	Interest Basis:	9.00 per cent. Fixed Rate
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Put Option applicable, subject to a cap of 20 per cent. of the Aggregate Nominal Amount outstanding per quarter and any additional amounts as may be permitted by the Issuer
		Call Option applicable
13.	Date Board approval for issuance of Notes obtained:	15 August 2024
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>		
14.	Fixed Rate Note Provisions	Applicable
	(i) Rate of Interest:	9.00 per cent. per annum payable in arrears on each Interest Payment Date



	(ii) Interest Payment Date(s):	19 November, 19 February, 19 May and 19 August in each year up to and including the Maturity Date
	(iii) Fixed Coupon Amount:	2250 per Calculation Amount
	(iv) Day Count Fraction:	30E/360
15.	Floating Rate Note Provisions	Not Applicable
16.	Zero Coupon Note Provisions	Not Applicable
<b>PROVISIONS RELATING TO REDEMPTION</b>		
17.	Call Option	Applicable
	(i) Optional Redemption Date(s):	Any Business Day
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	100,000 per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	10,000 per Calculation Amount
	(b) Maximum Redemption Amount	100,000 per Calculation Amount
	(iv) Notice period:	3 Months
18.	Put Option	Applicable, subject to a cap of 20 per cent. of the Aggregate Nominal Amount outstanding per quarter and any additional amounts as may be permitted by the Issuer
	(i) Optional Redemption Date(s):	Any Business Day
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	100,000 per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount	10,000 per Calculation Amount
	(b) Maximum Redemption Amount	100,000 per Calculation Amount
	(iv) Notice period:	3 Months
19.	Final Redemption Amount of each Note	100,000 per Calculation Amount

20.	Early Redemption Amount of each Note	100,000 per Calculation Amount
21.	Early Termination Amount of each Note	100,000 per Calculation Amount
<b>GENERAL PROVISIONS APPLICABLE TO THE NOTES</b>		
22.	Form of Notes:	Notes in bearer form deposited with the Common Depositary for the Clearing System.
23.	Eurosystem Eligibility:	No
24.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
<b>THIRD PARTY INFORMATION</b>		
Not applicable		
<p>Signed on behalf of MTN Funding plc:</p> <p>Signed by:</p> <p>By: .....</p> <p>9DA80D7E40F24BF...</p> <p>Duly authorised</p>		

**PART B – OTHER INFORMATION**

1.	(i) Listing and admission to trading	Application has been made to the Frankfurt Stock Exchange by the Issuer (or on its behalf) for the Notes to be admitted to the trading on the unregulated open market ( <i>Freiverkehr</i> ) of the Frankfurt Stock Exchange with effect from on or about the Issue date.
	(ii) Listing Agent	Wolfgang Steubing AG
	(iii) Estimated total expenses related to admission to trading:	EUR 13,000 for year 1, EUR 500 thereafter
2.	Ratings	The Notes to be issued are not rated
3.	Interests of natural and legal Persons involved in the issue/offer	Save as discussed in " <i>Subscription and Sale</i> ", so far as the Issuer is aware, no Person involved in the offer of the Notes has an interest material to the offer.

4.	Fixed Rate Notes only – Yield	
	Indication of Yield:	9.00 per cent
5.	Operational information	
	ISIN code:	CH1161139923
	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	SIX SIS AG, Baslerstrasse 100, CH-4600 Olten, Switzerland
	Intended to be held in a manner which would allow eurosystem eligibility:	No
6.	Distribution	
	U.S. selling restrictions:	Regulation S Compliance Category 2
	Details of Settlement Agent:	ISP Securities LTD of Höschgasse 45, P.O Box, 8008 Zurich, Switzerland
7.	Name and address of any paying agents and depositary agents:	ISP Securities LTD of Höschgasse 45, P.O Box, 8008 Zurich, Switzerland
8.	Name and address of any Distributor:	Not Applicable

## PRICING SUPPLEMENT KHK EUR 8 PER CENT. BONDS

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a Person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For these purposes, a retail investor means a Person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**Pricing Supplement dated 15 August 2024**

**Issue of EUR 75,000,000 KHK EUR 8 per cent. Secured Bonds due 2029  
under the £2,000,000,000 Secured Medium Term Note Programme**

### PART A – CONTRACTUAL TERMS

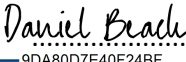
Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Listing Particulars dated 3 April 2024 (the “**Listing Particulars**”).

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars. The Listing Particulars is available for viewing during normal business hours at Ground Floor, 45 Pall Mall, London, United Kingdom, SW1Y 5JG.

1.	Issuer:	MTN Funding plc
2.	(i) Series Number:	KHK EUR 8 per cent. Secured Bonds due 2029

	(ii) Tranche Number:	1
	(iii) Date on which the Notes become fungible:	Not Applicable
3.	Specified Currency or Currencies:	EUR
4.	Aggregate Nominal Amount:	Up to EUR 75,000,000
5.	Issue Price:	a range of 90 per cent. – 110 per cent. of the Aggregate Nominal Amount
6.	(i) Specified Denominations:	EUR 1, provided that the minimum amount of Notes that an investor can subscribe for is EUR 100,000 in accordance with Article 4(d) of the Prospectus Regulation
	(ii) Calculation Amount:	100,000
7.	(i) Issue Date:	19 August 2024
	(ii) Interest Commencement Date:	Issue Date
8.	Maturity Date:	19 August 2029
9.	Interest Basis:	8.00 per cent. Fixed Rate
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Put Option applicable, subject to a cap of 20 per cent. of the Aggregate Nominal Amount outstanding per quarter except as otherwise permitted by the Issuer
		Call Option applicable
13.	Date Board approval for issuance of Notes obtained:	15 August 2024
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>		
14.	Fixed Rate Note Provisions	Applicable
	(i) Rate of Interest:	8.00 per cent. per annum payable in arrears on each Interest Payment Date
	(ii) Interest Payment Date(s):	19 November, 19 February, 19 May and 19 August in each year up to and including the Maturity Date
	(iii) Fixed Coupon Amount:	2000 per Calculation Amount

	(iv) Day Count Fraction:	30E/360
15.	Floating Rate Note Provisions	Not Applicable
16.	Zero Coupon Note Provisions	Not Applicable
<b>PROVISIONS RELATING TO REDEMPTION</b>		
17.	Call Option	Applicable
	(i) Optional Redemption Date(s):	Any Business Day
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	100,000 per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	10,000 per Calculation Amount
	(b) Maximum Redemption Amount	100,000 per Calculation Amount
	(iv) Notice period:	3 months
18.	Put Option	Applicable, subject to a cap of 20 per cent. of the Aggregate Nominal Amount outstanding per quarter except as otherwise permitted by the Issuer
	(i) Optional Redemption Date(s):	Any Business Day
	(ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	100,000 per Calculation Amount
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount	10,000 per Calculation Amount
	(b) Maximum Redemption Amount	100,000 per Calculation Amount
	(iv) Notice period:	3 months
19.	Final Redemption Amount of each Note	100,000 per Calculation Amount
20.	Early Redemption Amount of each Note	100,000 per Calculation Amount

21.	Early Termination Amount of each Note	100,000 per Calculation Amount
<b>GENERAL PROVISIONS APPLICABLE TO THE NOTES</b>		
22.	Form of Notes:	Notes in bearer form deposited with the Common Depositary for the Clearing System.
23.	Eurosystem Eligibility:	No
24.	Additional Financial Centre(s) or other special provisions relating to payment dates:	Not Applicable
<b>THIRD PARTY INFORMATION</b>		
Not applicable		
Signed on behalf of MTN Funding plc:		
<p>Signed by:</p> <p>By: .....</p> <p>9DA80D7E40F24BF...</p>		
Duly authorised		

**PART B – OTHER INFORMATION**

1.	(i) Listing and admission to trading	Application has been made to the Frankfurt Stock Exchange by the Issuer (or on its behalf) for the Notes to be admitted to the trading on the unregulated open market ( <i>Freiverkehr</i> ) of the Frankfurt Stock Exchange with effect from on or about the Issue date.
	(ii) Listing Agent	Wolfgang Steubing AG
	(iii) Estimated total expenses related to admission to trading:	EUR 13,000 for year 1, EUR 500 thereafter
2.	Ratings	The Notes to be issued are not rated
3.	Interests of natural and legal Persons involved in the issue/offer	Save as discussed in " <i>Subscription and Sale</i> ", so far as the Issuer is aware, no Person involved in the offer of the Notes has an interest material to the offer.
4.	Fixed Rate Notes only – Yield	
	Indication of Yield:	8.00 per cent

5.	Operational information	
	ISIN code:	CH1161139915
	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s):	SIX SIS AG, Baslerstrasse 100, CH-4600 Olten, Switzerland
	Intended to be held in a manner which would allow eurosystem eligibility:	No
6.	Distribution	
	U.S. selling restrictions:	Regulation S Compliance Category 2
	Details of Settlement Agent:	ISP Securities LTD of Höschgasse 45, P.O Box, 8008 Zurich, Switzerland
7.	Name and address of any paying agents and depositary agents:	ISP Securities LTD of Höschgasse 45, P.O Box, 8008 Zurich, Switzerland
8.	Name and address of any Distributor:	Not Applicable



## TERMS AND CONDITIONS OF THE KHK SECURED BONDS

This section reproduces the terms and conditions of the notes issued under the £2,000,000,000 secured medium term note programme of MTN Funding plc dated 9 March 2020 which shall apply to the KHK Bonds, as completed and supplemented by the pricing supplements. References to “Notes” are to be construed as references to the KHK Secured Bonds.

The following is the text of the terms and conditions which, as completed by the relevant Pricing Supplement, will apply to each Note issued in bearer form and deposited with the Common Depositary for the Clearing System (the “**Notes**”). Unless required by law, no physical notes will be issued. Noteholders have no right to receive physical notes. The Notes are transferable in accordance with the applicable laws and any applicable rules and procedures of the Clearing System.

The Notes will be Deposited with a common safekeeper for SIX SIS AG, Baslerstrasse 100, CH-4600 Olten, Switzerland

### 1. INTRODUCTION

- (a) Note Programme: MTN Funding PLC (the “**Issuer**”) has established a Secured Medium Term Note Programme (the “**Note Programme**”) for the issuance of notes (the “**Notes**”).
- (b) Pricing Supplement: Notes issued under the Note Programme are issued in series (each a “**Series**”) and each Series may comprise one or more tranches (each a “**Tranche**”) of Notes. Each Tranche is the subject of a Pricing Supplement (the “**Pricing Supplement**”) which completes these terms and conditions (the “**Conditions**”). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) Trust Deed: The Notes are constituted by, are subject to, and have the benefit of, a trust deed made with effect from 9 March 2020 (as amended or supplemented from time to time, the “**Trust Deed**”) between the Issuer and Truva Services Limited (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (d) Deed of Appointment: Truva Trust Corporation Plc (the “**Co-Trustee**”) will act as co-trustee pursuant to a deed of appointment of additional trustee made between the Issuer, the Trustee and the “**Co-Trustee**” dated 16 February 2024 (the “**Deed of Appointment**”). The Co-Trustee has agreed to act as an additional trustee of the trusts created pursuant to the Trust Deed and to remain in place as trustee from the date of the Deed of Appointment and has accepted its appointment as additional trustee under the Trust Deed and the other Transaction Documents, agreeing to assume with effect from and including the date of the Deed of Appointment all the benefits, powers, liabilities, rights and obligations in its capacity as trustee under each of the Transaction Documents. In these Conditions, and reference to “**Trustee**” shall include the Co-Trustee, unless explicitly specified.
- (e) Deed of Charge: Under a deed of charge made with effect from 9 March 2020 between the Issuer and the Trustee (as amended or supplemented from time to time, the

**“Issuer Deed of Charge”**), the obligations of the Issuer under the Notes of a Series will be secured in favour of the Trustee (for the benefit of the Noteholders and the Issuer Secured Creditors (as defined below) in respect of such Series) by a fixed first priority charge over all of its rights in respect of the Secured Assets and the Transaction Documents to the extent that they relate to such Series and, where applicable, over any segregated bank accounts opened by the Issuer in respect of such Series.

- (f) **Intercreditor Deed:** The Notes have the benefit of an intercreditor deed dated 9 March 2020 between the Issuer and the Trustee (as amended or supplemented from time to time, the **“Intercreditor Deed”**).
- (g) **Agency Agreement:** The Notes are the subject of a paying agency agreement, entered into with effect from 4 July 2023 (each as amended or supplemented from time to time and, together, the **“Agency Agreement”**) between the Issuer and ISP Securities LTD of Höschgasse 45, P.O Box, 8008 Zurich, Switzerland as paying agent (the **“Paying Agent”**, which expression includes any successor Paying Agent appointed from time to time in connection with the Notes).
- (h) **Issuer Administration Agreement:** The Issuer has entered into an issuer administration agreement (as amended and/or supplemented and/or restated from time to time, the **“Issuer Administration Agreement”**) dated 3 March 2020 and made between the Issuer, Truva Services Limited as issuer administrator (the **“Issuer Administrator”**) which expression shall include any successor issuer administrator) and the Trustee.
- (i) **Servicer Agreement:** The Notes are the subject of a Servicer Agreement (as modified and/or supplemented and/or restated from time to time, the **“Servicer Agreement”**) dated 8 February 2024 and made between the Issuer and Truva Corporate Administration Limited as servicer (the **“Servicer”**, which expression shall include any successor servicer). In these Conditions references to the **“Agents”** are to the Paying Agents, the Servicer, the Issuer Administrator and the Calculation Agent and any reference to an **“Agent”** is to any one of them.
- (j) **The Notes:** The Notes will be issued electronic and unregistered bearer form. and will be deposited on behalf of the subscribers of the Notes with a common depositary (the **“Common Depositary”**) for the Clearing System on or about the Issuer Date All subsequent references in these Conditions to “Notes” are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at the registered office of the Trustee.
- (k) **Summaries:** Certain provisions of these Conditions are summaries of the Trust Deed and the Security Agency Agreement and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any (the **“Couponholders”** and the **“Coupons”** respectively) are bound by and are deemed to have notice of and are entitled to the benefit of, all the provisions of the Trust Deed and the Security Agency Agreement applicable to them. Copies of the Trust Deed and the Security Agency Agreement are available upon request by Noteholders during normal business hours by contacting the Trustee via email at [info@truvacorp.com](mailto:info@truvacorp.com). The Trustee acts for the benefit of the Noteholders and the Couponholders in accordance with the provisions of the Trust Deed.

## 2. DEFINITIONS AND INTERPRETATION

- (a) Definitions

In these Conditions the following expressions have the following meanings:

**“€STR”** means the euro short-term rate calculated by the European Central Bank reflecting the wholesale euro unsecured overnight borrowing costs of banks located in the euro area;

**“Accrual Yield”** has the meaning given in the relevant Pricing Supplement;

**“Account Bank”** means Barclays Bank or any successor account bank;

**“Account Bank Agreement”** means the account bank and services agreement dated on or about the date of this document between the Issuer, the Trustee and the Account Bank;

**“Additional Business Centre(s)”** means the city or cities specified as such in the relevant Pricing Supplement;

**“Additional Financial Centre(s)”** means the city or cities specified as such in the relevant Pricing Supplement;

**“Borrower”** means each borrower party to a Borrower Loan Agreement;

**“Borrower Deed of Charge”** means each deed of charge entered into between the Issuer and a Borrower under which the obligations of each Borrower in respect of a Borrower Loan will be secured in favour of the Issuer;

**“Borrower Loan”** means a loan advanced by the Issuer to a Borrower pursuant to a Borrower Loan Agreement;

**“Borrower Loan Agreement”** means each loan agreement entered into between the Issuer and a Borrower;

**“Business Day”** means:

- (i) in relation to any sum payable in euro, a day on which c banks are open for business and settlement in Luxembourg and Switzerland (excluding Saturdays, Sundays and public holidays); and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**“Business Day Convention”** in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **“Following Business Day Convention”** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **“Modified Following Business Day Convention”** or **“Modified Business Day Convention”** means that the relevant date shall be postponed to the first

following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

- (iii) **“Preceding Business Day Convention”** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **“FRN Convention”, “Floating Rate Convention” or “Eurodollar Convention”** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **“No Adjustment”** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**“Calculation Agent”** means Truva Corporate Administration Limited or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

**“Calculation Amount”** has the meaning given in the relevant Pricing Supplement;

**“Clearing System”** means SIX SIS AG, Baslerstrasse 100, CH-4600 Olten, Switzerland or any other clearing system;

**“Collateral Account”** means, in respect of a Series, each and any account of the Issuer opened for such Series or any replacement therefor;

**“Day Count Fraction”** means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (i) if **“Actual/Actual (ICMA)”** is so specified, means:
  - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

- (B) where the Calculation Period is longer than one Regular Period, the sum of:
- (I) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (II) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (C) if “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (D) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (E) if “**Actual/365 (Sterling)**” is so specified, means the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (F) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (G) if “**30/360**” is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = [360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)$$

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360

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M2**” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“**D1**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30”;

**provided, however, that** in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

**“Early Redemption Amount”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**“Early Termination Amount”** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

**“EURIBOR”** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

**“euro”** means the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended;

**“Event of Default”** means an event described in Condition 14 (Events of Default);

**“Extraordinary Resolution”** has the meaning given in the Trust Deed;

**“Fallback Bond”** means, in relation to an Inflation Index applicable to an Inflation Linked Note, a bond selected by the Calculation Agent and issued by the government or one of the governments (but not any government agency) of the country (or countries) to whose level of Inflation the Inflation Index relates and which pays a coupon and/or redemption amount which is calculated by reference to the Inflation Index, with a maturity date which falls on the same day as the Maturity Date of the Inflation Linked Notes, or such other date as the Calculation Agent shall select if there is no such bond maturing on the Maturity Date of the Inflation Linked Notes. If any bond so selected is redeemed, the Calculation Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond is redeemed (including any bond for which the redeemed bond is exchanged);

**“Final Redemption Amount”** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

**“Financial Collateral Assets”** means financial assets including, without limitation, (a) cash and (b) debt securities;

**“First Interest Payment Date”** means the date specified in the relevant Pricing Supplement;

**“Fitch”** means Fitch Ratings, Inc. or any of its affiliates or successors providing rating services;

**“Fixed Coupon Amount”** has the meaning given in the relevant Pricing Supplement;

**“Indebtedness”** means any indebtedness for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**“Inflation Index”** means the Inflation index specified as such in the relevant Pricing Supplement;

**“Inflation Index Sponsor”** means, in relation to an Inflation Index, the sponsor specified as such in the Pricing Supplement (being the entity that publishes or announces (directly or through an agent) the level of such Inflation Index) and any successor sponsor of such Inflation Index as determined by the Calculation Agent.

**“Inflation Linked Note”** means a Floating Rate Note in respect of which the provisions of Condition 9 (Inflation Linked Interest Note Provisions) are applicable as specified in the Pricing Supplement or a Note in respect of which the Final Redemption Type is specified as 'Inflation Linked Redemption' in the relevant Pricing Supplement;

**“Interest Amount”** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**“Interest Commencement Date”** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

**“Interest Determination Date”** has the meaning given in the relevant Pricing Supplement;

**“Interest Payment Date”** means the First Interest Payment Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is



specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**“Interest Period”** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**“ISDA Definitions”** means the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) or, if so specified in the relevant Pricing Supplement, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

**“Issue Date”** has the meaning given in the relevant Pricing Supplement;

**“Issuer Secured Creditors”** means each of:

- (i) the Noteholders;
- (ii) the Couponholders;
- (iii) the Trustee; and
- (iv) the Agents;

**“Longstop Maturity Date”** has the meaning given in Condition 24 (Limited Recourse and Non-Petition);

**“Margin”** has the meaning given in the relevant Pricing Supplement;

**“Maturity Date”** has the meaning given in the relevant Pricing Supplement;

**“Maximum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“Minimum Redemption Amount”** has the meaning given in the relevant Pricing Supplement;

**“Moody's”** means Moody's Investors Service, Inc. or any of its affiliates or successors providing rating services;

**“Noteholder”** or **“Holder”** means the person in whose name a Note is for the time being registered;

**“Optional Redemption Amount (Call)”** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;



**“Optional Redemption Amount (Put)”** means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Pricing Supplement;

**“Optional Redemption Date (Call)”** has the meaning given in the relevant Pricing Supplement;

**“Optional Redemption Date (Put)”** has the meaning given in the relevant Pricing Supplement;

**“Payment Business Day”** means:

- (i) if the currency of payment is euro, any day which is:
  - (A) a day on which banks are open for business and settlement in Luxembourg and Switzerland (excluding Saturdays, Sundays and public holidays); and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, and a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**“Put Option Notice”** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Put Option Receipt”** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

**“Redemption Amount”** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the relevant Pricing Supplement;

**“Reference Banks”** means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**“Reference Price”** has the meaning given in the relevant Pricing Supplement;

**“Reference Rate”** means EURIBOR, SONIA, SOFR or €STR as specified in the relevant Pricing Supplement in respect of the currency and period specified in the relevant Pricing Supplement;

**“Registrar”** means SIX SIS AG, Baslerstrasse 100, CH-4600, Olten, Switzerland;

**“Regular Period”** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where “Regular Date” means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**“Related Bond”** means, in relation to any Inflation Linked Notes, the bond specified as such in the Pricing Supplement or, if specified as applicable in the Pricing Supplement and if no bond is specified as the Related Bond, the Related Bond shall be the Fallback Bond. If the bond specified to be the Related Bond redeems or matures during the term of the Inflation Linked Notes, following such redemption or maturity the Related Bond shall be the Fallback Bond;

**“Relevant Date”** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**“Relevant Financial Centre”** has the meaning given in the relevant Pricing Supplement;

**“Relevant Screen Page”** means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**“Relevant Time”** has the meaning given in the relevant Pricing Supplement;

**“Reserved Matter”** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**“Secured Assets”** means the Borrower Loans, the Financial Collateral Assets and each Borrower Deed of Charge;

**“Securities Act”** means the United States Securities Act of 1933 (as amended);

**“Security”** means any Security Interest created, evidenced or conferred by or under the Trust Deed and Issuer Deed of Charge;

**“Security Interest”** means any mortgage, charge, pledge, lien or other Security Interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**“Secured Liabilities”** means all present and future moneys, debts and liabilities due, owing or incurred by the Issuer to the Issuer Secured Creditors;

**“SOFR”** means, in respect of any Business Day, a Reference Rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Fed's Website, in each case on or about 5:00 p.m. (New York City time) on the Business Day immediately following such Business Day;

**“SONIA”** means, in respect of any Business Day, a Reference Rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributor in each case on the Business Day immediately following such Business Day;

**“Specified Currency”** has the meaning given in the relevant Pricing Supplement;

**“Specified Denomination(s)”** has the meaning given in the relevant Pricing Supplement;

**“Specified Office”** means the office address of each Agent as set out in the Agency Agreement;

**“Specified Period”** has the meaning given in the relevant Pricing Supplement;

**“Standard & Poor's”** means S&P Global Ratings or any of its affiliates or successors providing rating services;

**“Subsidiary”** means, in relation to the Issuer, any company:

- (i) in which the Issuer holds a majority of the voting rights; or
- (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors; or
- (iii) of which the Issuer is a member and controls a majority of the voting rights, and includes any company which is Subsidiary of a Subsidiary of the Issuer;

**“Transaction Documents”** means the Trust Deed, the Deed of Appointment, the Issuer Deed of Charge, the Agency Agreement, the Intercreditor Deed, the Servicer Agreement, the Software Licence Agreement and the Issuer Administration Agreement;

**“US Investment Company Act”** means the United States Investment Company Act of 1940 (as amended);

**“Uncertificated Regulations”** means the Uncertificated Securities Regulations 2001 (SI2001 No. 3755) including any modification thereof for the time being in force; and

**“Zero Coupon Note”** means a Note specified as such in the relevant Pricing Supplement;

(b) Interpretation: In these Conditions:

- (A) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (B) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (Taxation), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (C) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (Taxation) and any other amount in the nature of interest payable pursuant to these Conditions;
- (D) references to Notes being “outstanding” shall be construed in accordance with the Trust Deed;
- (E) if an expression is stated in Condition 2 (Definitions) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is “not applicable” then such expression is not applicable to the Notes; and
- (F) any reference to the Trust Deed or the Agency Agreement shall be construed as a reference to the Trust Deed or the Agency Agreement, as

the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **FORM, DENOMINATION AND TITLE**

#### (a) Notes

Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

#### (b) Form of the Notes:

- (i) Each Tranche of Notes will be represented by one or more Notes in bearer form which will be deposited on behalf of the subscribers of the Notes with a common depositary (the “**Common Depositary**”) for the Clearing System on or about the Issuer Date. Title to a Note will pass by delivery. The Notes will only be exchangeable by the Noteholders for Definitive Notes if the Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so and no alternative Clearing System is available.
- (ii) For so long as any Notes are deposited with the Common Depositary for the Clearing System, interests in such Notes will be transferable in accordance with the rules and procedures for the time being of the Clearing System.

#### (c) Ownership

The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Individual Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No Person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

#### (d) Closed periods

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

### 4. **STATUS AND APPLICATION OF MONEYS**

#### (a) Status

The Notes and Coupons constitute secured obligations of the Issuer which will at all times rank pari passu and without preference among themselves.

#### (b) Application of Moneys

- (i) Prior to the occurrence of an Event of Default, all funds standing to the credit of any Collateral Account shall be applied in the following order of priority:

- (A) first, in or towards satisfaction of (x) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts incurred by the Trustee in preparing and executing the trusts and performing any obligations under the Transaction Documents; (y) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to any receiver, including in the case of either the Trustee or a receiver the costs of enforcing and/or realising any Security;
  - (B) second, in or towards satisfaction of the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to the Agents under the Transaction Documents or otherwise and any other amounts, costs, expenses, fees or other remuneration and indemnity payments (if any) by the Issuer;
  - (C) third, pro rata and *pari passu* to the Noteholders in or towards payment of or discharge of all amounts of interest then due and payable under or in respect of the Notes of that Series;
  - (D) fourth, pro rata and *pari passu* to the Noteholders in or towards payment of or discharge of all amounts of principal then due and payable under or in respect of the Notes of that Series; and
  - (E) fifth, the Issuer shall retain the balance (if any) in the Collateral Account to reimburse the Servicer for discharging fees and expenses relating to the termination of the Series on or after the Maturity Date or the Longstop Maturity Date (as the case may be).
- (c) Post Enforcement Application of Moneys
- (i) Subject to Condition 18 (Enforcement), following the occurrence of an Event of Default all funds standing to the credit of any Collateral Account shall be applied in payment, in the amounts required, in the following order of priority (in each case only if and to the extent that payments, which are either due or accrued and which may become due, of a higher priority have been made in full) and in each case together with VAT thereon (if payable) on each date that a payment falls due:
    - (A) first, in or towards satisfaction of (x) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts incurred by the Trustee in preparing and executing the trusts and performing any obligations under the Transaction Documents; (y) the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to any receiver, including in the case of either the Trustee or a receiver the costs of enforcing and/or realising any Security;
    - (B) second, in or towards satisfaction of the costs, expenses, fees or other remuneration and indemnity payments (if any) and any other amounts payable to the Agents under the Transaction Documents or otherwise and any other amounts, costs, expenses, fees or other remuneration and indemnity payments (if any) by the Issuer;
    - (C) third, pro rata and *pari passu* to the Noteholders in or towards payment of or discharge of all amounts of interest then due and payable under or in respect of the Notes of that Series;

- (D) fourth, pro rata and *pari passu* to the Noteholders in or towards payment of or discharge of all amounts of principal then due and payable under or in respect of the Notes of that Series; and
- (E) fifth, in or towards satisfaction of the reimbursement of the Servicer for discharging fees and expenses relating to the termination of the Series.

(d) Accounts

The Issuer shall, prior to the Issue Date, establish the Collateral Account for that Series.

(e) Collateral Account

The net proceeds of the issuance of the Notes of a Series and all collections on the Secured Assets will be deposited into the Collateral Account for such Series.

(f) Determination and payment of amounts

The Calculation Agent will, on the basis of a report prepared by the Servicer, calculate the amounts payable from the Collateral Account on the applicable dates as and when such amounts fall due and will notify the Issuer and the Trustee of each of such amounts.

## 5. SECURITY AND COVENANTS

(a) Grant of Security

In relation to each Series, the Trustee, the Co-Trustee, the Noteholders and the other Issuer Secured Creditors of such Series will share in the benefit of the Security granted in respect of such Series. The Security is granted by the Issuer under the Trust Deed and the Issuer Deed of Charge in the favour of the Trustee and the Co-Trustee, on trust for and on behalf of itself, the Noteholders and the other Issuer Secured Creditors on the terms of the Trust Deed and the Issuer Deed of Charge, as security for the Secured Liabilities.

(b) Security

- (i) The Security in relation to a Series comprises of the following, in each case as described further in the application Pricing Supplement for such Series:
  - (A) an assignment by way of first fixed Security of all of its right, title, benefit and interest, present and future, in, to and under each of the Transaction Documents to the extent that they relate to such Series;
  - (B) an assignment by way of first fixed Security of all of its right, title, benefit and interest, present and future, in, to and under each Borrower Loan Agreement, each Borrower Deed of Charge and each Financial Collateral Asset relating to such Series;
  - (C) a first fixed charge of all monies from time to time standing to the credit of any segregated bank account with any bank, financial institution or other Person opened in respect of such Series, together with all other rights and benefits accruing to or arising in connection with each account (including, but not limited to, entitlements to interest);

- (D) a first fixed charge of all its rights in respect of each Transaction Document, each Borrower Loan Agreement, each Borrower Deed of Charge and each Financial Collateral Asset, in each case relating to such Series, to the extent not effectively assigned under Condition 5(b)(i)(A) or (B) above; and
- (E) a floating charge of all monies from time to time standing to the credit of any segregated bank account with any bank, financial institution or other Person opened in respect of such Series, together with all other rights and benefits accruing to or arising in connection with each account (including, but not limited to, entitlements to interest) and a floating charge of all its rights in respect of each Transaction Document, each Borrower Loan Agreement, each Borrower Deed of Charge and each Financial Collateral Asset, in each case relating to such Series, in each case to the extent not effectively assigned under Condition 5(b)(i)(A) or (B) above or charged under 5(b)(i)(C) or (D) above.

## 6. **FIXED RATE NOTE PROVISIONS**

### (a) Application

This Condition 6 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

### (b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 12 (Payments) and Condition 24 (Limited Recourse and Non-Petition). Subject to Condition 24 (Limited Recourse and Non-Petition), each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (b) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Paying Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

### (c) Fixed Coupon Amount

The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

### (d) Calculation of Interest Amount

The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction



equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7. **FLOATING RATE NOTE PROVISIONS**

### (a) Application

This Condition 7 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.

### (b) Accrual of interest

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrears on each Interest Payment Date, subject as provided in Condition 12 (Payments) and Condition 24 (Limited Recourse and Non-Petition). Subject to Condition 24 (Limited Recourse and Non-Petition), each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

### (c) Screen Rate Determination

If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and determine the arithmetic mean of such quotations; and

- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) Alternative Reference Rates

- (i) If Alternative Reference Rates is specified as applicable in the relevant Pricing Supplement and notwithstanding the provisions of Condition 7(c) (Screen Rate Determination), if the Issuer (in consultation with the Calculation Agent) determines that the Reference Rate specified in the relevant Pricing Supplement has ceased to be published on the Relevant Screen Page as a result of such Reference Rate ceasing to be calculated or administered, then the following provisions shall apply:
  - (A) the Issuer shall use reasonable endeavours to appoint an independent adviser (the “**Independent Adviser**”) to determine an alternative rate (the “**Alternative Reference Rate**”) and an alternative screen page or source (the “**Alternative Relevant Screen Page**”) no later than five Business Days prior to the Interest Determination Date relating to the next Interest Period (the “**IA Determination Cut-off Date**”) for the purposes of determining the Rate of Interest applicable to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 7(d));
  - (B) the Alternative Reference Rate shall be such rate as the Independent Adviser determines has replaced the relevant Reference Rate in customary market usage for the purposes of determining floating rates of interest in respect of Eurobonds denominated in the Specified Currency, or, if the Independent Adviser determines that there is no such rate, such other rate as the Independent Adviser determines in its sole discretion is most comparable to the relevant Reference Rate, and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate;
  - (C) if the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by it fails to determine an Alternative Reference Rate and Alternative Relevant Screen Page prior to the IA Determination Cut-off Date, then the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) shall determine which (if any) rate has replaced the relevant

Reference Rate in customary market usage for purposes of determining floating rates of interest in respect of Eurobonds denominated in the Specified Currency, or, if it determines that there is no such rate, which (if any) rate is most comparable to the relevant Reference Rate, and the Alternative Reference Rate shall be the rate so determined by the Issuer and the Alternative Relevant Screen Page shall be such page of an information service as displays the Alternative Reference Rate; provided, however, that if this Condition 7(d)(i)(C) applies and the Issuer is unable to determine an Alternative Reference Rate and Alternative Relevant Screen Page prior to the Interest Determination Date relating to the next Interest Period, the Rate of Interest applicable to such Interest Period shall be equal to the sum of the Margin and the rate last determined in relation to the Notes in respect of a preceding Interest Period;

- (D) if an Alternative Reference Rate and Alternative Relevant Screen Page is determined in accordance with the preceding provisions, such Alternative Reference Rate and Alternative Relevant Screen Page shall be the Reference Rate and the Relevant Screen Page in relation to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 7(d)(i)(D));
- (E) if the Independent Adviser or, in accordance with Condition 7(d)(i)(C) above, the Issuer determines an Alternative Reference Rate in accordance with the above provisions, the Independent Adviser or the Issuer (as the case may be) may also, following consultation with the Calculation Agent, specify changes to the Relevant Time, Relevant Financial Centre, Reference Banks, Day Count Fraction, Business Day Convention, Business Days and/or Interest Determination Date applicable to the Notes, and the method for determining the Rate of Interest in relation to the Notes if the Alternative Reference Rate is not available, or fewer than the required number of rates appear, on the Alternative Relevant Screen Page at any time, in order to follow market practice in relation to the Alternative Reference Rate, and shall also specify any other changes (including to the Margin) which the Issuer, following consultation with the Independent Adviser (where appointed), determines in good faith are reasonably necessary to ensure the proper operation and comparability to the Reference Rate of the Alternative Reference Rate, which changes shall apply to the Notes for all future Interest Periods (subject to the subsequent operation of this Condition 7(d)) and, for the avoidance of doubt, the Trustee shall, at the direction and expense of the Issuer, and having received a certificate from the Issuer, signed by two Authorised Signatories, confirming that the Issuer or the Independent Adviser has made the relevant determinations in accordance with this Condition 7(d) and attaching the proposed amendments to the Conditions to effect such amendments to the Conditions together with such consequential amendments to the Trust Deed and Agency Agreement as the Trustee may deem appropriate in order to give effect to this Condition 7(d) and the Trustee shall not be liable to any Person for any consequences thereof, save as provided in the Trust Deed. No consent of the Holders of the Notes of the relevant Series or of the Holders of the Coupons appertaining thereto shall be required in connection with effecting the Alternative Reference Rate, Alternative Relevant Screen Page or such other changes, including for the execution of any documents or the taking of other steps by the Trustee, the Issuer or any of the parties to the

Agency Agreement (if required)). The Trustee shall not be obliged to agree to any amendments which in the sole opinion of the Trustee would have the effect of (A) exposing the Trustee to any liabilities 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 Trustee in the documents to which it is a party and/or these Conditions; and

- (F) the Issuer shall promptly following the determination of any Alternative Reference Rate and Alternative Relevant Screen Page give notice thereof and of any changes pursuant to Condition 7(d)(i)(E) to the Trustee, the Principal Paying Agent, the Calculation Agent and the Noteholders (in accordance with Condition 20 (Notices)).

(e) ISDA Determination

- (i) If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where “**ISDA Rate**” in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
- (B) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
- (C) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement.

(f) Maximum or Minimum Rate of Interest

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified. Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

(g) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 8. ZERO COUPON NOTE PROVISIONS

### (a) Application

This Condition 8 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.

### (b) Late payment on Zero Coupon Notes

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 9. INFLATION LINKED INTEREST NOTE PROVISIONS

### (a) Application

This Condition 9 is applicable to the Notes only in respect of the Interest Period(s) for which the Inflation Linked Interest Note provisions are specified in the relevant Pricing Supplement as being applicable.

### (b) Accrual of interest

The Notes bear interest during each Relevant Interest Period at the Rate of Interest applicable to the Relevant Interest Payment Date corresponding to such Relevant Interest Period, as determined in accordance with Condition 9(c) (Determination of Rate of Interest) below. Interest will be payable in arrears on the Interest Payment Date on which such Relevant Interest Period ends, subject as provided in Condition 12 (Payments) and Condition 24 (Limited Recourse and Non-Petition).

Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Final Redemption Amount or any other redemption amount, as the case may be, is improperly withheld or refused, in which case, provided that Inflation Linked Interest Note provisions applied on the date of such redemption, it will continue to bear interest in accordance with this Condition 9 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## (c) Determination of Rate of Interest

Subject to Condition 9(d) (Maximum or Minimum Interest Rate) below, the Rate of Interest for a Relevant Interest Payment Date will be (x) the Inflation Factor determined for such Relevant Interest Payment Date in accordance with Condition 9(e) (Inflation Factor) below, multiplied by (y) the number specified as the 'Base Index Rate' in the Pricing Supplement for such Relevant Interest Payment Date (which number may be negative) (provided that, if no such amount is specified, the Base Index Rate shall be deemed to be 1) (the “**Base Index Rate**”) and then (z) adding the 'Spread' percentage rate specified as such in the Pricing Supplement for such Relevant Interest Payment Date (which rate may be negative) (the “**Spread**”) to the product of (x) and (y).

The Rate of Interest calculation can also be expressed formulaically as:

*(Inflation Factor × Base Index Rate) + Spread*

## (d) Maximum or Minimum Interest Rate

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

## (e) Inflation Factor

The Inflation Factor shall be calculated by dividing:

- (i) the Inflation Index Level for the Reference Month specified in the Pricing Supplement as corresponding to the Relevant Interest Payment Date; by
- (ii) the Inflation Index Level for the Initial Reference Month specified in the Pricing Supplement as corresponding to the Relevant Interest Payment Date,

provided that if any Maximum Inflation Factor or Minimum Inflation Factor is specified in the relevant Pricing Supplement, then the Inflation Factor shall in no event be greater than the maximum or be less than the minimum so specified.

If any Relevant Interest Payment Date does not fall on the first calendar day of a month, and the relevant Pricing Supplement specifies that the Reference Month corresponding to such Relevant Interest Payment Date is subject to linear interpolation, the relevant Inflation Index Level for the Reference Month corresponding to such Relevant Interest Payment Date and the Initial Reference Month shall be calculated using linear interpolation between (x) the Inflation Index Level for such month and (y) the Inflation Index Level for the calendar month following such month.

## (f) Calculation of Interest Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Relevant Interest Period, calculate the “Interest Amount”. The Interest Amount payable in respect of each Note on a Relevant Interest Payment Date shall be calculated by applying the Rate of Interest to the Calculation Amount, then further multiplying such amount by the relevant Day Count

Fraction and rounding the resulting figure to the nearest sub-unit of the Settlement Currency (half a sub-unit being rounded upwards or otherwise in accordance with applicable market convention) and multiplying such rounded figure by a fraction equal to the denomination of such Note (as specified in the relevant Pricing Supplement) divided by the Calculation Amount.

For this purpose a “sub-unit” means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

If interest is required to be paid in respect of the Notes in relation to a period other than a Relevant Interest Period, then such interest shall be calculated in accordance with the above paragraph but as if reference therein to “Relevant Interest Period” were to such other period.

If the above calculation results in an amount less than zero, then the Interest Amount payable on the Relevant Interest Payment Date shall be deemed to be zero.

(g) Relevant defined terms

The following terms as used in this Condition 9 have the following meaning:

- (i) **“Initial Reference Month”** means, in respect of a Relevant Interest Payment Date, the Reference Month falling the Relevant Number of Calendar Months prior to the Reference Month specified in the Pricing Supplement as corresponding to such Relevant Interest Payment Date or, if **“Single Initial Reference Month”** is specified as applicable in the Pricing Supplement, the Reference Month specified as the Single Initial Reference Month in the Pricing Supplement.
- (ii) **“Inflation Factor”** means the fraction calculated in accordance with Condition 9(e) (Inflation Factor) above.
- (iii) **“Inflation Index”** means the index specified as such in the Pricing Supplement.
- (iv) **“Inflation Index Level”** means the level of the Inflation Index first published or announced for the relevant Reference Month, as determined by the Calculation Agent, subject to Condition 12(d) (Inflation Index Disruption Events).
- (v) **“Inflation Interest Determination Date”** means the day falling 5 Business Days prior to a Relevant Interest Payment Date.
- (vi) **“Rate of Interest”** means, in relation to any Relevant Interest Period, the percentage rate of interest per annum applicable to such Relevant Interest Period, calculated in accordance with Condition 9(c) (Determination of Rate of Interest) above.
- (vii) **“Reference Month”** means the calendar month for which the level of the Inflation Index was reported, regardless of when this information is published or amended. If the period for which the Inflation Index was reported is a period other than a month, the Reference Month is the period for which the Inflation Index Level was reported.



- (viii) **“Relevant Interest Period”** means each Interest Period in respect of which the relevant Pricing Supplement specifies that Index Linked Note provisions shall apply.
- (ix) **“Relevant Interest Payment Date”** means, in respect of a Relevant Interest Period, the Interest Payment Date on which such Relevant Interest Period ends.
- (x) **“Relevant Number of Calendar Months”** means the number of calendar months specified as such in the Pricing Supplement.

## 10. PUBLICATION AND NOTIFICATION

This Condition 10 is applicable to the Notes only if the Floating Rate Note Provisions or the Inflation Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.

### (a) Publication

The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the fourth UK/Swiss Business Day thereafter. Notice thereof shall also promptly be given to the Noteholders. For the purposes of this Condition 10(a) the expression UK/Swiss Business Day means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business in London, Luxembourg and Switzerland. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

### (b) Notifications etc

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 10 by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (in the absence of wilful default) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## 11. REDEMPTION AND PURCHASE

### (a) At Maturity

The relevant Pricing Supplement will indicate whether the redemption provisions applicable to the Notes are:



- (i) Scheduled Redemption; or
- (ii) Inflation Linked Redemption (each, a **“Final Redemption Type”**).

If the Final Redemption Type is specified as 'Inflation Linked Redemption', the relevant Pricing Supplement will also specify the details of any applicable Inflation Index.

(b) Scheduled Redemption

This Condition 11(b) applies only to Notes for which the Final Redemption Type is specified to be 'Scheduled Redemption' in the relevant Pricing Supplement.

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on:

- (i) the Maturity Date in cases where all accrued interest has been paid or will be paid simultaneously with such redemption; or
- (ii) the Longstop Maturity Date in all other cases,

subject, in each case, as provided in Condition 12 (*Payments*).

(c) Inflation Linked Redemption

This Condition 11(c) applies only to Notes for which the Final Redemption Type is specified to be 'Inflation Linked Redemption' in the relevant Pricing Supplement.

Unless previously redeemed or purchased and cancelled, each Note will be redeemed by the Issuer at the Final Redemption Amount determined on the Final Valuation Date by the Calculation Agent on the date specified in the relevant Pricing Supplement as the scheduled date on which such Note is to be redeemed (the **“Maturity Date”**).

where:

**“Final Redemption Amount”** means an amount equal to the Calculation Amount multiplied by the Final Inflation Factor.

**“Final Inflation Factor”** is determined by dividing:

- (A) the Inflation Index Level for the Reference Month specified in the Pricing Supplement as corresponding to the Maturity Date (the **“Final Redemption Reference Month”**); by
- (B) the Inflation Index Level for the Reference Month specified in the Pricing Supplement as corresponding to the Initial Valuation Date (the **“Initial Redemption Reference Month”**),

provided that, if the Pricing Supplement specifies 'Final Redemption Floor' to be 'Applicable', if the above calculation would result in the Final Inflation Factor being less than the Final Redemption Floor, then the Final Inflation Factor shall be deemed to be equal to the Final Redemption Floor. If applicable, the **“Final Redemption Floor”** means 1, unless another amount is specified in the Pricing Supplement.

If the Initial Valuation Date or the Maturity Date does not fall on the first calendar day of a month, and the Pricing Supplement specifies that the Reference Month

corresponding to such Initial Valuation Date or Maturity Date is subject to linear interpolation, the relevant Inflation Index Level corresponding to such Initial Valuation Date or Maturity Date shall be calculated using linear interpolation between (x) the Inflation Index Level for the Reference Month corresponding to such Initial Valuation Date or Maturity Date and (y) the Inflation Index Level for the calendar month following such Reference Month.

**“Final Valuation Date”** means the date falling 5 Business Days prior to the Maturity Date.

**“Inflation Index”** means the index specified in the Pricing Supplement.

**“Inflation Index Level”** means the level of the Inflation Index first published or announced for the relevant Reference Month, as determined by the Calculation Agent, subject to Condition 12(d) (*Inflation Index Disruption Events*).

**“Initial Valuation Date”** means the date specified in the Pricing Supplement.

**“Reference Month”** means the calendar month for which the level of the Inflation Index was reported, regardless of when this information is published or amended. If the period for which the Inflation Index was reported is a period other than a month, the Reference Month is the period for which the Inflation Index Level was reported.

(d) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Pricing Supplement as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders, the Trustee and the Paying Agent (which notice shall be irrevocable), at their Early Redemption Amount, together with interest accrued (if any) to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that:

- (iii) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (iv) such obligation cannot be avoided by the Issuer taking reasonable measures, provided, however, that no such notice of redemption shall be given earlier than:

- (A) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (B) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) if the Trustee so requests, an opinion of independent legal advisers to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and (b) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred.

The Trustee shall be entitled to accept without liability such opinion and/ or such certificate as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Noteholders and Couponholders.

Upon the expiry of any such notice as is referred to in this Condition 11(d), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(d).

(e) Redemption at the option of the Issuer

- (i) If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders, the Trustee and the Paying Agent, or such other period(s) as may be specified in the relevant Pricing Supplement, (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call)) at the applicable amount specified in the relevant Pricing Supplement (together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date) being the Optional Redemption Amount (Call).
- (ii) On the date specified for redemption in the notice given by the Issuer, the Issuer shall redeem the Notes as specified in the notice in accordance with this Condition 11(e)(ii).
- (iii) All notifications, opinions, determinations, certifications, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 11(e)(iii) by the Paying Agent, shall (in the absence of manifest error), be binding on the Issuer, the Paying Agent, the Trustee, the Paying Agents, the Registrar (if applicable) and all Noteholders and Couponholders.

(f) Partial redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 11(e) (Redemption at the option of the Issuer), each Note shall be redeemed in part in

the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(g) Redemption at the option of Noteholders

If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the holder of any Note, redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(g), the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put) (or such other period(s) as may be specified in the relevant Pricing Supplement), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(g) may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall mail such Note by uninsured post to, and at the risk of, the Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice. Notes may be redeemed under this Condition 11(g) in any multiple of their lowest Specified Denomination.

Each of the persons shown in the records of the Clearing System as the beneficial holder of a particular nominal amount of Notes represented by such Note must provide any notice required by this Condition 11(g) in accordance with the rules of the Clearing System.

(h) No other redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 11(a) to 11(g) above.

(i) Early redemption of Zero Coupon Notes

Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date or Longstop Maturity Date (as applicable) shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date

fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 11(i) or, if none is so specified, a Day Count Fraction of 30/360, Actual 360 or Actual 365 (Fixed).

(j) Purchase

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.

(k) Cancellation

All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 12. PAYMENTS

(a) Payments on Notes

(i) Payments of principal and interest in respect of Notes will (subject as provided below) be made in the manner specified in the relevant Note. On the occasion of each payment, a record of such payment made on such Note, distinguishing between any payment of principal and any payment of interest will be made on such Note by the Paying Agent, and such record shall be prima facie evidence that the payment in question has been made.

(ii) The holder of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Note in respect of each amount so paid. Each of the persons shown in the records of the Clearing System as the beneficial holder of a particular nominal amount of Notes represented by such Note must look solely to the Clearing System for his share of each payment so made by the Paying Agent (on behalf of the Issuer) to, or to the order of the holder of such Note.

(iii) If the Issuer becomes subject at any time to any taxing jurisdiction other than the jurisdiction of the Issuer, reference in these Conditions to the jurisdiction of the Issuer shall be construed as reference to the jurisdiction of the Issuer and/or such other jurisdiction.

(iv) The Paying Agent, on behalf of the Issuer, shall make the payments provided for in these Conditions, in accordance with the calculations made by the Calculation Agent.

(b) Payments subject to fiscal laws

All payments in respect of the Notes will be subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (Taxation) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 (inclusive) of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(c) Payments on business days

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.

(d) Inflation Index Disruption Events

This Condition 12(d) is applicable to the Notes only in respect of the Interest Period for which Inflation Linked Interest Note provisions are specified in the relevant Pricing Supplement as being applicable or in respect of the calculation of Final Redemption Amount in relation to Notes for which Inflation Linked Redemption is specified as applicable in the relevant Pricing Supplement.

(i) Delay of publication

If the Inflation Index Level for a Reference Month which is relevant to the calculation of an amount payable in respect of a Note (a “Relevant Level”) has not been published or announced by the relevant Valuation Date the Calculation Agent shall determine a “Substitute Inflation Index Level” (in place of such Relevant Level) by using the following methodology:

(A) if Related Bond is specified as applicable in the Pricing Supplement, the Calculation Agent will take the same action to determine the Substitute Inflation Index Level for the relevant Valuation Date as that taken by the calculation agent pursuant to the terms and conditions of the Related Bond; or

(B) if (X) Related Bond is specified as “Not Applicable” in the Pricing Supplement; or (Y) the Calculation Agent is not able to determine a Substitute Inflation Index Level pursuant to paragraph (A) above for the relevant Valuation Date for any reason, then the Calculation Agent shall determine the Substitute Inflation Index Level as follows:

$$\text{Base Level} \times (\text{Latest Level/Reference Level})$$

If a Relevant Level is published or announced at any time after the relevant Valuation Date, such Relevant Level will not be used in any calculations and instead the Substitute Inflation Index Level so determined pursuant to this Condition 12(d) will be the definitive level for the relevant Reference Month.

For the purposes of this Condition 12(d) the following terms shall have the following meanings:

“Base Level” means the level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

“Latest Level” means the latest level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being calculated.

“Reference Level” means the level of the Inflation Index (excluding any 'flash' estimates) published or announced by the Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month referred to in 'Latest Level' above.

(ii) Cessation of publication

If the level of the relevant Inflation Index has not been published or announced for two consecutive months and/or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index (an “Inflation Index Cessation”), then the Calculation Agent shall determine a “Successor Inflation Index” (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

(A) if at any time (other than after the designation by the Calculation Agent of a date for the early redemption of the Notes pursuant to paragraph (D) below) a successor index has been designated by the calculation agent pursuant to the terms and conditions of the Related Bond, such successor index shall be designated a 'Successor Inflation Index' for the purposes of calculating the relevant Final Redemption Amount or for all subsequent Interest Payment Dates in respect of which Inflation Linked Interest Note provisions are specified in the relevant Pricing Supplement in relation to the Notes notwithstanding that any other successor index may previously have been determined under the other subsections of this Condition 12(d);

(B) if: (i) a Successor Inflation Index has not been determined under paragraph (A) above; (ii) there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to paragraph (D) below; (iii) a notice has been given or an announcement has been made by the Inflation Index Sponsor specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor; and (iv) the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, then such replacement index shall be deemed to be the 'Successor Inflation Index' for the purposes of the Notes from the date that such replacement Inflation Index comes into effect;

(C) if a Successor Inflation Index has not been determined by the Calculation Agent under paragraph (A) or (B) above (and there has been no designation of a date for the early redemption of the Notes by the Calculation Agent pursuant to paragraph (D) below), the Calculation Agent will determine an appropriate alternative index for such relevant Valuation Date, and such index will be deemed a “Successor Inflation Index”; and



(D) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer may, by notice to the Noteholders, redeem on the Early Redemption Date or cancel all but not some only of the Notes at the Early Redemption Amount.

The Issuer shall notify the Noteholders of any Successor Inflation Index determined pursuant to the provisions of this Condition 12(d) by notification to the Paying Agent.

(iii) Rebasing of Inflation Index

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the “Rebased Inflation Index”) will be used for purposes of determining the level of an Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of Inflation as the Inflation Index before it was rebased. If there is no Related Bond, the Calculation Agent shall make adjustments to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of Inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Notes.

(iv) Material modification

If, on or prior to the relevant Valuation Date the Inflation Index Sponsor announces that it will make a material change to the Inflation Index, the Calculation Agent shall make any such adjustments to the Inflation Index and/or the terms of the Notes consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.

(v) Manifest error in Publication

If, within 30 days of publication, but no later than the relevant Valuation Date (as applicable) the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent will take such action as it may deem necessary and practicable to give effect to such correction.

### 13. TAXATION

(a) Gross up

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or



deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
- (ii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by complying with any statutory requirements (including, but not limited to, obtaining and/or presenting any form of certificate) or by making a declaration or any other statement or claim for exemption (including, but not limited to, a declaration of nonresidence), but fails to do so; or
- (iii) more than 30 days after the Relevant Date except to the extent that the holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days.

(b) Taxing jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

#### 14. EVENTS OF DEFAULT

If any of the following events occurs and is continuing, the Trustee at its discretion may and, if so requested in writing by holders of at least one-quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified and/or prefunded and/or provided with Security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Early Termination Amount together with accrued interest without further action or formality:

- (a) subject to Condition 24 (Limited Recourse and Non-Petition), if default is made in the payment of any principal or interest due in respect of the Notes or any of them taking into account the Longstop Maturity Date and the default continues for a period of 7 days in the case of principal and 14 days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Co-Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Co-Trustee may agree) next following the service by the Co-Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if:
  - (i) any Indebtedness of the Issuer becomes due and repayable prematurely by reason of an event of default (however described); or

- (ii) the Issuer fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any applicable grace period; or
- (iii) default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other Person on the due date for payment as extended by any applicable grace period,

provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of Indebtedness or guarantee and/or indemnity given by it in relation to any Indebtedness, either alone or when aggregated (without duplication) with other amounts of Indebtedness and/or guarantee and/or indemnity given by it in relation to any Indebtedness relative to all (if any) other events specified in (i) to (iii) above which have occurred and are continuing, amounts to at least £20,000,000 (or its equivalent in any other currency);

- (d) a certificate or report by two directors of the Issuer whether or not addressed to the Trustee that in their opinion the £20,000,000 (or its equivalent in any other currency) mentioned in the proviso to (c) above has been reached may be relied upon by the Trustee without liability and without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties; or
- (e) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer save for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (f) if the Issuer ceases to carry on all or substantially all of its business, save for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution, or the Issuer is unable to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (g) if (A) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer in relation to the whole or a substantial part of the undertaking or its assets, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or its assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or its assets and (B) in any case is not being contested in good faith by the Issuer or is not discharged or stayed within 45 days; or
- (h) if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors)

otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent or on terms previously approved in writing by the Trustee or by an Extraordinary Resolution.

**15. PRESCRIPTION**

Claims for principal and interest on redemption in respect of Notes shall become void unless the relevant Individual Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

**16. TRUSTEE AND AGENTS**

- (a) Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or prefunded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.
- (b) The Trust Deed provides that, when determining whether an indemnity or any Security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or Security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the Security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the Security.
- (c) In the exercise of its trusts, rights, powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the general interests of the Noteholders as a class and will not have regard or be responsible for any consequence for individual Holders of Notes as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other Person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 13 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 13 (*Taxation*) pursuant to the Trust Deed.
- (d) In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.
- (e) The initial Agents and their initial Specified Offices are set out in the Agency Agreement. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor Paying Agent or Registrar or Calculation Agent and additional or successor Paying Agents in the manner specified in the Agency Agreement; provided, however, that:
  - (i) the Issuer shall at all times maintain a Paying Agent and a Registrar;

- (ii) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (iii) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a transfer agent in any particular place, the Issuer shall maintain a Paying Agent and/or a transfer agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.
- (f) Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 17. MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER; SUBSTITUTION

### (a) Meetings of Noteholders

- (i) The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding at least ten per cent. of the aggregate principal amount of the outstanding Notes. Noteholders will be notified in accordance with Condition 20. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing at least 50.01 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing at least 75 per cent. of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, at least 25 per cent. of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.
- (ii) In addition, a resolution in writing signed by or on behalf of at least 75 per cent. of the aggregate principal amount of the outstanding Notes will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

### (b) Modification and waiver

- (i) The Trustee and the Issuer may, without the consent of the Noteholders, agree to any modification of the Notes, these Conditions, the Trust Deed or the Agency Agreement (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes, these Conditions, the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is to correct a manifest error.

- (ii) In addition, the Trustee may, without the consent of the Noteholders or Couponholders, authorise or waive any proposed breach or breach of the Notes, these Conditions or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.
  - (iii) Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter. Any such authorisation, waiver or modification shall be binding on the Noteholders and the Couponholders.
- (c) Substitution
  - (i) The Trust Deed contains provisions under which the Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) of any other company being a Subsidiary of the Issuer as the principal debtor under the Notes the Coupons and the Trust Deed **provided that** certain conditions specified in the Trust Deed are fulfilled.
  - (ii) No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or Couponholders, except to the extent provided for in Condition 13 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).
  - (iii) The Issuer shall procure that, so long as the Notes are listed on or admitted to trading on an exchange, any material amendments or modifications to the Conditions, the Trust Deed or such other conditions made pursuant to this Condition 17(c)(iii) (Substitution) shall be notified to such exchange.

## 18. ENFORCEMENT

- (a) The Trustee may at any time, at its discretion and without notice, institute such proceedings and/or steps or action (including lodging an appeal in any proceedings) as it thinks fit to enforce its rights under the Transaction Documents or the Note or the Coupons and, at any time after the Security has become enforceable, the Trustee may at its discretion and without notice, take such steps, actions and proceedings as it may see fit to enforce the Security, but it shall not be bound to do so unless:
  - (i) it has been so requested in writing by the Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
  - (ii) it has been indemnified and/or secured and/or pre-funded to its satisfaction.
- (b) No Noteholder or Couponholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.
- (c) The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may

also refrain from taking such action if it would otherwise render it liable to any Person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

## 19. **FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders or Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, without the consent of the Noteholders or Couponholders, incur, create or issue further secured or unsecured notes or other Indebtedness.

## 20. **NOTICES**

- (a) So long as Notes are held in their entirety on behalf of the Clearing System, all notices should be delivered to the Clearing System for communication by it to the Noteholders. Any such notice will be deemed to have been given on the date of delivery to the Clearing System.
- (b) The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

## 21. **CURRENCY INDEMNITY**

- (a) If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.
- (b) This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 22. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest thousandth of a percentage point (with 0.005 per cent. being rounded up to 0.01 per cent.)

## 23. GOVERNING LAW AND JURISDICTION

The Notes, the Coupons the Trust Deed, the Agency Agreement and the Servicer Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed, the Agency Agreement and the Servicer Agreement are governed by, and construed in accordance with, English law. The Agency Agreement and any non-contractual obligations arising out of or in connection with the Agency Agreement is governed by, and construed in accordance with, Swiss Law. The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes, the Trust Deed, and the Servicer Agreement; whereas the courts of Switzerland are to have jurisdiction to settle any disputes that may arise out of or in connection with the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Trust Deed, the Agency Agreement and the Servicer Agreement ("**Proceedings**") may be brought in such courts as specified above.. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Trustee and the Noteholders and the Couponholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

## 24. LIMITED RECOURSE AND NON-PETITION

- (a) All payments to be made by the Issuer in respect of the Notes of a particular Series will be made in accordance with these Conditions and only from and to the extent of the sums received or recovered from time to time by or on behalf of the Issuer, and which are attributable to the relevant Series, up to the date falling 180 days after the Maturity Date (the "**Longstop Maturity Date**").
- (b) In relation to any sums received or recovered, the Issuer shall determine to which Series such sums relate and such determination shall be binding on Noteholders of all Series in the absence of manifest error.
- (c) In the event that the Issuer is unable to make or, following a request by the Trustee fails to make, the determination in Condition 24(b) such determination may be made by the Trustee or by such Person as is directed by the Trustee. No liability shall attach to the Trustee as a result of such determination.
- (d) To the extent that the sums referred to in Condition 24(a) are less than the amount which the Noteholders may have expected to receive (the difference being referred to as the "**Shortfall**"), such Shortfall will be borne by the Noteholders following the Longstop Maturity Date.
- (e) Each Noteholder, by subscribing for and purchasing Notes, will be deemed to accept and acknowledge that it is fully aware that:
  - (i) the Noteholders shall look solely to the sums referred to in this Condition 24 as applied in accordance with the above paragraphs (the "**Relevant Sums**"), for payments to be made by the Issuer in respect of the Notes;
  - (ii) the Noteholders of any Series shall not look to the sums which are attributable to another Series in satisfaction of the obligations of the Issuer;



- (iii) the obligations of the Issuer to make payments in respect of the Notes will be limited to the Relevant Sums and the Noteholders shall have no further recourse to the Issuer or its shareholders, directors, officers, successors or assigns in respect of the Notes;
  - (iv) without prejudice to the foregoing, any right of the Noteholders to claim payment of any amount exceeding the Relevant Sums shall be automatically extinguished on the Longstop Maturity Date; and
  - (v) the Noteholders shall not be able to petition for the winding up of the Issuer as a consequence of any Shortfall.
- (f) Non-payment of any interest prior to the Maturity Date shall not constitute an Event of Default under Condition 14 (Events of Default) and any interest so not paid shall continue to be payable in accordance with Conditions 6 (Fixed Rate Note Provisions) and Condition 7 (Floating Rate Note Provisions) but without accruing any further interest on such unpaid amounts.
- (g) None of the Trustee and the Agents has any obligation to any Noteholder for payment of any amount by the Issuer in respect of the Notes.
- (h) None of the Trustee, the Issuer nor each of the Issuer Administrators, the Paying Agent, the Calculation Agent or the Servicer shall in any way be liable to Noteholders or any third parties for:
- (i) any negative performance of a Secured Asset;
  - (ii) any non-payment by a Borrower or other obligor of a Secured Asset; or
  - (iii) any decisions, acts or omissions by a Borrower, any obligor of a Secured Asset or any person employed by such Borrower or obligor.



## SUBSCRIPTION AND SALE

The subscription and sale of KHK Secured Bonds is subject in all respects to the Restricted Marketing provisions of the Frankfurt Stock Exchange.

All KHK Secured Bonds will initially be sold to a settlement agent (the “**Settlement Agent**”) and may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Settlement Agent. Potential investors in the KHK Secured Bonds must apply directly to the Settlement Agent through a broker or other custodian or intermediary via the appropriate clearing system (see the section “**Book-Entry Clearing Systems**”). Applications may not be made directly to the Issuer. Details of the Settlement Agent are set out in the applicable Pricing Supplements.

KHK Secured Bonds may be offered for sale from time to time by any entity appointed as a Distributor (each a “**Distributor**”) and listed as such in the applicable Pricing Supplements.

The Issuer has the power to appoint additional Distributor from time to time, provided the Issuer makes a Regulatory News Services announcement on the London Stock Exchange.

**United States of America:** Regulation S Category; TEFRA D or TEFRA C as specified in the relevant Pricing Supplements or neither if TEFRA is specified as not applicable in the relevant Pricing Supplements.

The KHK Secured Bonds 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 except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Distributor and Settlement Agent has agreed that it will not offer, sell or deliver KHK Secured Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the KHK Secured Bonds comprising the relevant Tranche, as certified to the Paying Agent or the Issuer by such Distributor or the Settlement Agent (or, in the case of a sale of a Tranche of KHK Secured Bonds to or through more than one Distributor, by each of such Distributor as to the KHK Secured Bonds of such Tranche offered by or through it, in which case the Paying Agent or the Issuer shall notify each such Distributor when all such Distributor have so certified) within the United States or to, or for the account or benefit of, U.S. Persons, and the Settlement Agent or such Distributor will have sent to each entity to which it sells KHK Secured Bonds during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the KHK Secured Bonds within the United States or to, or for the account or benefit of, U.S. Persons.

In addition, until 40 days after the commencement of the offering of KHK Secured Bonds comprising any Tranche, any offer or sale of KHK Secured Bonds within the United States by any entity (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## **PARTIES**

### **ISSUER**

MTN Funding PLC  
Ground Floor,  
45 Pall Mall,  
London, SW1Y 5JG

### **BORROWER**

KHK Capital Limited  
7 Stratford Place,  
London, W1C 1AY

### **TRUSTEE**

Truva Trust Corporation PLC  
Third Floor,  
30 Bedford Street,  
London, WC2E 9ED

### **PAYING AGENT**

ISP Securities LTD  
Höschgasse 45,  
8008 Zurich,  
Switzerland

### **SERVICER AND CALCULATION AGENT**

Truva Corporate Administration Limited  
Third Floor,  
30 Bedford Street,  
London, WC2E 9ED

### **AUDITORS**

Hillier Hopkins LLP  
45 Pall Mall  
London, SW1Y 5JG

