

Shipshape Residential Mortgages No. 1 plc

(incorporated in England and Wales with limited liability under registered number 4035893)

£285,000,000

Class A Mortgage Backed Floating Rate Notes due 2027

£9,000,000

Class B Mortgage Backed Floating Rate Notes due 2027

£6,000,000

Class C Mortgage Backed Floating Rate Notes due 2027

Issue Price: 100%

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services Act 1986 (the "UK Listing Authority") for £285,000,000 Class A Mortgage Backed Floating Rate Notes due 2027 ("Class A Notes"), £9,000,000 Class B Mortgage Backed Floating Rate Notes due 2027 ("Class B Notes") and £6,000,000 Class C Mortgage Backed Floating Rate Notes due 2027 ("Class C Notes") and together with the Class A Notes and the Class B Notes, the "Notes") to be issued by Shipshape Residential Mortgages No. 1 plc (the "Issuer") to be admitted to the Official List of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List of the UK Listing Authority together with admission to trading on the London Stock Exchange constitutes official listing on a stock exchange. Copies of this Offering Circular, which comprises approved listing particulars, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of the Financial Services Act 1986.

The Notes of each class will initially be represented by a temporary global note in bearer form (each a "Temporary Global Note"), without coupons or talons, which will be deposited with a common depositary (the "Common Depositary") for Morgan Guaranty Trust Company of New York, Brussels office as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") (formerly Cedelbank) on or about 31st October 2000 or such later date as may be agreed between the Issuer and ING Bank (as defined below) (the "Closing Date"). Each Temporary Global Note will be exchangeable not earlier than 40 days after the Closing Date (and upon certification of non-U.S. beneficial ownership) for interests in a permanent global note representing the Notes of the relevant class (each a "Permanent Global Note" and, together with each Temporary Global Note, the "Global Notes"), each in bearer form without coupons or talons attached, which will also be deposited with the Common Depositary. Save in certain limited circumstances, Notes in definitive form will not be issued in exchange for the Permanent Global Notes.

Interest on the Notes will accrue from and including the Closing Date and will be payable quarterly in arrears on the 22nd day of January, April, July and October in each year (unless such day is a Saturday or a Sunday or is not a day on which banks are generally open for business in London (a "Business Day"), in which case interest will be payable on the next Business Day) (each an "Interest Payment Date"). The first Interest Payment Date will be on 22nd January 2001. The Class A Notes, the Class B Notes and the Class C Notes will bear interest at an annual rate equal to the London Interbank Offered Rate ("LIBOR") for three month deposits in sterling (or, in respect of the first interest payment, the rate for deposits in sterling plus (a) in the length of the first Interest Period, calculated using a linear interpolation of LIBOR for two month and three month deposits in sterling) plus (a) in the case of the Class A Notes, a margin of 0.25% per annum up to and including the Interest Payment Date ending in July 2007 and, thereafter, per annum, (b) in the case of the Class B Notes, a margin of 0.80% per annum up to and including the Interest Payment Date ending in July 2007 and, thereafter, a margin of 1.60% per annum or (c) in the case of the Class C Notes, a margin of 1.40% per annum up to and including the Interest Payment Date falling in July 2007 and, thereafter, a margin of 2.40% per annum, subject as further described herein.

The Notes will mature on the Interest Payment Date falling in July 2027 unless previously redeemed. The Notes will be subject to mandatory redemption in part and optional redemption in whole before such date in the specific circumstances, and subject to the conditions, described in the terms and conditions of the Notes (the "Conditions") set out below. The Notes will all be constituted by the same trust deed and share in the same security but the Class A Notes will rank in priority to the Class B Notes and the Class C Notes, and the Class B Notes will rank in priority to the Class C Notes in point of payment of interest and principal on enforcement of the security. The right to payment of interest on the Class B Notes and the Class C Notes will be subordinated and may be limited as described herein (see "Summary - Interest" below). As a result, no assurance is given as to the amount (if any) of interest on the Class B Notes or the Class C Notes which may actually be paid on any Interest Payment Date.

If any withholding tax is applicable to the Notes, payments of interest on and principal of the Notes will be made subject to such withholding tax, without the Issuer being obliged to pay additional amounts as a consequence.

The Issuer has reserved the right, without the consent of the holders of the Notes, to raise further funds from time to time on any Interest Payment Date falling in or prior to July 2002, by the creation and issue (subject to a maximum of three such issues in aggregate) of (i) further Class A Notes ("Further Class A Notes"), (ii) further Class B Notes ("Further Class B Notes") and (iii) further Class C Notes ("Further Class C Notes") and together with the Further Class A Notes and the Further Class B Notes, the "Further Notes"), each carrying the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and so that the same shall be consolidated, form a single series and rank *pari passu* with, the Class A Notes, the Class B Notes and the Class C Notes respectively. Each issue of Further Notes will comprise a "Tap Issue". In this Offering Circular unless the context otherwise requires, reference to Notes or any class of Notes shall include any Further Notes or Further Notes of that class then in issue. The aggregate of the initial Principal Amount Outstanding (as defined in the Conditions) of all the Further Notes issued on any Interest Payment Date and of all Further Notes issued on any previous Interest Payment Date will not exceed £150,000,000.

The Notes will be obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person or entity. In particular, the Notes will not be obligations of, and will not be guaranteed by, the Note Trustee, the Security Trustee, the Share Trustee, ING Bank N.V. ("ING Bank") as lead manager in respect of the Class A Notes, the Class B Notes and the Class C Notes and The Governor and Company of the Bank of Ireland, Credit Suisse First Boston (Europe) Limited and J&E Davy as managers in respect of the Class A Notes (together with ING Bank, the "Managers"), the GIC Provider, the Interest Rate Swap Counterparty, the Mortgage Manager, the Cash Manager, the Subordinated Loan Provider, the Agent Bank, the Paying Agents (each as referred to herein), the Corporate Services Provider, Shipshape Residential Mortgages Holdings Limited ("Holdings") or any subsidiary of Holdings (other than the Issuer), Bank of Ireland, Bristol & West plc or any body corporate in the same corporate group as, or affiliated to, Bristol & West plc.

It is expected that the Class A Notes will, when issued, be assigned an AAA rating by Fitch Ratings Ltd ("Fitch") and an Aaa rating by Moody's Investor Services Limited ("Moody's") and together with Fitch, the "Rating Agencies". It is expected that the Class B Notes will, when issued, be assigned an A rating by Fitch and an A1 rating by Moody's and that the Class C Notes will, when issued, be assigned a BBB rating by Fitch and a Baa2 rating by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

Particular attention is drawn to the section herein entitled "Special Considerations".

Class A Notes Managers
ING Barings / BBL
Credit Suisse First Boston
Bank of Ireland
Davy Stockbrokers

Class B Notes and Class C Notes Manager
ING Barings / BBL

The date of this Offering Circular is 30th October 2000

IMPORTANT NOTICE

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorised in connection with the issue and sale of the Notes to give any information or to make any representation other than as contained in this Offering Circular and if given or made, any such information or representation must not be relied upon as having been authorised by the Issuer, the directors of the Issuer, Bristol & West plc, the Managers, the Note Trustee, the Security Trustee or any other person. All information contained in this Offering Circular is given as of the date of this Offering Circular. Neither the delivery of this Offering Circular nor any offer, sale or solicitation made in connection with the offering of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer, Bristol & West plc or any other person referred to in this Offering Circular or the information contained herein since the date hereof or that the information contained herein is correct at any time subsequent to the date hereof.

The Managers make no representation, express or implied, and accept no responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. Each potential purchaser of Notes should determine the relevance of the information contained in this Offering Circular and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. The Managers do not undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Managers.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are also subject to United States tax law requirements.

Other than the application to the U.K. Listing Authority and the London Stock Exchange and the delivery of a copy of this Offering Circular to the Registrar of Companies, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular, see "*Subscription and Sale*" below.

Neither this Offering Circular nor any part hereof constitutes an offer of or an invitation by, or on behalf of, the Issuer or the Managers to subscribe for or purchase any of the Notes and neither this Offering Circular, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

References in this Offering Circular to "£", "pounds", "sterling" or "pounds sterling" are to the national currency unit of the United Kingdom.

In connection with the distribution of the Notes, ING Bank may over-allot or effect transactions which stabilise or maintain the market price at a level which might not otherwise prevail. Such stabilising shall be in compliance with all relevant laws and regulations and may be discontinued at any time.

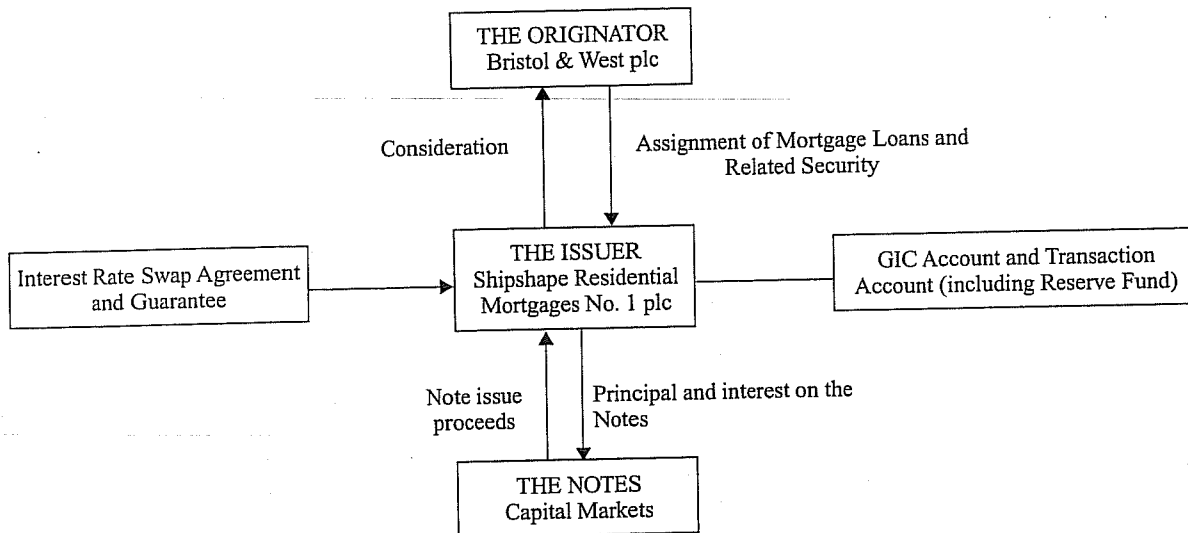
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SUMMARY INFORMATION

The information set out below is a summary of the principal features of the issue of the Notes. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information presented elsewhere in this Offering Circular.

Transaction Structure



The diagram illustrates a brief overview of the transaction, as follows:

- The Issuer will issue the Notes.
- The proceeds of the issue of the Notes will be used by the Issuer to purchase the Initial Mortgage Loans and the Related Security from the Originator.
- The Originator is also eligible to receive future amounts in respect of Deferred Purchase Price.
- The Cash Manager (on behalf of the Issuer) will distribute (subject as described in this Offering Circular) Available Revenue Funds and Available Redemption Funds in accordance with the relevant priorities of payment.
- The Issuer's obligations to pay principal and interest on the Notes will be met primarily from the payments of principal and interest received by the Issuer from its interest in the Mortgage Loans and Related Security.

THE PARTIES

The Issuer:

Shipshape Residential Mortgages No. 1 plc (the "Issuer") is a public limited company incorporated in England and Wales with registered number 4035893 and has been established to acquire a portfolio of residential Mortgage Loans (as defined below) together with the security for the Mortgage Loans pursuant to a mortgage sale agreement between the Originator, the Issuer and the Security Trustee (as defined below) (the "Mortgage Sale Agreement"). The issued share capital of the Issuer comprises 50,000 fully paid up ordinary shares of £1 each, 49,999 of which are held by Shipshape Residential Mortgages Holdings Limited ("Holdings") and the remaining ordinary share is held by Holdings' nominee. The share in Holdings is in turn held by SFM Corporate Services Limited (in such capacity, the "Share Trustee") on discretionary trusts for certain charitable purposes.

The Originator:

Bristol & West plc ("Bristol & West"), whose head office is at Bristol & West Building, P.O. Box 27, Broad Quay, Bristol BS99 7AX.

The Mortgage Manager:

Bristol & West (in this capacity the "**Mortgage Manager**") will undertake the management and servicing of the Mortgage Loans pursuant to a mortgage management and agency agreement (the "**Mortgage Management and Agency Agreement**"). If certain events referred to in "*Mortgage and Cash Management – Delegation by Mortgage Manager*" occur then pursuant to the Mortgage Management and Agency Agreement, the Security Trustee may require Bristol & West to delegate the management and servicing of the Mortgage Loans to a third party mortgage manager (the "**Delegate Mortgage Manager**"). If certain insolvency events referred to in "*Mortgage and Cash Management – Termination of Appointment of Mortgage Manager*" occur in relation to Bristol & West, then the appointment of Bristol & West as Mortgage Manager may be terminated and a substitute mortgage manager (the "**Substitute Mortgage Manager**") appointed by the Security Trustee and notified to the Rating Agencies, to perform such services. References to the Mortgage Manager in this Offering Circular shall include any Delegate Mortgage Manager or Substitute Mortgage Manager as the context requires. For a more detailed description of the role of the Mortgage Manager, the Delegate Mortgage Manager and the Substitute Mortgage Manager and the terms of the Mortgage Management and Agency Agreement, including the limited circumstances in which the appointment of the Mortgage Manager can be terminated, see "*Special Considerations – Administration of Mortgages*" and "*Mortgage and Cash Management*" below.

The Cash Manager:

Bristol & West (in this capacity the "**Cash Manager**") will also be appointed pursuant to the Mortgage Management and Agency Agreement to act as agent for the Issuer, *inter alia*, to manage all cash transactions and maintain certain ledgers on behalf of the Issuer.

If the Cash Manager's appointment is terminated pursuant to the Mortgage Management and Agency Agreement, a substitute cash manager (the "**Substitute Cash Manager**") may be appointed by the Security Trustee (and notified to the Rating Agencies) to perform such services. References to the Cash Manager in this Offering Circular shall include any Substitute Cash Manager as the context requires. For a more detailed description of the role of the Cash Manager and the Substitute Cash Manager and the terms of the Mortgage Management and Agency Agreement see "*Mortgage and Cash Management*" below.

The Note Trustee and the Security Trustee:

The Note Trustee will be Citicorp Trustee Company Limited (in this capacity the "**Note Trustee**"), whose registered office is at 336 Strand, London WC2R 1HB. The Note Trustee will be appointed pursuant to a trust deed (the "**Trust Deed**") to be entered into on the Closing Date between the Issuer and the Note Trustee to represent the interests of the holders of the Notes. The Security Trustee will be Citicorp Trustee Company Limited (in this capacity the "**Security Trustee**"), whose registered office is at 336 Strand, London WC2R 1HB. The Security Trustee will hold the benefit of the security granted under the Deed of Charge (as defined below) on behalf of the Secured Parties (as defined below) and will be entitled on the occurrence of certain events of default to enforce the security granted in its favour under the Deed of Charge pursuant to the terms thereof.

The GIC Provider:

On the Closing Date, The Governor and Company of the Bank of Ireland (the "**Bank of Ireland**") acting through its U.K. Treasury and International Banking Division at Bristol & West Building, PO Box 27, Broad Quay, Bristol BS99 7AX (the "**GIC Provider**") will provide the Issuer with a bank account (the "**GIC Account**") pursuant to the terms of a guaranteed investment contract further described below for the

deposit of collections and other moneys from time to time received by the Issuer in respect of the Mortgage Loans. See further "Credit and Liquidity Structure – Cash Collection Arrangements", "Guaranteed Investment Contract" and "The Governor and Company of the Bank of Ireland".

Account Banks:

On the Closing Date the Issuer's current account (the "Transaction Account") will be maintained with National Westminster Bank Plc at its branch at 32 Corn Street, Bristol. Prior to transfer to the Transaction Account, payments by Borrowers will be credited to accounts in the name of the Cash Manager (the "Collection Accounts") which at the Closing Date will be maintained with National Westminster Bank Plc (at its Corn Street branch referred to above) (the "NWB Collection Accounts") and with The Governor and Company of the Bank of Scotland (the "BoS Collection Account") at its branch at 21 Prince Street, Bristol.

The Interest Rate Swap Counterparty:

The interest rate swap counterparty on the Closing Date will be Bristol & West (the "Interest Rate Swap Counterparty"). The Interest Rate Swap Counterparty will provide the Issuer with the benefit of a basis risk swap pursuant to the terms of an interest rate exchange agreement to be entered into on the Closing Date between the Issuer and the Interest Rate Swap Counterparty (the "Interest Rate Swap Agreement"). The obligations of the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement will be guaranteed by the Bank of Ireland (in this capacity the "Swap Guarantor"). The short term unsecured unsubordinated and unguaranteed debt obligations of the Bank of Ireland are rated F-1+ by Fitch and P-1 by Moody's.

The Agent Bank and the Principal Paying Agent:

The Agent Bank and the Principal Paying Agent will be Citibank, N.A. acting through its London Branch and will be appointed under an agency agreement (the "Agency Agreement") to be entered into by the Issuer on or before the Closing Date.

Subordinated Loan Provider:

Bristol & West will make available to the Issuer a subordinated loan facility of £3,280,000 in order to establish the Reserve Fund (as defined below) and to fund certain start-up expenses (the "Subordinated Loan").

Corporate Services Provider:

SFM Corporate Services Limited as Corporate Services Provider has entered into a corporate services agreement (the "Issuer Corporate Services Agreement") with, *inter alia*, the Issuer and another corporate services agreement (the "Parent Corporate Services Agreement") with *inter alia* Holdings setting out the terms upon which it will provide certain corporate and personnel services to the Issuer and Holdings respectively.

TERMS AND CONDITIONS OF THE NOTES

Status, form and denomination:

£285,000,000 Class A Mortgage Backed Floating Rate Notes due 2027 (the "Class A Notes"), £9,000,000 Class B Mortgage Backed Floating Rate Notes due 2027 (the "Class B Notes") and £6,000,000 Class C Mortgage Backed Floating Rate Notes due 2027 (the "Class C Notes") which are to be issued on or about 31st October 2000 (the "Closing Date"). Each class of Notes will be constituted by the Trust Deed and will be secured by the same security but the Class A Notes will rank on enforcement in priority to the Class B Notes and the Class C Notes and the Class B Notes will rank on enforcement in priority to the Class C Notes but after the Class A Notes. Payments of principal and interest on the Class B Notes and the Class C Notes are subordinated, *inter alia*, to payments of principal and interest on the Class A Notes and payments of principal and interest on the Class C Notes are subordinated, *inter alia*, to payments of principal and interest on the

Class B Notes. To the extent that funds are insufficient to pay interest otherwise due on the Class B Notes and the Class C Notes, the deficit will be deferred as described under "Interest" below. References to the Class A Notes, the Class B Notes and the Class C Notes include any further such Notes issued pursuant to a Tap Issue.

The Trust Deed will contain provisions requiring the Note Trustee to have regard to the interests of the holders for the time being of the Class A Notes (the "Class A Noteholders"), the holders for the time being of the Class B Notes (the "Class B Noteholders") and the holders for the time being of the Class C Notes (the "Class C Noteholders" and, together with the Class A Noteholders and the Class B Noteholders, the "Noteholders") as if they formed a single class, but, where there is, in the Note Trustee's opinion, a conflict between such interests, the Trust Deed will require the Note Trustee to have regard, as between the holders for the time being of the Class A Notes and the Class B Notes and/or the Class C Notes, to the interests of the Class A Noteholders and, if there are no Class A Notes outstanding, to have regard, as between the holders for the time being of the Class B Notes and the Class C Notes, to the interests of the Class B Noteholders.

The Trust Deed will contain provisions limiting the powers of the Class B Noteholders and the Class C Noteholders, *inter alia*, to pass any effective Extraordinary Resolution (as described in Condition 11 of the "Terms and Conditions of the Notes") or to request or direct the Note Trustee to take any action which may affect the interests of the Class A Noteholders. The Trust Deed will contain provisions limiting the powers of the Class C Noteholders, *inter alia*, to pass any effective Extraordinary Resolution or to request or direct the Note Trustee to take any action which may affect the interests of the Class A Noteholders or the Class B Noteholders.

The Class A Notes, the Class B Notes and the Class C Notes will be in denominations of £100,000 subject in each case to *pro rata* redemption of Notes of the same class. Each class of Notes will initially be represented by a single Temporary Global Note for that class. Interests in each Temporary Global Note will, upon certification as to non-U.S. beneficial ownership, be exchangeable, subject as provided below under "Global Notes", for interests in a Permanent Global Note for that Class upon the Exchange Date. The Permanent Global Notes of each class will not be exchangeable for definitive notes of that class save in certain limited circumstances (see further "Global Notes").

The Notes will be obligations of the Issuer. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by, Bristol & West, Bank of Ireland, any company in the same group of companies as Bristol & West, the Managers, the Security Trustee or the Note Trustee. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any such company or by any other person other than the Issuer.

Interest:

Interest on the Notes will be payable by reference to successive interest periods (each an "Interest Period") and will be payable in arrear in sterling, and, in each case, in respect of the Principal Amount Outstanding (as defined in Condition 5(e)) of each Note) on the 22nd day of January, April, July and October in each year (unless such day is not a Business Day, in which case interest will be payable on the next such Business Day) (each such day being an "Interest Payment Date"). The first Interest Period will commence on (and include) the Closing Date and end on (but exclude) the Interest Payment Date

falling in January 2001. Each successive Interest Period will commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date.

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

Interest on the Notes will be payable at an annual rate equal to LIBOR for three month deposits in sterling (or, in respect of the first interest payment, the rate for deposits in sterling for the length of the first Interest Period, calculated using a linear interpolation of LIBOR for two month and three month deposits in sterling) plus (a) in the case of the Class A Notes, a margin of 0.25% per annum up to and including the Interest Payment Date falling in July 2007 and, thereafter, a margin of 0.50% per annum, (b) in the case of the Class B Notes, a margin of 0.80% per annum up to and including the Interest Payment Date falling in July 2007 and, thereafter, a margin of 1.60% per annum and (c) in the case of the Class C Notes, a margin of 1.40% per annum up to and including the Interest Payment Date falling in July 2007 and, thereafter, a margin of 2.40% per annum.

The holders of the Class B Notes and the Class C Notes will only be entitled to receive payments of interest on the Class B Notes and the Class C Notes respectively on any Interest Payment Date to the extent that the Issuer has funds available for the purpose and in accordance with the Revenue Priority of Payments and Principal Priority of Payments (as defined below). Such payments to the holders of the Class B Notes will only be made after making payment on such Interest Payment Date of any amounts ranking in priority to payments of interest on the Class B Notes (including, *inter alia*, all amounts of interest payable on the relevant Interest Payment Date in respect of the Class A Notes and the replenishing of certain Principal Losses and Principal Deficiencies (as defined below)) and such payments to the holders of the Class C Notes will only be made after making payment on such Interest Payment Date of any amounts ranking in priority to payments of interest on the Class C Notes (including, *inter alia*, all amounts of interest payable on the relevant Interest Payment Date in respect of the Class A Notes and the Class B Notes and the replenishing of certain Principal Losses and Principal Deficiencies), all as provided in the Conditions, the Deed of Charge and the Mortgage Management and Agency Agreement and as described below in “*Summary Information – Revenue Priority of Payments*” and “*Principal Priority of Payments*”. Any interest on the Class B Notes and/or the Class C Notes not paid on an Interest Payment Date will itself accrue interest and will be paid to the holders of the Class B Notes and/or the Class C Notes as the case may be on subsequent Interest Payment Dates to the extent the Issuer has funds available for such purpose, after paying in full on such Interest Payment Date all payments ranking in priority thereto as aforesaid (as described in Condition 4(j)).

It is possible that all or part of any such deferred interest may never become payable.

Expected Average Life of the Class A Notes, the Class B Notes and the Class C Notes:

The average life of the Notes cannot be predicted, as the actual rate of redemption of the Mortgage Loans and a number of other relevant factors are unknown. Calculations of the possible average lives can be made based on certain assumptions including as to the rate at which the Mortgage Loans are repaid and whether the Issuer exercises its option to redeem the Notes as more fully described under “*Summary Information – Optional Redemption*” and “*Estimated Average Lives of the Notes and Assumptions*” below.

Withholding tax:

Payments of interest and principal will be made subject to any applicable withholding or deduction for or on account of any present or future taxes, duties or charges and neither the Issuer nor the Paying Agents will be obliged to pay any additional amounts as a consequence.

Mandatory Redemption:

Prior to enforcement of security for the Notes, the Class A Notes, the Class B Notes and the Class C Notes will be subject to mandatory redemption in part on each Interest Payment Date in the order of priority set out in "Summary Information – Principal Priority of Payments" and "Mandatory Redemption in Part" below.

Final redemption:

Unless previously redeemed in full, each class of Notes will be redeemed at their Principal Amount Outstanding on the Interest Payment Date falling in July 2027 together with accrued but unpaid interest thereon.

Optional redemption:

The Class A Notes, the Class B Notes and the Class C Notes will, in accordance with Condition 5(c), be subject to redemption in whole but not in part at their Principal Amount Outstanding plus accrued but unpaid interest relating to that class up to and including the date of repayment, at the option of the Issuer, as follows:

- (i) on any Interest Payment Date falling in or after July 2007; or
- (ii) on any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Notes then outstanding is less than 10% of the aggregate Principal Amount Outstanding of the aggregate of the Notes as at the Closing Date and any Further Notes on the date of issue thereof,

provided that the Issuer has given not more than 60 nor less than 30 days' notice to the Note Trustee and to the Noteholders of such redemption and that on the Interest Payment Date on which such notice expires no Enforcement Notice (as defined in Condition 9) has been served and further provided that the Issuer has, prior to giving such notice, certified to the Note Trustee, and provided evidence acceptable to the Note Trustee (as specified in the Trust Deed) that it will have the necessary funds to redeem the Notes and to discharge any amounts required under the Deed of Charge to be paid in priority to any of the Notes.

No such optional redemption of any Note may be made unless all (and not some only) of the Notes are redeemed in full at the same time.

Redemption for taxation or other reasons:

In the event of certain tax changes affecting the Notes and/or the Interest Rate Swap Agreement and/or any Permitted Hedging Agreement (as defined below) which oblige the Issuer or the Paying Agent on its behalf to make any withholding or deduction from payments in respect of the Notes and/or the Interest Rate Swap Agreement and/or any Permitted Hedging Agreement (although the Issuer will not have any obligation to pay additional amounts in respect of any such withholding or deduction), the Issuer may (but will not be obliged to) redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with accrued but unpaid interest thereon up to and including the date of repayment, subject to and in accordance with the provisions of Condition 5(d). No class of Notes may be redeemed under such circumstances unless all other classes of Notes (if one or more other classes is then outstanding) is also redeemed in full at the same time.

Rating:

It is expected that the Class A Notes, when issued, will be assigned an AAA rating by Fitch and an Aaa rating by Moody's. It is expected that the Class B Notes, when issued, will be assigned an A rating by Fitch and an A1 rating by Moody's. It is expected that the Class C Notes,

when issued, will be assigned a BBB rating by Fitch and a Baa2 rating by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. Any reference to matters approved by the Rating Agencies refers to confirmation that the proposed action would not adversely affect or cause the withdrawal of the then current ratings of the Notes.

Listing:

Application has been made to list the Notes on the Official List of the U.K. Listing Authority and for the admission of the Notes to trading on the London Stock Exchange.

SECURITY AND APPLICATION OF FUNDS

Security for the Notes:

Pursuant to a deed of charge (the "**Deed of Charge**") to be entered into on the Closing Date by the Issuer, the Security Trustee, the Note Trustee, the Agent Bank, the Principal Paying Agent and any other paying agent (together with the Principal Paying Agent, the "**Paying Agents**"), Bristol & West (in its capacities as Originator, Mortgage Manager, Cash Manager, Interest Rate Swap Counterparty and Subordinated Loan Provider), Bank of Ireland (in its capacity as GIC Provider), the Corporate Services Provider and Share Trustee which contains provisions allowing the accession of a Delegate Mortgage Manager and any Permitted Hedging Provider (together with the Noteholders, and except for the Issuer, the "**Secured Parties**"), the Issuer's obligations under the Notes, together with certain other obligations of the Issuer, will be secured, *inter alia*, by:

- (i) a first ranking fixed charge and security assignment over all the Issuer's right, title, interest and benefit, present and future in, to and under the Mortgage Loans and their Related Security (as defined below) including all interests sold or agreed to be sold to the Issuer pursuant to the Mortgage Sale Agreement;
- (ii) a first ranking fixed charge and security assignment over the Issuer's interests in the Transaction Account, the GIC Account and the Collection Accounts, and the Authorised Investments (as defined below) (see "*Credit and Liquidity Structure – Cash Collection Arrangements*") (which security may be by way of floating charge and thus rank behind claims of certain creditors preferred by law);
- (iii) an assignment by way of security of the Issuer's rights, title, interest and benefit under the Relevant Documents (as defined in Condition 3) other than the Trust Deed and the Deed of Charge;
- (iv) a first fixed charge over any Permitted Hedging Agreement entered into at any time by the Issuer; and
- (v) a first ranking floating charge over all of the property, assets and undertakings of the Issuer not subject to any fixed charge or security assignment (together with the other security interests described above, the "**Security**").

"**Related Security**", in relation to a Mortgage Loan, means, *inter alia*:

- (i) a first fixed mortgage or charge relating to such Mortgage Loan over a freehold or long leasehold residential property in England or Wales (each a "**Property**");
- (ii) any mortgage, charge or other security securing a Further Advance (as defined below);

- (iii) any agreement, deed or letter of consent and postponement given by any occupier of a Property aged 18 years or over who is not a party to the relevant Mortgage Loan;
- (iv) any insurance contracts including any mortgage indemnity guarantee insurance and buildings insurance (to the extent that they relate to such Mortgage Loan or relevant Property) including the right to receive the proceeds of any claim;
- (v) any guarantee of the obligations of the Borrower referable to such Mortgage Loan; and
- (vi) any other document in existence from time to time which is intended to secure the repayment of such Mortgage Loan,

together with all rights and remedies for enforcing any of the above.

The Class A Notes, the Class B Notes and the Class C Notes will be constituted by the Trust Deed and will share the same security but in the event of the security being enforced the Class A Notes will rank in priority to the Class B Notes and the Class C Notes, and the Class B Notes will rank in priority to the Class C Notes.

For a more detailed description of the security, see Condition 2 of the Notes.

USE OF LEDGERS

Principal Ledger:

The Cash Manager will be required to record all amounts received by it representing principal amounts received from Borrowers (as defined below) in respect of the Mortgage Loans or otherwise paid or recovered in respect of the Mortgage Loans representing repayments of principal, prepayments of principal, redemption proceeds and amounts recovered on enforcement or pursuant to the Mortgage Sale Agreement representing principal including amounts received by the Issuer in respect of any Mortgage Loans repurchased by Bristol & West by reason of a breach of warranty and any amount released from the Liquidity Reserve Fund as described in "*Liquidity Reserve Fund Ledger*" below ("**Principal Receipts**") in a ledger for the purpose (the "**Principal Ledger**").

Revenue Ledger:

In addition the Cash Manager will be required to record all other amounts received by it ("**Revenue Receipts**") in a ledger for that purpose (the "**Revenue Ledger**").

Reserve Fund Ledger:

The Issuer will enter into a subordinated loan agreement on the Closing Date (the "**Subordinated Loan Agreement**") with the Subordinated Loan Provider a tranche of which, being an amount of £2,500,000, together with an amount of £50,000 representing the fully paid issued share capital of the Issuer, will be used to provide the initial funding of a reserve fund (the "**Reserve Fund**") which will be recorded on a reserve ledger (the "**Reserve Fund Ledger**") in respect of monies representing the Reserve Fund credited to the GIC Account and the Transaction Account.

Liquidity Reserve Fund Ledger:

In the event that Bristol & West ceases to have a short term unsecured, unsubordinated and unguaranteed credit rating by Moody's of at least P-1, unless the Rating Agencies have confirmed that the then current ratings of the Notes are not and will not be adversely affected by the absence of such rating, (a "**Trigger Event**") the Issuer shall be obliged on and following the next Interest Payment Date to build up a liquidity reserve fund from Principal Receipts or other funds available in accordance with the Principal Priority of Payments (the "**Liquidity Reserve Fund**") to an amount equal to 3% of the aggregate Principal Balance (as defined below) of the Mortgage Loans outstanding and

owing to the Issuer from time to time (or such lesser amount as the Rating Agencies may agree to) (the "**Liquidity Reserve Fund Required Amount**") which will be credited to a ledger for that purpose (the "**Liquidity Reserve Fund Ledger**") in respect of monies representing the Liquidity Reserve Fund credited to the GIC Account and the Transaction Account. If on any Calculation Date following the occurrence of a Trigger Event, the short term unsecured, unsubordinated and unguaranteed credit rating by Moody's of Bristol & West is at least P-1, then the Liquidity Reserve Fund Required Amount shall be reduced to zero and any balance standing to the credit of the Liquidity Reserve Fund Ledger (after any application of the Liquidity Reserve Fund in paying or providing for items in the Revenue Priority of Payments on the next Interest Payment Date) shall be released from the Liquidity Reserve Fund and transferred to the Principal Ledger. If subsequently a further Trigger Event occurs then the obligations to build up the Liquidity Reserve Fund will apply again.

Deferred Purchase Price Reserve Ledger:

If a Suspension Event (as referred to in "*Suspension Event*" below) occurs on any Interest Payment Date, amounts of Deferred Purchase Price (as referred to in "*Deferred Purchase Price*") which would otherwise be payable to the Originator on such Interest Payment Date shall instead be credited to a ledger (the "**Deferred Purchase Price Reserve Ledger**") and retained in the Transaction Account and the GIC Account pending application in accordance with the Revenue Priority of Payments on the next Interest Payment Date.

Issuer Margin Ledger:

Any amounts retained in the Transaction Account or the GIC Account in respect of the Issuer Margin (as referred to in "*Issuer Margin*" below) shall be credited to a ledger maintained for this purpose (the "**Issuer Margin Ledger**").

Ledgers:

The amounts standing to the credit, at any time, of the Principal Ledger, the Revenue Ledger, the Reserve Fund Ledger, the Liquidity Reserve Fund Ledger, the Deferred Purchase Price Reserve Ledger and the Issuer Margin Ledger will, together, represent all sums standing to the credit of the Transaction Account and the GIC Account (the "**Ledgers**"). The Ledgers will be used to monitor the receipt and subsequent utilisation of cash available to the Issuer from time to time and will be credited and debited in the manner described in "*Revenue Priority of Payments*" and "*Principal Priority of Payments*" below.

Principal Deficiency Ledgers:

The Issuer will in addition maintain a Class A Principal Deficiency Ledger, a Class B Principal Deficiency Ledger and a Class C Principal Deficiency Ledger in order to record deficiencies arising from (i) Principal Losses (as defined below) and/or (ii) the use of Principal Receipts to cover senior expenses of the Issuer, including interest payments in respect of the Notes (see "*Credit and Liquidity Structure – Principal Deficiency Ledgers*").

PRIORITY OF PAYMENTS

Revenue:

Prior to the service of an Enforcement Notice, amounts standing to the credit of the Transaction Account and the GIC Account and recorded in the Revenue Ledger in accordance with the provisions of the Deed of Charge and the Mortgage Management and Agency Agreement (together with amounts expected to be so credited and recorded in the Revenue Ledger on or prior to the next Interest Payment Date) comprising, as at each "**Calculation Date**" (being the date 10 Business Days prior to each Interest Payment Date) and in the case of the first Calculation Period, 8th January 2001), the sum of:

- (i) all payments (other than Principal Receipts which are recorded in the Principal Ledger and applied as set out in items (ii), (iii), (iv)

and (v) of the Principal Priority of Payments (as defined below)) from time to time received by the Issuer into the Transaction Account or the GIC Account from (but excluding) the immediately preceding Calculation Date, or in relation to the first Calculation Date the Closing Date, to (and including) such Calculation Date (each such period a "Calculation Period") transferred from the Collection Accounts and representing amounts received or recovered from each person or persons specified as a borrower under the Mortgage Loans and to whom the relevant Mortgage Loan was advanced together with any person or persons (if any) from time to time assuming an obligation to repay such Mortgage Loan or any part of it (each a "Borrower") in respect of the Mortgage Loans (but which will exclude all payments by Borrowers in respect of insurance premiums (if any), early redemption, other breakage fees, break costs (if any), insufficient funds fees and any valuation fees, arrangement fees and fees not allocated to individual mortgage accounts and certain amounts of accrued interest not sold to the Issuer in respect of the Mortgage Loans and any amounts repayable to the Originator arising from the rejection of any payments in respect of the Mortgage Loans and any other amounts which have not been received by the Issuer as cleared funds) (see further "*Credit and Liquidity Structure – Cash Collection Arrangements*" below);

- (ii) all other payments (other than amounts representing Principal Receipts which are recorded in the Principal Ledger and applied as set out in items (ii), (iii), (iv) and (v) of the Principal Priority of Payments and the excluded payments described in item (i) above) received by the Issuer into the Transaction Account and/or the GIC Account from (but excluding) the immediately preceding Calculation Date to (and including) such Calculation Date pursuant to the terms of the Mortgage Sale Agreement and the Mortgage Management and Agency Agreement;
- (iii) the amount standing to the credit of the Reserve Fund Ledger and the Deferred Purchase Price Reserve Ledger (if any);
- (iv) interest received (or expected to be received) on the Transaction Account and the GIC Account from (and including) the immediately preceding Interest Payment Date to (but excluding) the next succeeding Interest Payment Date and amounts received from the proceeds of any Authorised Investments (as defined below) made by, or on behalf of, the Issuer;
- (v) any amount standing to the credit of the Liquidity Reserve Fund Ledger to the extent specified in "*Use of Principal to pay Income Shortfalls*" below; and
- (vi) any payments to be received by the Issuer (after netting off any amount payable by the Issuer on the same day) pursuant to the Interest Rate Swap Agreement or any other Permitted Hedging Agreement (other than any settlement amount payable on the early termination of the Interest Rate Swap Agreement or Permitted Hedging Agreement which, unless an Enforcement Notice has been served, shall be applied in procuring a replacement Interest Rate Swap Agreement or Permitted Hedging Agreement with a new counterparty),

(the aggregate of such amounts being determined by the Cash Manager on each Calculation Date) shall be hereafter referred to as "**Available Revenue Funds**".

Permitted Payments from Transaction Account and GIC Account:

Available Revenue Funds will not include amounts applied from time to time in making payment out of the Transaction Account or the GIC Account other than on an Interest Payment Date (i) to satisfy any liability of the type described under “*Revenue Priority of Payments*” in items (iii) (Corporation Tax) or (vii) (Payments to third parties) which is due on such other date, (ii) to pay to the Originator any amounts received from Borrowers in respect of payment of insurance premiums (if any), early redemption fees, other breakage fees, break costs (if any), insufficient funds fees and any valuation fees or arrangement fees and other fees not allocated to individual accounts paid by Borrowers pursuant to the Mortgage Conditions, to which it is entitled under the Mortgage Sale Agreement, (iii) to refund any amounts due to the Originator arising from payments made to the Issuer in error including amounts arising from the rejection of any payments made by Borrowers in respect of the Mortgage Loans, (iv) any amount payable to the Originator in respect of interest accrued on any Mortgage Loan relating to any period ending prior to the date on which such Mortgage Loan is sold to the Issuer under the Mortgage Sale Agreement and which is excluded from such sale and (v) any other amounts which have not been received by the Issuer as cleared funds.

Revenue Priority of Payments:

The Available Revenue Funds as at each Calculation Date will be applied by the Issuer on the immediately succeeding Interest Payment Date, prior to the service of an Enforcement Notice, as follows (in each case only if and to the extent that payments or provisions of a higher order of priority have been made in full):

- (i) first, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (a) the fees or other remuneration and indemnity payments (if any) payable to the Security Trustee and any costs, charges, liabilities and expenses incurred by it under the provisions of the Deed of Charge or any other Relevant Document (as defined in Condition 3) to which it is a party, together with interest thereon as provided for therein, (b) the proper fees or other remuneration and indemnity payments (if any) payable to the Note Trustee and any costs, charges, liabilities and expenses incurred by it under the terms of the Conditions, the Trust Deed, the Deed of Charge or any other Relevant Document, together with interest thereon as provided for therein and in each case together with value added tax (if applicable) thereon;
- (ii) second, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (a) the proper fees and expenses (other than any incurred on issue of the Notes (if any)) of the Rating Agencies, the Share Trustee, any legal advisers, accountants and auditors and the Corporate Services Provider appointed by the Issuer and by Holdings, in each case together with value added tax (if applicable) thereon and the remuneration and expenses of the Issuer’s directors, (b) the fees, expenses and any indemnity payments due to the Paying Agents and the Agent Bank incurred under the provisions of the Agency Agreement and the Deed of Charge, in each case together with value added tax (if applicable) thereon; and (c) any amounts properly payable pursuant to the directors’ indemnities contained in the Issuer Corporate Services Agreement and the Parent Corporate Services Agreement;
- (iii) third, in or towards satisfaction according to the respective amounts thereof of all amounts due and payable in respect of the Issuer’s liability to corporation tax or advance corporation tax on

any chargeable income or gain of the Issuer (insofar as payment cannot be satisfied out of profits);

- (iv) fourth, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (a) the quarterly mortgage management fee to the Mortgage Manager, payable pursuant to the Mortgage Management and Agency Agreement and the Deed of Charge, such fee (inclusive of value added tax (if applicable)) being 0.04% (or in the case of a Substitute Mortgage Manager or a Delegate Mortgage Manager, such other percentage as may be agreed between such Substitute Mortgage Manager or Delegate Mortgage Manager and the Security Trustee) of the aggregate of the outstanding principal balances of the Mortgage Loans (in relation to each Mortgage Loan, the "**Principal Balance**") on the Calculation Date immediately preceding the relevant Interest Payment Date multiplied by the actual number of days from (and including) the preceding Calculation Date to (but excluding) the current Calculation Date divided by the actual number of days in that year, together with all and any costs and expenses incurred by the Mortgage Manager during such Calculation Period, subject to and in accordance with the provisions of the Mortgage Management and Agency Agreement and the Deed of Charge; and (b) the quarterly cash management fee to the Cash Manager, payable pursuant to the Mortgage Management and Agency Agreement and the Deed of Charge, such fee (inclusive of value added tax (if applicable)) being 0.01% (or in the case of a Substitute Cash Manager, such other percentage as may be agreed between such Substitute Cash Manager and the Security Trustee) of the aggregate of the Principal Balances of all of the Mortgage Loans on the Calculation Date immediately preceding the relevant Interest Payment Date multiplied by the actual number of days from (and including) the preceding Calculation Date to (but excluding) the current Calculation Date divided by the actual number of days in that year, together with all and any costs and expenses incurred by the Cash Manager during such Calculation Period, subject to and in accordance with the provisions of the Mortgage Management and Agency Agreement and the Deed of Charge;
- (v) fifth, in or towards satisfaction, *pro rata*, according to the respective amounts thereof of (a) amounts calculated by reference to the Average Blended SVR (as defined below) (after taking into account the net settlement provisions of the Interest Rate Swap Agreement) due and payable (if any) by the Issuer to the Interest Rate Swap Counterparty pursuant to the Interest Rate Swap Agreement (excluding, for the avoidance of doubt, any settlement amount payable on the early termination of the Interest Rate Swap Agreement); (b) those amounts due and payable by the Issuer to any Permitted Hedging Provider under any Permitted Hedging Agreement (excluding, any settlement amount payable on the early termination of a Permitted Hedging Agreement); and (c) all amounts of interest accrued but unpaid in respect of the Class A Notes and the coupons appertaining thereto (the "**Class A Coupons**") (if any);
- (vi) sixth, in or towards satisfaction of sums to be credited to the Class A Principal Deficiency Ledger until the debit balance, if any, on the Class A Principal Deficiency Ledger is reduced to zero;

- (vii) seventh, *pro rata* and *pari passu* in or towards the satisfaction of any sums due or overdue to any third party not otherwise included in any other paragraph of this Revenue Priority of Payments and incurred in the ordinary course of business of the Issuer;
- (viii) eighth, in or towards satisfaction of all amounts of interest accrued but unpaid in respect of the Class B Notes and the coupons appertaining thereto (the “Class B Coupons”) (if any);
- (ix) ninth, in or towards satisfaction of sums to be credited to the Class B Principal Deficiency Ledger until the debit balance, if any, on the Class B Principal Deficiency Ledger is reduced to zero;
- (x) tenth, in or towards satisfaction of all amounts of interest accrued but unpaid in respect of the Class C Notes and the coupons appertaining thereto (the “Class C Coupons”) (if any);
- (xi) eleventh, in or towards satisfaction of sums to be credited to the Class C Principal Deficiency Ledger until the debit balance, if any, on the Class C Principal Deficiency Ledger is reduced to zero;
- (xii) twelfth, to the Reserve Fund, until the credit balance of the Reserve Fund Ledger has reached the Reserve Fund Required Amount (as defined below) (see “*Credit and Liquidity Structure – Reserve Fund*”);
- (xiii) thirteenth, if a Suspension Event occurs on such Interest Payment Date, in crediting the Deferred Purchase Price Reserve Ledger until the credit balance of the Deferred Purchase Price Reserve Ledger is equal to the balance thereof on the immediately preceding Calculation Date;
- (xiv) fourteenth, *pro rata* according to the respective amounts thereof in or towards payment of any settlement amount payable on the early termination of the Interest Rate Swap Agreement and any settlement amount payable on the early termination of any Permitted Hedging Agreement;
- (xv) fifteenth, in or towards payment to the Subordinated Loan Provider of all amounts of accrued but unpaid interest under the Subordinated Loan;
- (xvi) sixteenth, in or towards payment of the Issuer Margin (as defined in “*Issuer Margin*”) which shall be retained in the Transaction Account or the GIC Account and credited to the Issuer Margin Ledger;
- (xvii) seventeenth, (a) if a Suspension Event does not occur on such Interest Payment Date, in or towards payment of the Deferred Purchase Price (as defined in “*Deferred Purchase Price*”) falling due on such Interest Payment Date or, to the extent unpaid, any previous Interest Payment Date and any other amounts other than any Additional Purchase Price (as referred to in “*Acquisition of the Mortgages*”) due to Bristol & West under the Mortgage Sale Agreement unless already paid, or (b) if a Suspension Event occurs on such Interest Payment Date, in crediting an amount equal to the Deferred Purchase Price falling due on such Interest Payment Date to the Deferred Purchase Price Reserve Ledger (in addition to any amount credited to the Deferred Purchase Price Reserve Ledger under item (xiii) above); and

(xviii) eighteenth, the surplus (if any) to the Issuer, which may be applied by the Issuer in paying dividends to the shareholders of the Issuer,

(together, the “Revenue Priority of Payments”).

Use of Principal to pay Income Shortfalls:

If, on any Interest Payment Date, the amount of Available Revenue Funds (before including any amount to be debited from the Principal Ledger or from the Liquidity Reserve Fund Ledger on such Interest Payment Date and applied in or towards paying or providing for items in the Revenue Priority of Payments) is less than the aggregate of the amounts specified to be paid or provided for in items (i) to (v), (vii), (viii) and (x) of the Revenue Priority of Payments, then an amount equal to the shortfall shall be debited to the Principal Ledger (until the balance of the Principal Ledger is nil and thereafter to the Liquidity Reserve Fund Ledger until the balance of the Liquidity Reserve Fund Ledger is nil) and recorded as a debit in the relevant Principal Deficiency Ledgers as described in “*Principal Deficiency Ledgers*” and applied in paying or providing for the amounts specified in items (i) to (v), (vii), (viii) and (x) of the Revenue Priority of Payments, provided that amounts standing to the credit of the Principal Ledger or the Liquidity Reserve Fund Ledger shall not be applied in paying or providing for items in the Revenue Priority of Payments to the extent that that would result in a debit being recorded in the Class A Principal Deficiency Ledger in respect of items (viii) or (x) of the Revenue Priority of Payments or a debit being recorded in the Class B Principal Deficiency Ledger in respect of item (x) of the Revenue Priority of Payments.

Principal Deficiency Ledgers:

The Principal Deficiency Ledgers will be opened and maintained by or on behalf of the Issuer in order to record (i) as of the day on which they occur any losses in respect of the Mortgage Loans which arise upon default by the Borrowers and following the exercise by the Issuer or the Mortgage Manager of all remedies under the Mortgage Loans and the Related Security to the extent required by the Originator’s mortgage procedures and after all available claims under any relevant insurance policy have been made and settled, if the Issuer does not receive the full amount due from those Mortgage Loans and Related Security (“**Principal Losses**”) and (ii) on any Interest Payment Date amounts (if any) standing to the credit of the Principal Ledger or the Liquidity Reserve Fund Ledger which are applied in payment of items (i) to (v), (vii), (viii) or (x) of the Revenue Priority of Payments (each a “**Principal Deficiency**”). Any Principal Deficiency or Principal Loss shall be debited to the Class C Principal Deficiency Ledger so long as the debit balance on the Class C Principal Deficiency Ledger is less than the Principal Amount Outstanding of the Class C Notes and thereafter, any Principal Deficiency or Principal Loss shall be debited to the Class B Principal Deficiency Ledger so long as the debit balance on the Class B Principal Deficiency Ledger is less than the Principal Amount Outstanding of the Class B Notes and thereafter any Principal Deficiency or Principal Loss shall be debited to the Class A Principal Deficiency Ledger. Such debit items shall be recredited, in the case of the Class A Principal Deficiency Ledger, at item (vi) of the Revenue Priority of Payments, in the case of the Class B Principal Deficiency Ledger, at item (ix) of the Revenue Priority of Payments and, in the case of the Class C Principal Deficiency Ledger, at item (xi) of the Revenue Priority of Payments from Available Revenue Funds, all as further described in “*Credit and Liquidity Structure – Principal Deficiency Ledgers*”.

Save for the Reserve Fund, the Issuer Margin and any Liquidity Reserve Fund, there is no intention to accumulate any long-term surpluses in the Issuer.

Principal Priority of Payments:

Amounts standing to the credit of the Principal Ledger on each Calculation Date will be applied by the Issuer on the immediately succeeding Interest Payment Date together with all amounts re-credited to the Principal Deficiency Ledgers on such Interest Payment Date in accordance with items (vi), (ix) and (xi) of the Revenue Priority of Payments, prior to the service of an Enforcement Notice, as follows (in each case only if and to the extent that payments, transfers or provisions of a higher order of priority have been made in full and subject to the Transaction Account and the GIC Account not becoming overdrawn as a result):

- (i) firstly, in or towards paying or providing for items in the Revenue Priority of Payments on such Interest Payment Date to the extent and in the order specified in “*Use of Principal to Pay Income Shortfalls*” above;
- (ii) secondly, on each Interest Payment Date at any time after the occurrence of a Trigger Event in or towards crediting the Liquidity Reserve Fund Ledger until the balance equals the Liquidity Reserve Fund Required Amount;
- (iii) thirdly, in purchasing any Further Advances or Substitute Mortgage Loans (as defined below) to be purchased on such Interest Payment Date in accordance with the Mortgage Sale Agreement and the Mortgage Management and Agency Agreement as further described in “*Further Advances*” and “*Substitutions*” below;
- (iv) fourthly, in paying any Additional Purchase Price due to the Originator; and
- (v) fifthly, in or towards redemption of the Notes as described in “*Mandatory Redemption in Part*” and “*Pro Rata Redemption*” below,

(together, the “**Principal Priority of Payments**”).

Available Redemption Funds:

Prior to the enforcement of the Security under the Deed of Charge, on each Interest Payment Date, other than any Interest Payment Date on which the Notes are to be redeemed in full, the “**Available Redemption Funds**” will be calculated by the Cash Manager and will comprise, as at each Calculation Date, the sum of:

- (i) the credit balance of the Principal Ledger as at the close of business on that Calculation Date; and
- (ii) the amount (if any) to be applied in recrediting the Principal Deficiency Ledgers on such Interest Payment Date by the application of Available Revenue Funds pursuant to items (vi), (ix) or (xi) (as applicable) of the Revenue Priority of Payments,

less any amounts applied on such Interest Payment Date in accordance with items (i), (ii), (iii) and (iv) of the Principal Priority of Payments.

Mandatory Redemption in Part:

Prior to the service of an Enforcement Notice, the Notes will be subject to mandatory redemption in part on each Interest Payment Date in an aggregate principal amount calculated by reference to the Available Redemption Funds as determined on the immediately preceding Calculation Date. On any such Interest Payment Date (other than a Pro Rata Redemption Date as defined below), Available Redemption Funds shall be applied in the following order:

- (i) in or towards the redemption of the Class A Notes only until the Class A Notes are redeemed in full;
- (ii) in or towards the redemption of the Class B Notes only until the Class B Notes are redeemed in full; and
- (iii) in or towards the redemption of the Class C Notes until the Class C Notes are redeemed in full.

Pro Rata Redemption:

If on any Interest Payment Date prior to the service of an Enforcement Notice (a "Pro Rata Redemption Date") all of the following conditions are satisfied:

- (a) the balance on the Reserve Fund Ledger is not less than the Reserve Fund Required Amount on the immediately preceding Calculation Date;
- (b) if a Trigger Event has occurred on or prior to such Interest Payment Date, the balance on the Liquidity Reserve Fund Ledger is not less than the Liquidity Reserve Fund Required Amount on the immediately preceding Calculation Date;
- (c) on such Interest Payment Date the ratio of (i) the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes to (ii) the aggregate Principal Amount Outstanding of the Class A Notes is not less than 30/285;
- (d) on the immediately preceding Calculation Date there was a nil balance on each of the Principal Deficiency Ledgers;
- (e) the Principal Balance then outstanding of the Mortgage Loans in relation to which an amount equal to or greater than the last three monthly payments is in arrears or has been capitalised at any time in the last 12 months is less than 2% of the Principal Balance then outstanding of all the Mortgage Loans forming part of the Mortgage Pool; and
- (f) the Cash Manager confirmed in writing to the Issuer (with a copy to the Security Trustee) on the immediately preceding Calculation Date that it was not aware that a *pro rata* redemption of the Class A Notes and the Class B Notes would adversely affect the then current ratings of the Notes assigned by the Rating Agencies,

then subject to the provisions set out below the Available Redemption Funds shall be applied in the following order:

- (i) firstly in or towards the redemption of the Class A Notes and the Class B Notes *pro rata* according to the respective amounts thereof provided that if all Class A Notes have been redeemed, all Available Redemption Funds will be applied to redeem the Class B Notes until the Class B Notes have been redeemed in full; and
- (ii) secondly, in or towards the redemption of the Class C Notes until the Class C Notes have been redeemed in full,

provided that if on any Pro Rata Redemption Date the following further conditions (in addition to the conditions referred to in (a), (b), (c), (d), (e) and (f) above) are satisfied:

- (x) on such Interest Payment Date the ratio of (a) the aggregate Principal Amount Outstanding of the Class C Notes to (b) the Aggregate Principal Amount Outstanding of the Class B Notes is not less than 4/3; and

- (y) the Cash Manager confirmed in writing to the Issuer (with a copy to the Security Trustee) on the immediately preceding Calculation Date that it was not aware that a *pro rata* redemption of the Class A Notes, the Class B Notes and the Class C Notes would adversely affect the then current ratings of the Notes assigned by the Rating Agencies,

then the Available Redemption Funds shall instead be applied in the following order:

- (i) firstly, in or towards the redemption of the Class A Notes, the Class B Notes and the Class C Notes *pro rata* according to the respective amounts thereof until the Principal Amount Outstanding of the Class C Notes is reduced to the greater of (a) £500,000 and (b) twice the outstanding Principal Balance of the Mortgage Loan with the greatest outstanding Principal Balance on such Interest Payment Date, provided that if all Class A Notes have been redeemed, all Available Redemption Funds will be applied in or towards the redemption of the Class B Notes and the Class C Notes *pro rata* according to the respective amounts thereof until the Principal Amount Outstanding of the Class C Notes is reduced to the greater of (a) £500,000 and (b) twice the outstanding Principal Balance of the Mortgage Loan with the greatest outstanding Principal Balance on such Interest Payment Date;
- (ii) secondly, once the Principal Amount Outstanding of the Class C Notes is reduced to the greater of (a) £500,000 and (b) twice the outstanding Principal Balance of the Mortgage Loan with the largest outstanding Principal Balance as such Interest Payment Date, in or towards the redemption *pro rata* according to the respective amounts thereof of any remaining Class A Notes and Class B Notes provided that if all Class A Notes have been redeemed, all Available Redemption Funds not applied under item (i) immediately above will be applied in or towards the redemption of the Class B Notes until the Class B Notes are redeemed in full; and
- (iii) thirdly, in or towards the redemption of the remaining Class C Notes until the Class C Notes have been redeemed in full.

Priority of Payments on Enforcement:

Following the service of an Enforcement Notice, the Security Trustee will be required to apply all moneys received on trust for distribution in or towards the satisfaction of the following amounts in the following order of priority (and, in each case, only if and to the extent that payments or provisions of a higher order of priority have been made in full):

- (i) firstly, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of (a) the fees or other remuneration and indemnity payments (if any) payable to the Security Trustee or any receiver appointed by the Security Trustee and any costs, charges, liabilities and expenses incurred by it under the provisions of the Deed of Charge and the other Relevant Documents to which the Security Trustee is a party and any amounts in respect of value added tax thereon (if applicable) and, together with interest thereon as provided for therein; and (b) the fees or other remuneration (inclusive of any amount in respect of value added tax thereon (if applicable)) and indemnity payments (if any) payable to the Note Trustee and any costs, charges, liabilities and expenses incurred by it under the provisions of the Trust Deed and the Deed of Charge and the other Relevant

Documents and any amounts in respect of value added tax thereon (if applicable), together with interest thereon as provided for therein;

- (ii) secondly, in or towards satisfaction, *pro rata*, according to the respective amounts thereof, of (a) the proper fees, remuneration and expenses of the Issuer's directors, the Corporate Services Provider appointed by the Issuer and Holdings, the Rating Agencies, the Share Trustee and any legal advisers, accountants and auditors appointed by the Issuer; (b) the fees, expenses and indemnity payments (if any) due to the Paying Agents and the Agent Bank incurred under the provisions of the Agency Agreement and the Deed of Charge; and (c) any amounts properly payable pursuant to the directors' indemnities contained in the Issuer Corporate Services Agreement and the Parent Corporate Services Agreement, (and in the case of (a), (b) and (c) together with value added tax (if applicable) thereon;
- (iii) thirdly, *pro rata* according to the respective amounts thereof in or towards satisfaction of (a) the fees (inclusive of value added tax (if applicable)) and expenses of the Mortgage Manager incurred under the provisions of the Mortgage Management and Agency Agreement and the Deed of Charge; and (b) the fees (inclusive of value added tax (if applicable)) and expenses of the Cash Manager incurred under the provisions of the Mortgage Management and Agency Agreement and Deed of Charge in each case the fees shall not exceed the rates referred to in the Revenue Priority of Payments;
- (iv) fourthly, in or towards satisfaction, *pro rata* according to the respective amounts thereof, of (a) all amounts of accrued but unpaid interest in respect of the Class A Notes and the Class A Coupons and the Principal Amount Outstanding of the Class A Notes and (b) amounts (if any) due and payable to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement and to any Permitted Hedging Provider under any Permitted Hedging Agreement (other than in respect of any amounts payable under sub-paragraph (viii) below);
- (v) fifthly, in or towards payment of all interest accrued but unpaid in respect of the Class B Notes and the Class B Coupons and the Principal Amount Outstanding of the Class B Notes;
- (vi) sixthly, in or towards payment of all interest accrued but unpaid in respect of the Class C Notes and the Class C Coupons and the Principal Amount Outstanding of the Class C Notes;
- (vii) seventhly, to pay to the Originator any legal expenses and costs due to it in connection with the use by the Issuer and the Security Trustee of the powers of attorney granted pursuant to the Mortgage Sale Agreement;
- (viii) eighthly, *pro rata* according to the respective amounts thereof to the Interest Rate Swap Counterparty and any Permitted Hedging Provider in or towards payment of any settlement amount payable on the early termination of the Interest Rate Swap Agreement or any Permitted Hedging Agreement, as determined in accordance with the terms of the Interest Rate Swap Agreement or the Permitted Hedging Agreement (as the case may be);

- (ix) ninthly, in or towards payment to the Subordinated Loan Provider of all amounts outstanding in respect of the Subordinated Loan;
- (x) tenthly, in or towards payment to the Originator of all amounts of Deferred Purchase Price which have fallen due but have not been paid to the Originator and all other amounts due in respect of the Mortgage Sale Agreement (other than in respect of any amounts paid under sub-paragraph (vii) above); and
- (xi) eleventhly, the surplus (if any) to the Issuer.

Purchase of Notes:

The Issuer shall not purchase any Notes.

Final Redemption:

Unless previously redeemed, the Notes will mature on the Interest Payment Date falling in July 2027.

**Post Enforcement Call Option
in favour of Holdings:**

The Note Trustee will, on the Closing Date, grant to Holdings (pursuant to a post-enforcement call option deed to be entered into on the Closing Date between the Issuer, Holdings and the Note Trustee (the "**Post-Enforcement Call Option Deed**")) an option to require the transfer to it, for a nominal consideration of all (but not some only) of the Class B Notes (together with accrued interest thereon) and to require the transfer to it, for a nominal consideration of all (but not some only) of the Class C Notes (together with accrued interest thereon) in the event that the security under the Deed of Charge is enforced and, after payment of all other claims ranking in priority to the Class B Notes, the Class B Coupons, the Class C Notes and the Class C Coupons on the enforcement of the security under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal, interest and other amounts due in respect of the Class B Notes and the Class C Notes and all other claims ranking *pari passu* therewith after payment of such remaining proceeds to each of the Class B Noteholders and/or the Class C Noteholders in accordance with the Deed of Charge. The Class B Noteholders and the Class C Noteholders will be bound by the terms and conditions of the Trust Deed and the Conditions relating to the Class B and the Class C Notes in respect of the post-enforcement call option and the Note Trustee will be irrevocably authorised to enter into the Post-Enforcement Call Option Deed as agent for the Class B Noteholders and the Class C Noteholders.

The Issuer will enter into a deed with Holdings (the "**Holdings Deed**") pursuant to which, *inter alia*, Holdings agrees with the Issuer to exercise the options granted in its favour pursuant to the Post-Enforcement Call Option Deed.

The Mortgage Loans:

All of the mortgage loans (including any Further Advances, Further Mortgage Loans, Substitute Mortgage Loans (each as defined below)) to be purchased by the Issuer from Bristol & West (in this capacity the "**Originator**") pursuant to the Mortgage Sale Agreement (the "**Mortgage Loans**") will consist of variable rate mortgage loans some of which are subject to discounts (or, in respect of a Further Advance or following a conversion or substitution, fixed or capped rate mortgage loans) which meet certain lending criteria. See further the section "*The Mortgage Loans*" for a description of the mortgage products comprised in the Mortgage Loans to be purchased by the Issuer on the Closing Date. All of the Initial Mortgage Loans were, and each of the Further Advances and Converted Mortgage Loans (as defined in "*The Mortgage Loans*" below) will be, originated by Bristol & West and are secured by way of first ranking fixed mortgages or charges over residential properties situated in England or Wales.

The Security Trustee and the Issuer will pursuant to the Mortgage Sale Agreement have the benefit of certain warranties (the “Warranties”) given by Bristol & West in relation to the Mortgage Loans, including Warranties in relation to the lending criteria applied in advancing the Mortgage Loans.

In the event of a material breach of Warranty, Bristol & West can be required to repurchase the relevant Mortgage Loans on the next Interest Payment Date and may be required to substitute any such Mortgage Loan with a replacement (a “Substitute Mortgage Loan”) pursuant to the Mortgage Sale Agreement.

The mortgage pool from time to time will comprise (i) those Mortgage Loans identified on the Closing Date (the “Initial Mortgage Loans”), (ii) any Converted Mortgage Loans, (iii) any Substitute Mortgage Loans; (iv) any Mortgage Loans purchased by the Issuer in connection with a Tap Issue (the “Further Mortgage Loans”); and (v) any Further Advances, but will exclude Mortgage Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been repurchased by Bristol & West pursuant to the Mortgage Sale Agreement (the “Mortgage Pool”).

Further Advances:

Subject to the satisfaction of certain conditions, the Issuer may on any Interest Payment Date, pursuant to the Mortgage Sale Agreement and the Mortgage Management and Agency Agreement and following the making of any prior ranking payments and provisions in accordance with the Principal Priority of Payments, purchase all or some only of such further advances as have been made by Bristol & West to Borrowers. The aggregate principal amount of all such Further Advances and Substitute Mortgage Loans (as referred to above) which are purchased at any time (whether or not still outstanding) shall not exceed £30,000,000. See “*The Acquisition of the Mortgages – Further Advances*” for further details.

Conversions:

Any Mortgage Loan may, subject to certain conditions, be converted into a different type of mortgage (a “Converted Mortgage Loan”). Accordingly, any Converted Mortgage Loan may differ from the Mortgage Loans described under “**The Mortgage Loans**” below.

Where, following the conversion of Mortgage Loans from a variable rate to, or the purchase of a Further Advance or Substitute Mortgage Loan with, a fixed or capped rate, such fixed or capped rate mortgages exceed the Fixed Rate Conversion Limit, the Issuer on or before the date of conversion or the purchase of the Further Advance or Substitute Mortgage Loan will enter into a Permitted Hedging Agreement with an appropriately rated counterparty as Permitted Hedging Provider. The conversion of Mortgage Loans is subject to the conditions referred to in “*The Acquisition of the Mortgages – Conversion of Mortgage Loans*” below.

Discounted Mortgage Limit:

The number of Further Advances, Substitute Mortgage Loans and Converted Mortgage Loans consisting of a discounted interest element will be subject to a limit set out in “*The Acquisition of Mortgages – Discounted Mortgage Limit*” below.

Issuer Margin:

On each Calculation Date and after paying and providing in full for items (i) to (xv) in the Revenue Priority of Payments the Cash Manager shall calculate an amount equal to 0.01% of the Available Revenue Funds (the “Issuer Margin”) which, to the extent funds are available in accordance with the Revenue Priority of Payments, shall be retained by the Issuer in the Transaction Account or the GIC Account and credited to the Issuer Margin Ledger.

Deferred Purchase Price:

On each Interest Payment Date, after paying or providing in full for items (i) to (xvi) inclusive in the Revenue Priority of Payments above an amount equal to the remaining balance (if any) of Available Revenue Funds less the amount (if any) standing to the credit of the Deferred Purchase Price Reserve Ledger on the immediately preceding Calculation Date shall fall due from the Issuer to the Originator in respect of the deferred purchase price payable under the Mortgage Sale Agreement (the “**Deferred Purchase Price**”). Unless a Suspension Event occurs on an Interest Payment Date, the Deferred Purchase Price falling due on such Interest Payment Date (and to the extent unpaid any Deferred Purchase Price falling due on any previous Interest Payment Date) shall be paid to Bristol & West from funds available in accordance with the Revenue Priority of Payments. If a Suspension Event occurs on an Interest Payment Date, the Deferred Purchase Price shall instead be credited to the Deferred Purchase Price Reserve Ledger and retained in the Transaction Account or the GIC Account pending the application of Available Revenue Funds on the next Interest Payment Date.

Suspension Event:

A “**Suspension Event**” shall occur on any Interest Payment Date on which (a) the arithmetic mean of the rates which are the Standard Variable Rate on each day during the Calculation Period ending on the immediately preceding Calculation Date is less than (b) the Average Blended SVR (as referred to in “*Credit and Liquidity Structure – The Interest Rate Swap Agreement*”) on such Interest Payment Date less 0.25% per annum.

Interest Rate Swap Agreement:

The Issuer will enter into the Interest Rate Swap Agreement with the Interest Rate Swap Counterparty to hedge against the possible variance between the Average Blended SVR (as defined under “*Credit and Liquidity Structure – Interest Rate Swap Agreement*” below) and a rate of 1.35% over sterling LIBOR. The obligations of the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement are guaranteed by Bank of Ireland (see “*Credit and Liquidity Structure – Interest Rate Swap Agreement*”).

Permitted Hedging Agreements:

If the Fixed Rate Conversion Limit (as defined in “*The Acquisition of the Mortgages – Conversion of Mortgage Loans*” below) is reached, the Issuer will enter into one or more additional interest rate swaps (each a “**Permitted Hedging Agreement**”) to hedge its exposure to the fixed rates in respect of any additional fixed rate or capped rate Mortgage Loans acquired by the Issuer with a Permitted Hedging Provider (as defined below) (see “*Credit and Liquidity Structure – Permitted Hedging Agreements*” for more details).

Tap Issues:

The Issuer will be entitled (but not obliged), at its option but subject to the satisfaction of certain conditions, from time to time on any Interest Payment Date falling on or prior to July 2002, without the consent of the Noteholders, the Couponholders, the Note Trustee, or the Security Trustee to raise further funds by the creation and issue (subject to a maximum of three such issues in aggregate), of (i) Further Class A Notes which will be in bearer form and carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and so that the same shall be consolidated, form a single series and rank *pari passu* with, the Class A Notes, (ii) Further Class B Notes which will be in bearer form and carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and so that the same shall be consolidated, form a single series and rank *pari passu* with, the Class B Notes, (iii) Further Class C Notes which will be in bearer form and carry the same terms and conditions in

all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as, and so that the same shall be consolidated, to form a single series and rank *pari passu* with the Class C Notes (each such issue, a “**Tap Issue**”). The aggregate of the initial Principal Amount Outstanding of all Further Notes issued on any Interest Payment Date and of all Further Notes issued on any previous Interest Payment Date will not exceed £150,000,000.

The proceeds of any issue of Further Notes will be applied in acquiring the benefit of a further pool of mortgages from the Originator (each a “**Further Mortgage Pool**”). It shall be a condition precedent to any Tap Issue that each of the Rating Agencies has confirmed that the arrangements and assets in respect of such Tap Issue are such as would enable the then current ratings of the Notes previously issued to be maintained. Pursuant to the Deed of Charge, the Further Mortgage Pool and the Related Security in connection therewith will be subject to a first fixed charge in favour of the Security Trustee. Any Further Notes will be constituted by and will be issued under a deed supplemental to the Trust Deed and have the benefit of the security as described under “**Security for the Notes**” above. The Notes (including any Further Notes) will also have the benefit of the security over any Further Mortgage Pools.

Authorised Investments:

The Cash Manager may on behalf of the Issuer prior to the service of an Enforcement Notice invest monies standing to the credit of the Transaction Account or the GIC Account in any unsubordinated securities, debt investments or bank accounts or deposits of or with or issued by any bank or other financial institution the short term unsecured, unsubordinated and unguaranteed debt obligations of which are rated not less than P-1 by Moody’s and not less than F-1+ by Fitch which is denominated in sterling, which is repayable on or before the Interest Payment Date next following the date on which such security or investment is acquired or such deposit is made, or on demand, and on which the rate of return receivable, upon its maturity is at least equal to or greater than the rate payable under the GIC (“**Authorised Investments**”).

SPECIAL CONSIDERATIONS

The following is a summary of certain aspects of the issue of the Notes of which prospective Noteholders should be aware. The summary is not intended to be exhaustive and prospective Noteholders should read the detailed information set out in the section entitled "Credit and Liquidity Structure" and elsewhere in this Offering Circular.

The Issuer's ability to meet its obligations under the Notes

The ability of the Issuer to meet its obligations in full in respect of payments of interest and principal on the Notes, including following the occurrence of any event of default under the Notes (an "Event of Default" as set out in Condition 9), will depend upon and is limited to (i) the receipt by it of funds paid by Borrowers in respect of their Mortgage Loans and the proceeds of their Related Security, (ii) the receipt by it of interest from the Transaction Account, the GIC Account, the Collection Accounts, or from Authorised Investments, (iii) the receipt by it of funds from the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement and amounts under any Permitted Hedging Agreement with a Permitted Hedging Provider or funds from the Swap Guarantor under the Swap Guarantee and (iv) the receipt by it of any amounts payable by the Originator under the Mortgage Sale Agreement. In addition, the Issuer will have available to it the Reserve Fund and, following the occurrence of a Trigger Event and subject to receipt of sufficient Principal Receipts, the Liquidity Reserve Fund for the purposes specified in "Credit and Liquidity Structure".

On enforcement of the security from time to time constituted by or pursuant to the Deed of Charge (the "Security"), the ability of the Issuer to repay moneys due and owing to the Noteholders will depend upon whether the Mortgage Loans and their Related Security can be realised to obtain an amount sufficient to effect repayment thereof. It should be noted that there is no recognised secondary market in the United Kingdom for the sale of mortgage portfolios.

Enforcement Action

Upon enforcement of the Security, the Security Trustee will have recourse only to the Mortgage Loans and their Related Security and any other assets of the Issuer then in existence. The Issuer and the Security Trustee will have no recourse to Bristol & West, in its capacity as Originator, other than as provided in the Mortgage Sale Agreement in respect of a material breach of Warranty (see "Searches, Investigations and Warranties" below). There can be no assurance that the Mortgage Loans and their Related Security or any other assets of the Issuer will realise an amount sufficient to redeem all of the Notes in full. The Issuer and/or the Security Trustee may not be able to sell the Mortgage Loans on appropriate terms should either of them be required to do so.

The terms on which the Security for the Notes will be held will provide that, upon enforcement, payments will rank in the order of priority set out in "Summary Information – Priority of Payments on Enforcement". In the event that the Security for the Notes is enforced, no amounts will be paid to the Class C Noteholders until all amounts owing to the Class A Noteholders and the Class B Noteholders have been paid in full and other amounts ranking in priority to payments in respect of the Class C Notes have been paid in full and no amounts will be paid to the Class B Noteholders until all amounts owing to the Class A Noteholders and other amounts ranking in priority to payments in respect of the Class B Noteholders have been paid in full.

Searches, Investigations and Warranties

Bristol & West has warranted to the Issuer and the Security Trustee in the Mortgage Sale Agreement, *inter alia*, that, prior to the advance of each Mortgage Loan (i) (other than in respect of Further Advances) solicitors or licensed conveyancers acting for Bristol & West have provided a report of title or a certificate of title to Bristol & West certifying that the relevant Borrower had, on acquisition of the relevant property, would have, "good and marketable title" to the relevant property subject to such exceptions or qualifications as Bristol & West (acting as a reasonably prudent mortgage lender where such lender's principal business or a portion of its principal business involves lending to borrowers in England and Wales where the Mortgage Loan is secured over residential property ("Prudent Mortgage Lender")) may have agreed and (ii) Bristol & West had carried out or procured the carrying out of all investigations, searches and other actions (in each case, not relating to the matters which were the subject of the relevant solicitor's undertaking referred to at (i) above) that would be undertaken by a Prudent Mortgage Lender.

Neither the Issuer nor the Security Trustee has undertaken nor will they undertake any investigations, searches or other actions and each will rely solely on the Warranties given in the Mortgage Sale Agreement

by Bristol & West in respect of the Mortgage Loans sold by it. The Issuer's and the Security Trustee's remedy against Bristol & West if any of the Warranties (as defined in the Mortgage Sale Agreement) made by Bristol & West proves to have been materially breached as at the Closing Date or such other relevant date of purchase (which material breach has not subsequently been remedied by Bristol & West or any other person), and provided that:

- (a) the Issuer has given Bristol & West not less than 28 days' notice in writing (or such longer period as the Security Trustee may agree); and
- (b) such material breach, where capable of remedy, is not remedied within such grace period referred to in (a) above (or such longer period as the Security Trustee may agree),

is that the Issuer or the Security Trustee may serve upon Bristol & West a notice requiring Bristol & West to repurchase any relevant Mortgage Loan and its Related Security by paying to the Issuer, on the relevant Interest Payment Date, an amount equal to the Principal Balance in respect of the relevant Mortgage Loan (together with any accrued but unpaid interest thereon and other amounts due thereunder) and the Issuer may use those funds to purchase a Substitute Mortgage Loan and its Related Security in accordance with the Mortgage Sale Agreement. There can be no assurance that Bristol & West will have the financial resources to meet its obligation to make any such payment in the future in respect of a material breach of Warranty.

Equitable Assignment

Legal title to each first fixed mortgage and/or charge which secures the payment of, and obligations in respect of, each Mortgage Loan (a "**Mortgage**", and together the "**Mortgages**") has, since origination, remained with Bristol & West and will remain with Bristol & West until the completion of transfers to the Issuer and notification of the transfers being given to Borrowers. Such transfers will only be completed and notifications given in the circumstances set out below and in "*The Acquisition of the Mortgages – Title*" and, until these steps are taken, the sale by Bristol & West to the Issuer of the Mortgages will take effect in equity only.

As a consequence of neither the Issuer nor the Security Trustee obtaining legal title to the Mortgages, a *bona fide* purchaser from Bristol & West for value of any of such Mortgages without notice of any of the interests in the Mortgages of the Issuer or the Security Trustee might obtain a good title to any of such Mortgages free of any such interest. However, the risk of third party claims obtaining priority to the interests of the Issuer or the Security Trustee in this way would be likely to be limited to circumstances arising from a breach by Bristol & West of its contractual obligations or fraud, negligence or mistake on the part of Bristol & West or the Issuer or their respective personnel or agents. Further, the rights of the Issuer and the Security Trustee may be or become subject to the direct rights of the Borrowers against Bristol & West. Such rights may include rights of set-off existing prior to notification to the Borrowers of the sale of the Mortgages which rights may have arisen or may arise in relation to transactions made between certain Borrowers and Bristol & West and the rights of Borrowers to redeem their Mortgages by repaying the relevant Mortgage Loan directly to Bristol & West. In addition, certain Borrowers may maintain current, deposit or other types of accounts with Bristol & West in relation to which rights of set-off may arise in favour of the Borrower. These rights may result in the Issuer receiving smaller sums than anticipated from the Mortgage Loans.

Bristol & West will undertake in the Mortgage Sale Agreement to the Issuer that, in the event that any right of set-off is exercised in respect of any Mortgage Loan by a Borrower, Bristol & West will, unless such Mortgage Loan is repurchased by Bristol & West in accordance with the Mortgage Sale Agreement, indemnify the Issuer on an after-tax basis in respect of the full amount so set-off and any losses, costs or expenses suffered or incurred by the Issuer in connection with the exercise of such right of set-off provided that the amount of such indemnity in relation to any Mortgage Loan shall not exceed the Principal Balance of such Mortgage Loan as at the date such right of set-off was exercised together with any interest accrued thereon.

Bristol & West will undertake in the Mortgage Sale Agreement to the Issuer that if the short-term unsecured, unsubordinated and unguaranteed debt obligations of Bristol & West cease to be rated P-1 or better by Moody's (a "**B&W Downgrade**") then following the B&W Downgrade, Bristol & West shall within 14 days notify in writing Borrowers who have deposit, current or other accounts with Bristol & West (each an "**Account Borrower**") of the transfer of such Account Borrower's Mortgage Loan and Related Security to the Issuer. On each Interest Payment Date following a B&W Downgrade which is continuing, Bristol & West shall notify in writing any person who has become an Account Borrower since the previous Interest Payment Date of the transfer of the Mortgage Loans and Related Security of such new Account Borrower to the Issuer.

For so long as neither the Issuer nor the Security Trustee have obtained legal title to the Mortgages, Bristol & West will undertake in the Mortgage Sale Agreement for the benefit of the Issuer and the Security Trustee that it will lend its name to, and take such other steps as may reasonably be required by the Issuer or the Security Trustee in relation to, any legal proceedings in respect of the Mortgage Loans and the Related Security, subject to the requirements of Bristol & West's policy from time to time.

Further details in respect of the transfer to the Issuer of the legal title to the Mortgages is set out in "*The Acquisition of the Mortgages – Title*" below.

Conflict between Classes of Noteholders

The Trust Deed and the Deed of Charge will contain provisions requiring the Note Trustee and the Security Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee and the Security Trustee (except where expressly provided otherwise), but requiring the Note Trustee and the Security Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Note Trustee's or the Security Trustee's opinion (as the case may be), there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders and/or the Class C Noteholders and/or other persons entitled to the benefit of the Security and subject thereto to have regard only to the interests of the Class B Noteholders if, in the Note Trustee's or the Security Trustee's opinion (as the case may be), there is or may be a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders and/or the other persons entitled to the benefit of the Security.

Collectability of Mortgage Loans

The collectability of amounts due under the Mortgage Loans is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers and other similar factors. Other factors (which may not affect real estate values) may have an impact on the ability of Borrowers to repay Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay Mortgage Loans.

In addition, the ability of the Issuer to dispose of a property at a price sufficient to repay the amounts outstanding under the relevant Mortgage Loan will depend upon the availability of buyers for the property.

Regulatory Considerations

Set out below is a summary of certain regulatory matters affecting the U.K. residential mortgage market to which, *inter alia*, prospective investors should have regard.

Office of Fair Trading

The Office of Fair Trading (the "OFT") is responsible for the issue of licences under the CCA (as defined below) and the related Consumer Credit Regulations promulgated thereunder. Following a conversion of any of the Mortgage Loans to a new product type (as described in "*The Acquisition of Mortgages – Conversion of Mortgage Loans*") it is possible that the Converted Mortgage Loan (as defined below) will be a regulated agreement for the purposes of the CCA. Accordingly the Issuer will be required to maintain an appropriate licence under the CCA.

Financial Services Authority

The Financial Services and Markets Act provides that no person may carry on a "regulated activity" unless it is authorised or exempt from the authorisation requirement. Subject to Parliamentary approval, HM Treasury has power to define these "regulated activities" and announced in January 2000 that it intends to include the sale of mortgages within the scope of the regime. Although the precise regulatory scope is not yet clear, mortgage providers may, accordingly, require authorisation and, if so, will be subject to the rules of the Financial Services Authority, for example, in relation to mortgage advertising and disclosure of mortgage features to consumers. The obligations of a mortgagor may be unenforceable if a mortgage is provided by an unauthorised person in breach of the Act.

It is currently anticipated that the Act will come into force in about mid 2001 although it is not certain whether there may be a further transitional period before mortgage provision becomes a regulated activity. HM Treasury's final proposals on the scope of regulation when the Act comes into force will be set out in the Regulated Activities Order, a final version of which is due to be published shortly.

No assurance can be given that future adverse regulatory developments will not arise with regard to the mortgage market in the UK. Any such action or developments may have a material adverse effect on the Issuer and/or Bristol & West and its businesses and operations.

Unfair Terms in Consumer Contracts Regulations

The Unfair Terms in Consumer Contracts Regulations 1999 (the “**Regulations**”), which, together with the Unfair Terms in Consumer Contracts Regulations 1994, apply to agreements entered into on or after 1st July 1995 and affect most of the Mortgage Loans, provide that (i) a Borrower may challenge a term in an agreement on the basis that it is an “unfair term” within the Regulations and therefore not binding as against the Borrower and (ii) the Director General of Fair Trading and any “qualified body” may seek to injunct a business against relying on an unfair term.

This will not generally affect “core terms” which set out the main subject-matter of the contract, for example the Borrower’s obligation to repay the principal, but may affect terms deemed to be ancillary terms such as terms the application of which are in the lender’s discretion, for instance, the right of the lender to vary the interest rate.

For example, if a term imposing a charge upon redemption is unfair, the Borrower will not be liable to pay the charge or, to the extent that he has paid it, will be able as against Bristol & West or any assignee such as the Issuer, to claim restitution of the amount or to set-off the amount of such claim against the amount owing by the Borrower under the relevant Mortgage Loan. Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to Noteholders.

Risks of Losses Associated with Declining Property Values

The Security for the Notes consists of, *inter alia*, the Issuer’s interest in the Mortgages. This Security may be affected by, among other things, a decline in property values. No assurance can be given that values of the properties have remained or will remain at the level at which they were on the dates of origination of the related Mortgage Loans. If the residential property market in England and Wales should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the security created by the Mortgages being significantly reduced and, ultimately, may result in losses to the Noteholders if such security is required to be enforced.

Yield and Payment Considerations

The yield to maturity of the Notes of each Class will depend on, *inter alia*, the amount and timing of payment of principal (including prepayments, sale proceeds arising on enforcement of a Mortgage, repurchases by Bristol & West due to material breaches of the Warranties under the Mortgage Sale Agreement and the purchase by the Issuer in accordance with the Mortgage Sale Agreement of Further Advances and Substitute Mortgage Loans) on the Mortgage Loans and the price paid by the holders of the Notes. Such yield may be adversely affected by a higher or lower than anticipated rate of prepayments on the Mortgage Loans.

Prepayments may arise in connection with refinancings, sales of properties by Borrowers voluntarily, as a result of enforcement proceedings under the relevant Mortgage Loans, or following the receipt of proceeds from buildings insurance or investment vehicles related to the Mortgage Loans. In addition, repurchases of Mortgage Loans required to be made under the Mortgage Sale Agreement will, to the extent they are not replaced by Substitute Mortgage Loans, have the same effect as a prepayment of such Mortgage Loans.

The rate of prepayment of Mortgage Loans cannot be predicted and it is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, no assurance can be given as to the level of prepayments that the Mortgage Loans will experience.

Proposed EU Directive on the Taxation of Savings Income

In June 1998, the European Commission presented to the Council of Ministers of the European Union (“EU”) a proposal to oblige Member States to adopt either a “withholding tax system” or an “information reporting system” in relation to interest, discounts and premiums. The “withholding tax system” would require a paying agent established in a Member State to withhold tax at a minimum rate of 20% from any interest, discount or premium paid to an individual resident in another Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which he is resident

confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would require a Member State to supply to the other Member States details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual who is beneficially entitled to them.

The Ecofin Council agreed on 20th June 2000 that the proposals will not be adopted in their present form and that the ultimate objective of any EU Directive will be the exchange of information between Member States (although Member States would be permitted to operate a transitional withholding tax system if they so wish). It is intended that this should be agreed by the Council of Ministers by 31st December 2002. The United Kingdom has indicated that if the EU Directive is enacted it would choose to introduce an "information reporting system".

Administration of Mortgages

The terms and conditions (the "**Mortgage Conditions**") of the Initial Mortgage Loans provide that Bristol & West may transfer the Mortgage Loans without the consent of the relevant Borrower subject (depending on the terms of the particular mortgage) to the satisfaction of certain conditions which broadly are as follows:

- (1) that the transfer is on terms that the management of the Mortgage Loan (including any decision as to the variation of rates of interest and as to the course of action to be followed if the Borrower falls into arrears with his monthly payments) is conducted by Bristol & West for so long as any money secured by the relevant Mortgage Loan is outstanding; or
- (2) that the transfer is on terms that Bristol & West continue to make decisions for so long as any money secured by the relevant Mortgage Loan is outstanding about (a) any change in the standard variable rate or any other rate of interest which applies to the Mortgage Loan, (b) what to do if the Borrower falls behind with its monthly payments, and (c) the exercise of any of the lender's other rights and powers under the Mortgage Loan.

Bristol & West will be appointed Mortgage Manager of the Mortgage Loans on the Closing Date to manage the Mortgage Loans and the Related Security and to exercise the rights, powers and discretions of the Issuer and the Security Trustee under or in relation to each of the Mortgage Loans and Related Security (the "**Mortgage Services**"). Bristol & West will agree to exercise the same or a greater level of skill, care and diligence in managing the Mortgage Loans and in performing the Mortgage Services and in exercising its discretions under the Mortgage Management and Agency Agreement as (i) would Bristol & West in administering or managing those mortgage loans advanced by it (and their related security) which do not form part of the mortgage pool, (ii) as Bristol & West has exercised in administering or managing mortgage loans (and their related security) as at the Closing Date and (iii) as would be exercised by a Prudent Mortgage Lender. The Mortgage Manager shall also agree to comply with certain other related administrative undertakings as set out in the Mortgage Management and Agency Agreement.

The consent of the Borrowers to the transfer of the Mortgage Loans to the Issuer has not been requested or received. Accordingly the appointment of Bristol & West as Mortgage Manager may only be terminated by the Security Trustee in certain limited Insolvency Events (as referred to in "*Mortgage and Cash Management – Termination of Appointment of the Mortgage Manager*"). In summary, the Insolvency Events comprise the dissolution or striking from the register of Bristol & West, an order being made or an effective resolution being passed for the winding up of Bristol & West (except on terms previously approved by the Security Trustee), an administration order being made or an administrator, administrative receiver, liquidator or receiver or similar official being appointed to the Mortgage Manager or in relation to all or substantially all of the undertaking or assets employed by it to provide the Mortgage Services, it becoming impossible or impracticable for the Mortgage Manager acting by or under the direction of its board of directors to continue to provide the Mortgage Services by reason of a distress, execution, diligence or other process over all or substantially all such undertaking or assets and certain analogous events. Neither the Issuer nor the Security Trustee will have any power to terminate the appointment of Bristol & West as Mortgage Manager for any other reason, including a breach by Bristol & West of its obligations as Mortgage Manager however material.

On the occurrence of a Delegation Event (as referred to in "*Mortgage and Cash Management – Delegation by Mortgage Manager*") the Security Trustee can require Bristol & West to appoint a Delegate Mortgage Manager to carry out the Mortgage Services on its behalf. Any Delegate Mortgage Manager will

be required to act in accordance with the policies and procedures from time to time of Bristol & West and any instructions given to it by Bristol & West. In the Mortgage Management and Agency Agreement, Bristol & West will undertake not to amend its policies and procedures in respect of the Mortgage Services nor to give any instructions to the Delegate Mortgage Manager otherwise than in accordance with the practice of a Prudent Mortgage Lender or, after the service of an Enforcement Notice, with the consent of the Security Trustee. Breach of such undertaking shall not give rise to a right to terminate the appointment of the Mortgage Manager. As between the Delegate Mortgage Manager and Bristol & West, a change of policies and procedures, or an instruction by Bristol & West, would be effective even if made in breach of this undertaking.

Bristol & West will have the right to set the interest rate applicable to all of the Mortgage Loans at all times prior to the termination of Bristol & West's appointment as Mortgage Manager. Bristol & West has granted the Security Trustee a power of attorney to set the interest rates on the Mortgage Loans at any time following a termination of Bristol & West's appointment as Mortgage Manager but not before. Bristol & West has undertaken to set the interest rate in relation to the Mortgage Loans.

Any transfer of the Mortgage Loans by the Security Trustee on enforcement of the security constituted by the Deed of Charge will also be subject to the conditions to transfer contained in the Mortgage Conditions referred to above. Bristol & West has undertaken to enter into a mortgage management and agency agreement with a purchaser of the Mortgage Loans from the Security Trustee on the terms provided for in the Mortgage Management and Agency Agreement subject to such consequential modifications as the Security Trustee requires. Noteholders should be aware that the requirement contained in the Mortgage Conditions that Bristol & West continues to provide the Mortgage Services following a transfer may affect the realisation value of the Mortgage Loans on a sale by the Security Trustee.

In the event of the termination of the appointment of the Mortgage Manager or the Cash Manager, it would be necessary for the Security Trustee to appoint a substitute. The Substitute Mortgage Manager or Substitute Cash Manager would be required to assume responsibility for the provision of the services required to be performed under the Mortgage Management and Agency Agreement. There can be no assurance that a Delegate Mortgage Manager, a Substitute Mortgage Manager or Substitute Cash Manager could be found who would be willing and able to carry on the duties required by the Mortgage Management and Agency Agreement. The ability of a Delegate Mortgage Manager, a Substitute Mortgage Manager or a Substitute Cash Manager fully to perform the required services would depend, among other things, on the information, software and records available at the time of the relevant appointment. The Security Trustee shall not be held liable for not requiring the appointment of a Delegate Mortgage Manager or for not appointing a Substitute Mortgage Manager or a Substitute Cash Manager or in the event that any Delegate Mortgage Manager, Substitute Mortgage Manager or Substitute Cash Manager appointed or approved by it cannot perform its duties adequately. Neither shall the Security Trustee be held liable if a Delegate Mortgage Manager, a Substitute Mortgage Manager or Substitute Cash Manager cannot be found.

Bristol & West Base Rate Pledge

Bristol & West has made an undertaking (which may be binding on the Issuer as Bristol & West's successor in title) to certain Borrowers paying fixed, discounted or capped interest rates under a Mortgage Loan that the standard variable rate charged to such Borrowers (when such fixed, discounted or capped rates come to an end and such Borrowers become liable to pay interest at Bristol & West's standard variable rate) would not exceed the rate at which the Bank of England lends (via open market operations) to the wholesale money market (the "**Bank of England Rate**") plus 2.5% at any time when an early repayment charge would be payable by the Borrower in the event of whole or partial redemption.

Should the Bank of England Rate fall relative to the Standard Variable Rate (as defined in "*Credit and Liquidity Structure – Mortgage Rate Setting*"), it is possible that the Issuer would suffer a cashflow shortfall.

Set-off Risks in relation to Further Advances

As described in "*Equitable Assignment*" above, Bristol & West will make an equitable assignment of the Mortgage Loans and Related Security to the Issuer on the Closing Date, with legal title being retained by Bristol & West. As a result, the rights of the Issuer may be or become subject to the direct rights of the Borrowers against Bristol & West, including rights of set-off existing prior to notification to the Borrowers of the assignment of the Mortgage Loans. Such set-off rights may arise, in particular, if Bristol & West fails to make a Further Advance to the Borrower in the event that it has agreed to do so.

In the event of such a failure by Bristol & West, whether in a solvent or insolvent situation, the relevant Borrower may be able to exercise an equitable right to set-off any damages claim arising from Bristol & West's breach of contract against Bristol & West's (and as assignee of the Mortgage Loans, the Issuer's) claim for payment of principal and/or interest under the relevant Mortgage Loan as and when it becomes due.

The amount of the damages claim will, in many cases, be the cost of the Borrower having to find an alternative source of finance: the Borrower may obtain a loan elsewhere in which case the damages would be equal to any difference in the borrowing costs together with any consequential losses, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees). If the Borrower is unable to obtain an alternative loan, he may have a damages claim in respect of other losses arising from Bristol & West's breach of contract where there are special circumstances communicated by the Borrower to Bristol & West at the time the Mortgage Loan was taken out. In either case, the damages claim will be limited by general legal principles concerning remoteness of loss and mitigation.

A Borrower may also attempt to set-off against his mortgage payments an amount greater than the amount of his damages claim. In such a case, the Mortgage Manager (on behalf of the Issuer) will be entitled to take enforcement proceedings against the Borrower although the period of non-payment by the Borrower is likely to continue until a judgment is obtained.

The exercise of set-off rights by Borrowers would reduce the incoming cash flow to the Issuer during the period of such set-off and, if the aggregate amount set-off were sufficiently large, may reduce or prevent payments due under the Notes.

Bristol & West will provide an indemnity as to such amounts set-off (see "*Equitable Assignment*" above).

European Monetary Union

It is possible that prior to the maturity of the Notes the United Kingdom may become a participating Member State in the Economic and Monetary Union and the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Notes and/or the Mortgage Loans may become payable in euros; (ii) applicable provisions of law and the Conditions of the Notes may allow the Issuer to redenominate the Notes into euros and take additional measures in respect of the Notes and/or the Mortgage Loans to be redenominated into euros and/or additional measures in respect of the Mortgage Loans by one or both of the parties thereto; and (iii) published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes and/or the Mortgage Loans or changes in the way those rates are calculated, quoted and published or displayed may disappear. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the Borrowers' ability to repay the Mortgage Loans as well as adversely affect investors. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom would have on investors in the Notes.

Absence of secondary market; limited liquidity

There is not, at present, an active and liquid secondary market for the Notes, and there can be no assurance that a secondary market for the Notes will develop. Even if a secondary market does develop, it may not continue for the life of the Notes or it may leave Noteholders with illiquidity of investment. Illiquidity means that a Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. Illiquidity can have a severe adverse effect on the market value of the Notes. Any class of Notes may experience illiquidity, although generally illiquidity is more likely to occur in respect of classes that are especially sensitive to prepayment, credit or interest rate risk, or that have been structured to meet the investment requirements of limited categories of Noteholders.

Change of Law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to English law or administrative practice in the U.K. after the date of this Offering Circular. In particular, it should be noted that significant changes to the U.K. insolvency regime have recently been proposed. These include proposals to allow certain "small" companies (which are defined by reference to certain financial and other tests) to seek court protection from their creditors for a period of 28 days. The Issuer will not be a "small" company within the meaning of the current proposals. However, these proposals may change and/or (if enacted) the Secretary of State for Trade and Industry may exercise powers proposed

to be granted to him to extend the definition of “small” companies in the future so that the Issuer comes within the ambit of any relevant legislation which may be detrimental to the interest of Noteholders.

Tap Issues

In certain circumstances and subject to certain conditions being met, the Issuer will be entitled to raise further funds by the creation and issue of Further Notes of each class which will be in bearer form and carry the same terms and conditions in all respects (other than the issue date, the first Interest Period and the first Interest Payment Date) as the existing Notes, and so that the same shall be consolidated, form a single series and rank *pari passu* with the existing Notes of the relevant class. The proceeds of Tap Issues shall be used to purchase Further Mortgage Pools from Bristol & West which shall be subject to first ranking fixed security in favour of the Security Trustee pursuant to the Deed of Charge. If any Further Notes are issued, the Trust Deed, the Conditions and the Deed of Charge will be modified or supplemented in such manner as the Note Trustee and/or the Security Trustee consider necessary to reflect such issue.

Regulated Agreements under the Consumer Credit Act 1974

The Initial Mortgage Loans are all unregulated agreements for the purposes of the Consumer Credit Act 1974 (the “CCA”) by virtue of falling within the definition of an “exempt agreement” as defined in the CCA. However, it is possible that a number of Mortgage Loans which were unregulated when purchased by the Issuer, could become agreements which are regulated under the CCA as a result of their terms being varied pursuant to a conversion (see “*Conversion of Mortgage Loans*” above). Bristol & West in its capacity as Mortgage Manager will undertake in the Mortgage Management and Agency Agreement that it will obtain and keep in force all licences of the Issuer including a CCA licence.

CREDIT AND LIQUIDITY STRUCTURE

The Class A Notes are expected, on issue, to be assigned an AAA rating by Fitch and an Aaa rating by Moody's. The Class B Notes are expected, on issue, to be assigned an A rating by Fitch and an A1 rating by Moody's. The Class C Notes are expected, on issue, to be assigned a BBB rating by Fitch and a Baa2 rating by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by either one or both of the relevant Rating Agencies at any time.

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

Mortgage Rate Setting

The interest rates payable by Borrowers in respect of the Mortgage Loans will vary according to the relevant type of mortgage product. Initially, after the Closing Date the Mortgage Loans (other than those paying fixed, capped or discounted rates) will consist of mortgage loans paying interest at Bristol & West's standard variable rate as from time to time determined by Bristol & West in relation to its mortgages.

In the Mortgage Management and Agency Agreement, Bristol & West will undertake in its capacity as Mortgage Manager to set the standard variable rate of interest in respect of the Mortgage Loans (the "**Standard Variable Rate**") prevailing on each day on which any of the Notes are outstanding.

In certain circumstances, the rate at which the Standard Variable Rate is set can result in the occurrence of a Suspension Event on an Interest Payment Date (as referred to in "*Summary Information – Suspension Event*") with the result that the Deferred Purchase Price (if any) accruing on such Interest Payment Date shall be credited to the Deferred Purchase Price Reserve Ledger instead of being paid to Bristol & West (as described in "*Summary Information – Revenue Priority of Payments*").

Interest will at all times be payable at the Standard Variable Rate on all of the Mortgage Loans (except for Fixed Rate Mortgage Loans and Capped Rate Mortgage Loans (as defined in "*The Acquisition of the Mortgages – Conversion of Mortgages*") which are at the relevant time subject to fixed or capped interest rates), subject to permitted discounts to the Standard Variable Rate.

Prior to the termination of the appointment of Bristol & West as Mortgage Manager following the occurrence of an Insolvency Event (as described in "*Mortgage and Cash Management*") no other person (including the Security Trustee, the Delegate Mortgage Manager or any Substitute Mortgage Manager) will have the ability to set the interest rate on the Mortgage Loans, even after the service of an Enforcement Notice or the breach of Bristol & West's undertaking in relation to the setting of interest rates above.

It is anticipated that the weighted average of the interest rates applicable to the Mortgage Pool as at the Closing Date will, assuming that all of the Mortgage Loans are fully performing and that no extraordinary expenses have been incurred by the Issuer, exceed the aggregate of the amounts payable under items (i) to (x) of the Revenue Priority of Payments, expressed on an annualised basis and calculated as a percentage of the Principal Amount Outstanding of the Notes, by an amount which is approximately 1.1%.

The actual amount of revenue received by the Issuer in respect of the Mortgage Loans will vary during the life of the Notes as a result of the level of delinquencies and arrears in respect of the Mortgage Loans and fluctuations in the applicable interest rates. The Issuer will on the Closing Date enter into a swap agreement with the Interest Rate Swap Counterparty to hedge fluctuations of the interest rates generally applicable to mortgage loans (see "*The Interest Rate Swap Agreement*" below). Under the terms of the Mortgage Management and Agency Agreement, the Mortgage Manager will continue to determine and set the rate or rates of interest charged to the Borrowers in respect of each Mortgage Loan in accordance with the relevant Mortgage Conditions. Similarly, the actual amounts payable under items (i) to (x) of the Revenue Priority of Payments will vary during the life of the transaction as a result of the level of delinquencies and arrears in relation to the Mortgage Loans and possible variations in certain other costs and expenses of the Issuer.

Cash Collection Arrangements

Payments by Borrowers under the Mortgage Loans are due each month with interest being payable in advance. A variety of payment methods can be used by Borrowers, including direct debit, standing order, cheques and cash paid in at any branch of Bristol & West. As at the date of this Offering Circular, monthly payments under approximately 80% of the Mortgage Loans are made by direct debit. Direct debit payments

by Borrowers in respect of the Mortgage Loans are credited to the BoS Collection Account with the Bank of Scotland at its branch at 21 Prince Street, Bristol. All other payments by Borrowers in respect of the Mortgage Loans are credited to one of the NWB Collection Accounts with National Westminster Bank Plc ("NatWest") at its branch at 32 Corn Street, Bristol. On each banking day amounts credited to the BoS Collection Account in cleared funds in respect of direct debit payments are transferred to one of the NWB Collection Accounts.

In addition to the collection of payments in respect of the Mortgage Loans, the Collection Accounts are also used for the collection of payments which are not owing to the Issuer. Accordingly, on the Closing Date, Bristol & West will enter into declarations of trust in relation to the BoS Collection Account (the "**BoS Collection Account Declaration of Trust**") and in relation to the NWB Collection Accounts (the "**NWB Collection Accounts Declaration of Trust**") and, together with the BoS Collection Account Declaration of Trust, the "**Collection Accounts Declarations of Trust**") under which it will hold all monies standing to the credit of the Collection Accounts for itself, the Issuer and certain other beneficiaries. The Collection Accounts Declarations of Trust will provide that the Issuer is beneficially entitled to all monies standing to the credit of the Collection Accounts in respect of the Mortgage Loans. On the Closing Date, Bristol & West (in its capacity as Cash Manager and as the account holder in respect of the Collection Accounts), the Issuer and the Security Trustee, shall enter into agreements with the Bank of Scotland (the "**BoS Account Agreement**") and NatWest (the "**NWB Account Agreement**") and, together with the BoS Account Agreement, the "**Account Agreements**") whereby the Bank of Scotland and NatWest shall acknowledge the existence of such trusts.

On or before the Closing Date, the Cash Manager will open a new account at NatWest in the name of the Cash Manager (the "**Shipshape Collection Account**"). The Shipshape Collection Account will be subject to the NWB Collection Accounts Declaration of Trust, but unlike the other NWB Collection Accounts it is not intended to use the Shipshape Collection Account for the collection of any payments which are not owing to the Issuer. The Mortgage Management and Agency Agreement provides that the Cash Manager is to transfer any amount credited to any of the NWB Collection Accounts (other than the Shipshape Collection Account) in the course of any banking day to the Shipshape Collection Account on such day.

If any amount to which the Issuer is not beneficially entitled is credited to the Shipshape Collection Account in error, the Cash Manager may transfer such amount to the person entitled to it, but otherwise all amounts credited to the Shipshape Collection Account during the course of any banking day shall be transferred to the Transaction Account or the GIC Account on the next banking day.

Pursuant to the Mortgage Management and Agency Agreement, the Cash Manager has undertaken that it will operate the Collection Accounts so as not to permit a debit balance to occur in relation to any Collection Account at any time when amounts to which the Issuer is beneficially entitled are standing to the credit of, or are to be credited to, such Collection Account. The Cash Manager has agreed that if, notwithstanding this undertaking, a debit balance occurs on any of the Collection Accounts at any such time the Cash Manager shall pay an amount to the relevant Collection Account to ensure, or otherwise procure that, the balance of the relevant Collection Account is not less than it would have been had such debit balance not occurred.

At any time following the termination of Bristol & West as the Cash Manager or the service of an Enforcement Notice by the Note Trustee, the Security Trustee shall be entitled to serve a notice (a "**Protection Notice**") on the Bank of Scotland and/or NatWest following which the relevant account bank has agreed to operate the Collection Accounts held with it in accordance with instructions of the Security Trustee.

The Mortgage Management and Agency Agreement provides that the Security Trustee and the Issuer may enter into such amendments to the provisions of the Account Agreements and the Collection Accounts Declarations of Trust in connection with the accession of any further beneficiaries to the Collection Accounts Declarations of Trust as the Rating Agencies shall confirm shall not adversely affect the rating of the Notes current at the time of the amendment.

Available Revenue Funds

Prior to the service of an Enforcement Notice, the Cash Manager will calculate on behalf of the Issuer, as at each Calculation Date, the Available Revenue Funds. The constituent elements of Available Revenue Funds are described in "*Summary Information – Priority of Payments: Revenue*" above. Available Revenue Funds will not include amounts to be applied from time to time to pay to Bristol & West any insurance premiums (if any), break fees, certain other fees and early redemption payments paid by Borrowers to which

it is entitled under the Mortgage Sale Agreement and refunds of any amounts due to Bristol & West arising from the rejection of any payments in respect of the Mortgage Loans and any other amounts which have not been received by the Issuer as cleared funds.

Available Revenue Funds calculated on a Calculation Date shall be applied on the immediately following Interest Payment Date in accordance with the Revenue Priority of Payments. Available Revenue Funds may be applied (after making payments or provisions in respect of items ranking higher than the relevant Principal Deficiency Ledger in the Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency or Principal Loss.

To the extent that the amount of Available Revenue Funds standing to the credit of the Revenue Ledger on each Calculation Date exceeds the amount required to pay or provide for items ranking higher in the Revenue Priority of Payments, it will be available to replenish the Reserve Fund.

Reserve Fund

On the Closing Date, Bristol & West will make available to the Issuer under the Subordinated Loan Agreement an advance for an aggregate principal amount of £3,280,000 for the purpose of establishing the Reserve Fund and meeting certain start-up costs. Such moneys shall be credited to the GIC Account or invested in Authorised Investments (with a corresponding credit to a ledger to record such amounts (the "**Reserve Fund Ledger**")). Amounts credited to the Reserve Fund will be available on any Interest Payment Date to meet items (i) to (xi) inclusive of the Revenue Priority of Payments before application of any amounts standing to the credit of the Principal Ledger or the Liquidity Reserve Fund Ledger. On each Interest Payment Date, the Issuer shall be required (to the extent that payments of a higher order of priority have been made in full) to apply Available Revenue Funds in accordance with the Revenue Priority of Payments so that the Reserve Fund is maintained at the Reserve Fund Required Amount.

The "**Reserve Fund Required Amount**" shall be £2,500,000 on the Closing Date.

Following a Tap Issue, the credit balance of the Reserve Fund and the Reserve Fund Required Amount will be increased by such amount as the Rating Agencies confirm is necessary to maintain the then current ratings of the Notes.

Liquidity Reserve Fund

On an Interest Payment Date following the occurrence of a Trigger Event a liquidity reserve fund will be established using amounts standing to the credit of the Principal Ledger (the "**Liquidity Reserve Fund**") to fund the Liquidity Reserve Fund Required Amount. This deposit will be made into the GIC Account or invested in Authorised Investments, such amount being credited to the Liquidity Reserve Fund Ledger.

On each Interest Payment Date, after a Trigger Event has occurred, the Liquidity Reserve Fund may be increased or, as the case may be, replenished from amounts standing to the credit of the Principal Ledger, to the Liquidity Reserve Fund Required Amount. See "*Summary Information – Principal Priority of Payments*".

Amounts credited to the Liquidity Reserve Fund will be available to meet certain payments and provisions under the Revenue Priority of Payments as more fully described in "*Summary Information – Revenue Priority of Payments*".

Deferred Purchase Price Reserve Ledger

On any Interest Payment Date on which a Suspension Event occurs, Available Revenue Funds which would otherwise have been applied in paying Deferred Purchase Price to Bristol & West shall instead be credited to the Deferred Purchase Price Reserve Ledger in accordance with the Revenue Priority of Payments. The credit balance on the Deferred Purchase Price Reserve Ledger on any Interest Payment Date shall represent the aggregate amount standing to the credit of the Transaction Account and the GIC Account which has fallen due for payment to Bristol & West as Deferred Purchase Price but has not been paid to Bristol & West or otherwise applied in paying or providing for items in the Revenue Priority of Payments on any previous Interest Payment Date.

In addition, the Cash Manager shall keep a record of all amounts of Deferred Purchase Price accruing on each Interest Payment Date and of the amount of Deferred Purchase Price actually paid to Bristol & West on any Interest Payment Date.

Pursuant to the Deed of Charge amounts falling due in respect of the Deferred Purchase Price on any Interest Payment Date shall not be paid to the Originator other than in accordance with the Revenue Priority of Payments and the priority of payments on enforcement set out in the Deed of Charge. No interest is payable in respect of any amount of Deferred Purchase Price which has fallen due for payment but has not been paid.

Issuer Margin Ledger

All amounts of Issuer Margin retained in the Transaction Account and the GIC Account shall be credited to the Issuer Margin Ledger.

Principal Deficiency Ledgers

Principal deficiency ledgers in respect of each class of Notes (the "Class A Principal Deficiency Ledger", the "Class B Principal Deficiency Ledger" and the "Class C Principal Deficiency Ledger" and together the "Principal Deficiency Ledgers") will be opened and maintained by or on behalf of the Issuer in order to record (i) any Principal Losses and (ii) any Principal Deficiencies (see "Summary Information – Use of Principal to pay Income Shortfalls"). Any Principal Loss or Principal Deficiency shall be debited first to the Class C Principal Deficiency Ledger so long as the debit balance on the Class C Principal Deficiency Ledger is less than the Principal Amount Outstanding on the Class C Notes and thereafter, any Principal Loss or Principal Deficiency shall be debited to the Class B Principal Deficiency Ledger so long as the debit balance on the Class B Principal Deficiency Ledger is less than the Principal Amount Outstanding on the Class B Notes and thereafter any Principal Loss or Principal Deficiency shall be debited to the Class A Principal Deficiency Ledger. Such debit items shall be recredited from subsequent receipts in the case of the Class A Principal Deficiency Ledger at item (vi) of the Revenue Priority of Payments, in the case of the Class B Principal Deficiency Ledger at item (ix) of the Revenue Priority of Payments and in the case of the Class C Principal Deficiency Ledger at item (xi) of the Revenue Priority of Payments.

Guaranteed Investment Contract, the GIC Account and the Transaction Account

The Issuer, the Security Trustee and the GIC Provider will, on the Closing Date, enter into a guaranteed investment contract (the "GIC") pursuant to which all moneys standing to the credit of the GIC Account will earn a minimum rate of interest equal to LIBOR for the period during which such amounts are credited less a fixed margin agreed for the purpose. The Issuer will undertake pursuant to the GIC not to withdraw moneys from the GIC Account and/or the Transaction Account other than in accordance with the provisions of the Deed of Charge.

The short term, unsecured, unguaranteed and unsubordinated debt obligations of the GIC Provider are currently rated F-1+ by Fitch and P-1 by Moody's.

The Issuer will open the Transaction Account with National Westminster Bank Plc. The terms on which National Westminster Bank Plc will maintain and operate the Transaction Account will be set out in, *inter alia*, the NWB Account Agreement.

Moneys from time to time standing to the credit of the GIC Account and the Transaction Account may, subject to certain conditions, be invested by the Issuer (or by the Cash Manager on the Issuer's behalf) in Authorised Investments.

Moneys standing to the credit of the GIC Account and the Transaction Account on each Calculation Date (and interest payable on the GIC Account and/or the Transaction Account on the immediately following Interest Payment Date) other than amounts standing to the credit of the Issuer Margin Ledger will be applied by the Cash Manager on the Interest Payment Date immediately following such Calculation Date in or towards satisfaction and discharge of the Issuer's obligations to make payments of interest, principal and other amounts due under the Notes after deduction therefrom by the Cash Manager of all amounts utilised during the preceding Interest Period and after payment of all amounts standing in priority thereto in the Revenue Priority of Payments and the Principal Priority of Payments.

The Issuer will be required to record, or to procure that there is recorded, moneys held in the GIC Account and the Transaction Account on a number of different ledgers. These will be the Principal Ledger, the Revenue Ledger, the Reserve Fund Ledger and (if applicable) the Issuer Margin Ledger, the Liquidity Reserve Fund Ledger and the Deferred Purchase Price Reserve Ledger.

The Interest Rate Swap Agreement

On the Closing Date the Issuer will enter into the Interest Rate Swap Agreement (including the confirmation thereunder) with the Interest Rate Swap Counterparty to hedge its exposure in respect of the interest payments receivable under the Mortgage Loans and its payment obligations under the Notes. The obligations of the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement will be guaranteed by the Swap Guarantor.

The terms of the Interest Rate Swap Agreement will provide that on each Interest Payment Date the Issuer will pay to the Interest Rate Swap Counterparty an amount equal to the excess (if any) of X over Y, such payment to be made according to the Revenue Priority of Payments out of Available Revenue Funds, and the Interest Rate Swap Counterparty will pay to the Issuer an amount equal to the excess (if any) of Y over X, such payment to be included in the Available Revenue Funds, which amount will be calculated by the Cash Manager on the Calculation Date immediately preceding such Interest Payment Date and where for the purpose of calculating X and Y in relation to any Interest Payment Date:

“X” is equal to the product of (a) the Notional Amount and (b) the Average Blended SVR in relation to such Interest Payment Date multiplied by (c) the Day Count Fraction;

“Y” is equal to the product of (a) the Notional Amount and (b) LIBOR applicable to such Interest Payment Date plus a margin of 1.35 per cent multiplied by (c) the Day Count Fraction;

“Average Blended SVR” in relation to any Interest Payment Date means the arithmetic mean of the rates which are equal to the Blended SVR on each day during the Calculation Period ending on the immediately preceding Calculation Date;

“Blended SVR” on any day means the arithmetic mean of the Variable Rates of the Reference Mortgage Lenders (after excluding the highest and lowest such rates) prevailing on such day;

“Day Count Fraction” on any Interest Payment Date means the number of days in the Interest Period ending on such Interest Payment Date divided by 365 (or 366 if the Interest Payment Date falls in a leap year);

“LIBOR” applicable to any Interest Payment Date means LIBOR as calculated under Condition 4(d)(ii)(B) in relation to the Interest Period ending on such Interest Payment Date;

“Notional Amount” means, in respect of each Interest Payment Date, the aggregate Principal Amount Outstanding of the Notes on the previous Interest Payment Date immediately after any redemption of the Notes in whole or in part on such previous Interest Payment Date;

“Reference Mortgage Lenders” means Abbey National plc; Alliance & Leicester plc; Bradford & Bingley Building Society; Cheltenham & Gloucester plc; Halifax plc; Nationwide Building Society; Northern Rock plc and Woolwich plc or, if any such mortgage lender ceases to exist or ceases to set a standard variable rate, the Mortgage Manager shall select a replacement mortgage lender satisfactory to the Rating Agencies from the top 20 (by asset size) of mortgage lenders in the United Kingdom at such time; and

“Variable Rate” in relation to any Reference Mortgage Lender means its standard variable rate (or equivalent rate) charged to existing borrowers on residential mortgage loans prior to any discount as published from time to time by it.

In the event that the short term unsecured, unsubordinated and unguaranteed debt obligations of the guarantor of the Interest Rate Swap Counterparty cease to be rated F-1+ or better by Fitch or P-1 or better by Moody's, the Cash Manager shall if required by the Issuer or the Security Trustee:

- (a) require the Interest Rate Swap Counterparty at its cost to provide credit support for its obligations under the Interest Rate Swap Agreement to such extent as the Rating Agencies confirm in writing that the downgrade of the guarantor of the Interest Rate Swap Counterparty will not adversely affect the rating of the Notes; or

- (b) in respect of the Interest Rate Swap Agreement, procure a replacement Interest Rate Swap Agreement with a new swap counterparty or a guarantee of the obligations of the Swap Guarantor in each case, where the identity of the replacement counterparty or guarantor and relevant terms of those agreements have been confirmed in writing by the Rating Agencies as not adversely affecting the rating of the Notes (and in each case at the cost of the Interest Rate Swap Counterparty).

A failure by the Cash Manager if so required to perform (a) or (b) above will constitute a termination event under the Interest Rate Swap Agreement and may lead to a downgrade of the then applicable ratings assigned to the Notes.

Permitted Hedging Agreements

In the event that the Fixed Rate Conversion Limit (as defined below) is reached, the Issuer will be obliged to enter into hedging arrangements satisfactory to the Rating Agencies in relation to any further Fixed Rate Mortgage Loans or Capped Rate Mortgage Loans acquired by the Issuer. The hedging arrangements may be provided by any bank or financial institution provided that on the date it makes such arrangements available to the Issuer, such bank or financial institution has a rating for its long term or short term debt obligations sufficient to maintain the then ratings of the Notes (unless such arrangements are guaranteed by a guarantor with an appropriate credit rating or other arrangements are entered into at the time which are sufficient to maintain the then ratings of the Notes) and provided further that such bank or financial institution has agreed to be bound by the terms of the Deed of Charge (such bank or financial institution being a "Permitted Hedging Provider").

Available Redemption Funds

Until delivery of an Enforcement Notice, the Cash Manager will calculate on behalf of the Issuer on each Calculation Date the Available Redemption Funds which will be used on each Interest Payment Date to redeem the Notes in accordance with the Principal Priority of Payments. The constituent elements of Available Redemption Funds are described in "Summary Information – Principal".

The Issuer shall prior to calculating the Available Redemption Funds, on any Interest Payment Date, apply principal receipts standing to the credit of the Principal Ledger (after deducting all amounts standing to the credit of the Principal Ledger to be applied in accordance with the Revenue Priority of Payments or in crediting the Liquidity Reserve Fund Ledger on the next Interest Payment Date) in the Transaction Account or the GIC Account to purchase Further Advances and, where there has been a repurchase of a Mortgage Loan for breach of Warranty, Substitute Mortgage Loans, offered for sale by Bristol & West in accordance with the provisions of the Mortgage Sale Agreement and the Mortgage Management and Agency Agreement and to pay any Additional Purchase Price to the Originator.

Credit Enhancement

The Class A Notes have the benefit of credit enhancement provided through the subordination both as to payment of interest and principal and on enforcement of the Security, of the Class B Notes and the Class C Notes. The Class B Notes have the benefit of credit enhancement through the subordination, both as to payment of interest and principal and on enforcement of the Security of the Class C Notes. All of the Notes have the benefit of the credit enhancement provided by the Reserve Fund.

The Subordinated Loan Agreement

Bristol & West (the "Subordinated Loan Provider") will make available to the Issuer and the Issuer will borrow on the Closing Date a subordinated loan facility (the "Subordinated Loan"), consisting of two tranches. The first tranche will be for an aggregate principal amount of up to £780,000 and will be used for meeting the fees and expenses arising in respect of the issue of the Notes on the Closing Date. The second tranche in the aggregate principal amount of £2,500,000 will be utilised for the purpose of establishing the Reserve Fund.

Interest under the Subordinated Loan will be payable by the Issuer quarterly in arrears on each Interest Payment Date, subject to and in accordance with the Revenue Priority of Payments at LIBOR plus the margin referred to in the Subordinated Loan Agreement. The principal amount of the Subordinated Loan shall only be repayable following the redemption of the Notes in full.

Fees

In relation to the issue of the Notes, the Issuer will incur a combined management and underwriting fee and a selling commission due to the Managers and referred to in "*Subscription and Sale*" below and any expenses payable by the Issuer in connection with the issue of the Notes. These commissions and expenses will be financed on the Closing Date from the subscription monies. In addition, the Issuer will make a drawing under the Subordinated Loan to finance certain start-up expenses relating to the issue of the Notes. The Issuer has also agreed (pursuant to the Mortgage Management and Agency Agreement) to pay the Mortgage Manager 0.04% per annum and the Cash Manager 0.01% per annum of the aggregate of the Principal Balances of the Mortgage Loans which the Issuer will fund from Available Revenue Funds. Such fees may be changed on the appointment of a Substitute Mortgage Manager, a Delegate Mortgage Manager or a Substitute Cash Manager.

THE ISSUER

Introduction

The Issuer was incorporated and registered in England and Wales (registered number 4035893) as a public company limited by shares under the Companies Acts 1985 on 13th July 2000. The registered office of the Issuer is at Blackwell House, Guildhall Yard, London EC2V 5AE. The entire issued share capital of the Issuer (50,000 ordinary shares of £1 each) is held by Shipshape Residential Mortgages Holdings Limited (and its nominee). In turn, the entire issued share capital of Shipshape Residential Mortgages Holdings Limited is held by the Share Trustee under the terms of a trust established under a declaration of trust dated 30th October 2000 (the "Declaration of Trust") and made by the Share Trustee on charitable and discretionary trust for any purpose or body capable of being recognised under English law as exclusively charitable, and in default, the National Trust of England and Wales. The Issuer has no subsidiaries.

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and amongst other things include general commercial objectives, borrowing, lending, granting security and entering into derivative transactions.

Neither Bristol & West nor any associated body of Bristol & West owns directly or indirectly any of the share capital of Shipshape Residential Mortgages Holdings Limited or the Issuer.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its incorporation under the Companies Acts 1985, the authorisation and issue of the Notes, the matters referred to or contemplated in this Offering Circular and the authorisation, execution, delivery and performance of the other documents referred to in this Offering Circular to which it is a party and matters which are incidental or ancillary to the foregoing including application for licences under the CCA and the Data Protection Act 1998.

Shipshape Residential Mortgages Holdings Limited has not to the date of this Offering Circular engaged in any material activities other than in its capacity as the holding company of the Issuer. It may acquire other subsidiaries in the future in connection with securitisations by Bristol & West and/or its successors and assigns.

Directors

The directors of the Issuer, all of whom are non-executive, and their respective business addresses and principal activities are:

<i>Name</i>	<i>Address</i>	<i>Principal Activities</i>
SFM Directors Limited	Blackwell House Guildhall Yard London EC2V 5AE	Provision of corporate directors for special purpose companies
Structured Finance Management (Ireland) Limited	11 Percy Place Ballsbridge Dublin 4	Provision of corporate directors for special purpose companies
Dorothy Ann Berresford	Bristol & West Building PO Box 27 Broad Quay Bristol BS99 7AX	Director of Finance of Bristol & West

The directors of SFM Directors Limited and Structured Finance Management (Ireland) Limited, all of whom are non-executive, and their respective business addresses and principal activities are:

SFM Directors Limited

<i>Name</i>	<i>Address</i>	<i>Principal Activities</i>
Jonathan Eden Keighley	Blackwell House Guildhall Yard London EC2V 5AE	Company director of special purpose companies
James GS Macdonald	Blackwell House Guildhall Yard London EC2V 5AE	Company director of special purpose companies

Structured Finance Management (Ireland) Limited

<i>Name</i>	<i>Address</i>	<i>Principal Activities</i>
Jonathan Eden Keighley	Blackwell House Guildhall Yard London EC2V 5AE	Company director of special purpose companies
James G S Macdonald	Blackwell House Guildhall Yard London EC2V 5AE	Company director of special purpose companies
Adrian J Masterson	11 Percy Place Ballsbridge Dublin 4	Company director of special purpose companies and treasury and financial consultant
John Walley	11 Percy Place Ballsbridge Dublin 4	Company director of special purpose companies and Chief Executive Olympia Capital Ireland

The Secretary of the Issuer is SFM Corporate Services Limited.

The Issuer has no employees.

Pursuant to the Mortgage Management and Agency Agreement, Bristol & West will undertake to continue to manage and provide agency services in relation to the Mortgage Loans and Related Security.

Pursuant to the Mortgage Management and Agency Agreement, Bristol & West will undertake certain cash management services in relation to the Notes, and the administration of cash received by the Issuer.

The Corporate Services Provider will under the Issuer Corporate Services Agreement to be entered into on or about the Closing Date between the Issuer, Bristol & West, the Corporate Services Provider and the Security Trustee, provide certain corporate services to the Issuer, including the procurement of a person to provide company secretarial services and the provision of related corporate administrative services. The Corporate Services Provider will under the Parent Corporate Services Agreement to be entered into on or about the Closing Date between Holdings, Bristol & West, the Corporate Services Provider and the Security Trustee, provide certain corporate services to Holdings, including the procurement of a person to provide company secretarial services and the provision of related corporate administrative services.

The Issuer will covenant to observe certain restrictions on its activities which are detailed in Condition 3 of the Conditions of the Notes.

Capitalisation and indebtedness statement

The following table shows the capitalisation and indebtedness of the Issuer as at the date of this Offering Circular, adjusted for the issue of the Notes and the expected drawings under the Subordinated Loan:

<i>Authorised</i>	£
50,000 ordinary shares of £1 each	
<i>Issued</i>	
50,000 fully paid up ordinary shares of £1 each.....	50,000
<i>Loan Capital</i>	
£285,000,000 Class A Mortgage Backed Floating Rate Notes due 2027 (to be issued on the Closing Date).....	285,000,000
£9,000,000 Class B Mortgage Backed Floating Rate Notes due 2027 (to be issued on the Closing Date).....	9,000,000
£6,000,000 Class C Mortgage Backed Floating Rate Notes due 2027 (to be issued on the Closing Date).....	6,000,000
Subordinated Loan (to be drawn on the Closing Date)	3,280,000
Total	<u>303,330,000</u>

Save as described above, as at the date hereof the Issuer has no other loan capital, borrowings, indebtedness or contingent liabilities nor has the Issuer created any mortgages or charges or given any guarantees.

Since the date of incorporation of the Issuer, the Issuer has not traded, no profits or losses have been made or incurred and no dividends have been paid.

The Issuer does not intend to accumulate any long-term surpluses other than the Reserve Fund, the Issuer Margin Ledger, the Liquidity Reserve Fund and any monies standing to the credit of the Deferred Purchase Price Reserve Ledger.

ACCOUNTANT'S REPORT

The following is the text of a report received by the directors of the Issuer from PricewaterhouseCoopers, the auditors of the Issuer. It contains the balance sheet of the Issuer as at 30th October 2000.

PricewaterhouseCoopers
31 Great George Street
Bristol
BS1 5QD

The Directors
Shipsape Residential Mortgages No. 1 plc
Blackwell House
Guildhall Yard
London
EC2V 5AE

The Directors
ING Bank N.V.
c/o 60 London Wall
London
EC2M 5TQ

(on its own behalf and on behalf of any other Managers of the Notes to be issued by Shipsape Residential Mortgages No. 1 plc)

30th October 2000

Dear Sirs

Shipsape Residential Mortgages No. 1 plc

Introduction

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 30th October 2000 (the "Offering Circular") of Shipsape Residential Mortgages No. 1 plc (the "Company").

The Company was incorporated as Shipsape Residential Mortgages No. 1 plc on 13th July 2000 as a public company. The Company has not yet commenced to trade, has prepared no financial statements for presentation to its members and has not declared or paid a dividend.

Basis of preparation

The financial information set out below is based on the financial records of the Company to which no adjustment was considered necessary.

Responsibility

The financial records are the responsibility of the directors of the Company.

The Company is responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial records, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. Our work also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial records underlying the financial information and whether the accounting policies are appropriate to the circumstances of the Company and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company as at the date stated.

Financial information

The balance sheet of the Company at 30th October 2000 is as follows:

	<i>Notes</i>	£
Current assets		
Cash		50,000
Net assets		50,000
Represented by:		
Share capital		<u>50,000</u>

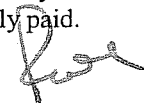
Notes to the financial information

1. *Accounting policies*

The balance sheet has been prepared in accordance with the historical cost convention.

2. *Share capital*

The Company was incorporated with an authorised share capital of £2, comprising two Ordinary shares of £1 each. The authorised share capital was increased on 1st September 2000 to £50,000 by the creation of 49,988 additional Ordinary shares. 50,000 Ordinary shares were allotted for cash, and fully paid.



Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

USE OF PROCEEDS

The gross proceeds of the issue of the Notes are expected to amount to £300,000,000. The management and underwriting fees and selling commissions will be deducted from the gross proceeds and the net proceeds will be applied by the Issuer to purchase the Initial Mortgage Loans and Related Security under the Mortgage Sale Agreement. The fees and expenses (including an amount equal to the Managers' fees and commissions) of the issue of the Notes, estimated not to exceed £780,000, and the initial funding for the Reserve Fund will be met, on the Closing Date, by the Issuer from a drawing under the Subordinated Loan Agreement. The balance of the drawings under the Subordinated Loan, after payment of the fees and expenses of the issue of the Notes (other than the Managers' fees and commissions deducted from the gross proceeds of the issue of the Notes) and the funding of the Reserve Fund, will be applied by the Issuer in payment of the balance of the initial consideration payable by the Issuer under the Mortgage Sale Agreement.

BRISTOL & WEST PLC

Bristol & West plc is a public limited liability company incorporated and registered in England and Wales under the Companies Act 1985 under registered number 2124201. Bristol & West is a specialised mortgage lender whose core business is the provision of residential mortgages in the United Kingdom funded in both the retail and wholesale markets. Bristol & West, together with its subsidiaries and associated companies, also engages in secured commercial lending, distribution of third party insurance products and deposit taking. As at 31st March 2000, Bristol & West and its principal subsidiaries (listed below) had total assets of £13.4 billion and employed approximately 2,700 employees.

Bristol & West is one of the top 13 residential mortgage lenders in the United Kingdom based on the total assets of residential mortgage lenders in the United Kingdom as at the date of their last published accounts. In the United Kingdom residential mortgage market, Bristol & West (including its subsidiary Bank of Ireland Home Mortgages Limited) had an estimated market share on a book size basis of approximately 2.3%. Gross lending for the year ended 31st March 2000 was £2.7 billion and net lending (net of capital repayments) was £0.6 billion. As at 31st March 2000, in the U.K. retail savings market, Bristol & West had an estimated 1.1% market share based upon retail funds of £7.7 billion.

Bristol & West was originally a building society prior to its conversion to a public limited company on 28th July 1997. Bristol & West currently has the following principal subsidiaries: Bank of Ireland Home Mortgages Limited and Bristol & West International Ltd. Bristol & West also has certain other subsidiaries established for special financial purposes or property holding and development purposes.

Bristol & West is a wholly owned subsidiary of Bank of Ireland. Bristol & West's preference shares are listed on the Official List of the U.K. Listing Authority and admitted to trading on the London Stock Exchange. The registered office of Bristol & West is at Bristol & West Building, PO Box 27, Broad Quay, Bristol BS99 7AX.

Bristol & West is the Originator and has been appointed as the Interest Rate Swap Counterparty, the Mortgage Manager, the Cash Manager and the Subordinated Loan Provider.

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

Bank of Ireland had assets of €47.0 billion as at 31st March 2000. The total assets of the Bank of Ireland group (consolidating Bank of Ireland with its subsidiaries) were €68.0 billion as at the same date. Bank of Ireland is incorporated in Ireland and its head office is at Lower Baggot Street, Dublin 2, Ireland. Bank of Ireland is the ultimate parent company of Bristol & West.

Bank of Ireland has a network of 359 full-time retail bank branches, of which 288 are in Ireland, 47 in Northern Ireland and 24 in Great Britain. Bank of Ireland's international business is centred in Dublin. In addition, Bank of Ireland has representative offices in Frankfurt and Greenwich, Connecticut and wholly-owned subsidiaries in Jersey and the Isle of Man.

In addition to its commercial banking business, Bank of Ireland has a funds management business, Bank of Ireland Asset Management Limited, and a corporate finance company, IBI Corporate Finance Limited. Other subsidiaries include life assurance companies in Ireland (Lifetime Assurance Company Limited and New Ireland Assurance P.l.c.) and home mortgages businesses in Ireland (ICS Building Society) and Great Britain (Bristol & West and Bank of Ireland Home Mortgages Limited) together with a number of other subsidiaries in the financial services industry. The Group also holds 90.44% of the equity capital of J&E Davy Holdings Limited, the holding company for J&E Davy, a leading Irish stockbroking firm.

Bank of Ireland provides, by itself or through its wholly-owned subsidiaries, a full range of financial services in the personal, commercial, industrial and agricultural sectors in Ireland. These include current and deposit accounts, term deposits and certificates of deposit, overdrafts, term loans, mortgages, currency loans, leasing in Irish pounds and other currencies, instalment credit, hire purchase, debt factoring, foreign exchange facilities, executor and trustee and taxation services, investment management, advice on a range of financial matters, including mergers and acquisitions and underwriting services.

The Ordinary Stock of Bank of Ireland, which has a nominal value of €0.64 per unit, has a primary listing on both the Irish and London Stock Exchanges. In the United States, the Bank's Ordinary Stock (symbol IRE) is traded on the New York Stock Exchange in the form of American Depositary Shares. Bank of Ireland's €4 billion Euro Note Programme is listed both on the Irish and London Stock Exchanges.

Bank of Ireland has been appointed as the Swap Guarantor and the GIC Provider.

THE MORTGAGE LOANS

The Mortgage Loans from time to time will comprise:

- the Initial Mortgage Loans;
- any Converted Mortgage Loans (as defined below) resulting from the conversion of an existing Mortgage Loan in accordance with the provisions of the Mortgage Management and Agency Agreement;
- any Substitute Mortgage Loans substituted for any Mortgage Loans in relation to which there has been a material breach of Warranty;
- any Mortgage Loans purchased by the Issuer in connection with a Tap Issue; and
- any Further Advances (as defined below) made on the security of the Related Security in respect of the Mortgage Loans or on subsequent mortgages or charges granted by Borrowers in accordance with the provisions of the Mortgage Sale Agreement,

other than, in any such case, Mortgage Loans which have been repaid or in respect of which funds representing principal outstanding have otherwise been received in full or which have been repurchased by Bristol & West pursuant to the Mortgage Sale Agreement following a material breach of warranty.

The Initial Mortgage Loans will be comprised of mortgage loans with an aggregate Principal Balance of approximately £300,000,000 and selected by Bristol & West from a provisional mortgage pool (the “Provisional Mortgage Pool”). On 30th June 2000, the Provisional Mortgage Pool had the characteristics shown below:

Aggregate Principal Balance	£383,188,457.08
Total number of Mortgage Loans	8,019
Total number of Borrowers	8,019
Average Mortgage Amount	£47,785.07
Weighted Average Loan-to-Value Ratio (taken from figure 5)	72.0%
Largest Mortgage	£248,698.75
Longest Maturity Date	2025
Weighted Average Origination Date (taken from figure 3)	March 1996

The properties in the Provisional Mortgage Pool have not been revalued for the purposes of the issue of the Notes and the values referred to in Fig. 8 of “*Characteristics of the Provisional Mortgage Pool*” relate to those from when the Mortgage Loans were originated.

Prior to the Closing Date, Bristol & West will exclude from the Provisional Mortgage Pool all mortgage loans (a) which are fully redeemed or (b) which do not comply with the Lending Criteria (except to the extent that Bristol & West may have varied or waived the Lending Criteria acting as a Prudent Mortgage Lender in respect of such mortgage loans) or with the Warranties to be given pursuant to the Mortgage Sale Agreement, in order to determine the Initial Mortgage Loans. To the extent that the aggregate Principal Balances of the Mortgage Loans in the Provisional Mortgage Pool (as defined above) exceeds the Estimated Purchase Price immediately prior to the Cut-Off Date (each as defined under “*The Acquisition of the Mortgages*”), Mortgage Loans with aggregate Principal Balances equal to or greater than such excess will be excluded from the pool in such a way as to result in Mortgage Loans with a range of payment and credit profiles which is materially representative of the Provisional Mortgage Pool as a whole.

The Provisional Mortgage Pool includes Repayment Mortgage Loans, Interest-Only Mortgage Loans and Part Repayment/Part Interest-Only Mortgage Loans (each as defined below), which are governed by the laws of England and Wales and secured in each case by first legal mortgages on freehold or leasehold residential property in England and Wales. Certain other security may also have been granted. In addition, in relation to Interest-Only Mortgage Loans, Bristol & West will have been satisfied prior to the grant of the mortgage that the Borrower has an appropriate investment or other means by which to satisfy the outstanding amount of the loan at maturity.

“**Repayment Mortgage Loan**” means a Mortgage Loan in respect of which the relevant Borrower is under an obligation to make monthly payments of principal and interest to Bristol & West so that the whole principal (in addition to interest) is repaid by the stated maturity date of that Mortgage Loan.

“**Interest-Only Mortgage Loan**” means a Mortgage Loan in respect of which the relevant Borrower is not obliged to pay the principal amount before maturity but Bristol & West was, at the time the Mortgage

Loan was made, satisfied that the Borrower has an appropriate investment or other means by which to satisfy the outstanding amount at maturity.

“Part Repayment/Part Interest Only Mortgage Loan” means a Mortgage Loan which is in part a Repayment Mortgage Loan and in part an Interest-Only Mortgage Loan.

The following table sets forth historical arrears information relating to Bristol & West’s entire mortgage book:

Number of cases in arrears as a percentage of residential mortgage book¹				
<i>As at</i>	<i>31/12/1999</i>	<i>31/12/1998</i>	<i>31/12/1997</i>	<i>31/12/1996</i>
three to less than six payments past due	0.95%	1.20%	1.21%	1.34%
six to less than 12 payments past due	0.53%	0.77%	0.99%	1.14%
12 or more payments past due	0.21%	0.40%	0.69%	0.99%
Provisions charge as a percentage of average residential mortgage book¹				
<i>Financial reporting period</i>	<i>Year to 31/3/2000</i>	<i>Year to 31/3/1999</i>	<i>246 days to 31/3/1998</i>	<i>208 days to 27/7/1997</i>
Specific	-0.05%	0.01%	0.01%	0.03%
General	0.06%	-0.02%	-0.01%	0.00%
Total charge to the profit & loss account	0.01%	-0.01%	0.00%	0.03%

Note:

(1) Bristol & West only (i.e. excludes Bank of Ireland Mortgages Limited and Bristol & West International Limited).

CHARACTERISTICS OF THE PROVISIONAL MORTGAGE POOL AS AT 30TH JUNE 2000

(Note: due to rounding, not all amounts when aggregated produce 100%)

Fig. 1: Current loan balance

<i>Category £'000</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Less than 20	852	12,499,703.89	10.6%	3.3%
20 to less than 30.....	1,377	35,096,960.01	17.2%	9.2%
30 to less than 40.....	1,568	54,698,046.70	19.6%	14.3%
40 to less than 50.....	1,333	59,656,662.13	16.6%	15.6%
50 to less than 60.....	987	53,699,404.00	12.3%	14.0%
60 to less than 70.....	620	40,060,535.20	7.7%	10.5%
70 to less than 80.....	394	29,490,706.28	4.9%	7.7%
80 to less than 90.....	259	21,890,079.78	3.2%	5.7%
90 to less than 100.....	189	17,895,326.05	2.4%	4.7%
100 to less than 110.....	121	12,594,358.47	1.5%	3.3%
110 to less than 120.....	80	9,157,565.80	1.0%	2.4%
120 to less than 130.....	61	7,645,928.16	0.8%	2.0%
130 to less than 140.....	47	6,353,597.04	0.6%	1.7%
140 to less than 150.....	32	4,620,827.84	0.4%	1.2%
150 to less than 160.....	28	4,318,674.42	0.3%	1.1%
160 to less than 170.....	17	2,801,626.24	0.2%	0.7%
170 to less than 180.....	15	2,610,122.52	0.2%	0.7%
180 to less than 190.....	13	2,402,221.94	0.2%	0.6%
190 to less than 200.....	6	1,166,508.83	0.1%	0.3%
200 to less than 210.....	3	616,394.09	0.0%	0.2%
210 to less than 220.....	5	1,076,455.45	0.1%	0.3%
220 to less than 230.....	2	449,244.83	0.0%	0.1%
230 to less than 240.....	7	1,651,467.99	0.1%	0.4%
240 to less than 250.....	3	736,039.42	0.0%	0.2%
Totals.....	8,019	383,188,457.08	100.0%	100.0%
Average				£47,785.07
Maximum				£248,698.75
Minimum				£242.92

Fig. 2: Original loan balance

<i>Category</i> £ '000	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Less than 20	440	6,550,330.47	5.5%	1.7%
20 to less than 30.....	1,262	28,657,034.09	15.7%	7.5%
30 to less than 40.....	1,654	52,932,530.00	20.6%	13.8%
40 to less than 50.....	1,416	59,099,701.38	17.7%	15.4%
50 to less than 60.....	1,084	55,597,261.41	13.5%	14.5%
60 to less than 70.....	663	40,262,714.77	8.3%	10.5%
70 to less than 80.....	470	32,886,209.83	5.9%	8.6%
80 to less than 90.....	290	22,813,961.34	3.6%	6.0%
90 to less than 100.....	196	17,674,533.43	2.4%	4.6%
100 to less than 110.....	159	15,096,140.63	2.0%	3.9%
110 to less than 120.....	94	10,007,726.88	1.2%	2.6%
120 to less than 130.....	71	8,115,474.88	0.9%	2.1%
130 to less than 140.....	56	7,092,392.13	0.7%	1.9%
140 to less than 150.....	42	5,700,491.58	0.5%	1.5%
150 to less than 160.....	32	4,470,552.12	0.4%	1.2%
160 to less than 170.....	19	2,905,072.29	0.2%	0.8%
170 to less than 180.....	14	2,354,595.31	0.2%	0.6%
180 to less than 190.....	13	2,242,790.73	0.2%	0.6%
190 to less than 200.....	12	2,170,693.60	0.1%	0.6%
200 to less than 210.....	8	1,491,836.56	0.1%	0.4%
210 to less than 220.....	7	1,456,393.76	0.1%	0.4%
220 to less than 230.....	4	749,093.77	0.0%	0.2%
230 to less than 240.....	5	1,174,868.03	0.1%	0.3%
240 to less than 250.....	3	664,818.61	0.0%	0.2%
250 or greater	5	1,021,239.48	0.1%	0.3%
Totals.....	8,019	383,188,457.08	100.0%	100.0%
Average				£50,893.97
Maximum				£250,000.00
Minimum				£15,000.00

Fig. 3: Year of loan origination

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
1990	443	15,456,255.14	5.5%	4.0%
1991	641	24,651,188.22	8.0%	6.4%
1992	481	17,709,044.45	6.0%	4.6%
1993	382	13,427,277.79	4.8%	3.5%
1994	366	14,289,486.38	4.6%	3.7%
1995	480	22,251,767.41	6.0%	5.8%
1996	1,401	76,492,401.07	17.5%	20.0%
1997	1,517	77,876,734.18	18.9%	20.3%
1998	1,226	62,572,143.80	15.3%	16.3%
1999	756	39,675,108.22	9.4%	10.4%
2000	326	18,787,050.42	4.1%	4.9%
Totals.....	8,019	383,188,457.08	100.0%	100.0%
Average				March-1999

Fig. 4: Year of loan maturity

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
2000	12	177,807.20	0.1%	0.0%
2001	36	618,846.20	0.4%	0.2%
2002	37	718,983.48	0.5%	0.2%
2003	65	1,613,285.11	0.8%	0.4%
2004	79	1,750,695.31	1.0%	0.5%
2005	71	1,811,219.70	0.9%	0.5%
2006	121	3,687,203.36	1.5%	1.0%
2007	138	4,520,215.70	1.7%	1.2%
2008	145	5,019,382.21	1.8%	1.3%
2009	168	6,178,978.33	2.1%	1.6%
2010	200	7,173,107.29	2.5%	1.9%
2011	359	15,276,833.07	4.5%	4.0%
2012	387	16,557,348.22	4.8%	4.3%
2013	423	20,323,639.18	5.3%	5.3%
2014	326	15,683,785.47	4.1%	4.1%
2015	599	25,663,975.18	7.5%	6.7%
2016	700	33,648,733.97	8.7%	8.8%
2017	570	27,466,394.13	7.1%	7.2%
2018	467	22,898,630.58	5.8%	6.0%
2019	378	19,266,387.03	4.7%	5.0%
2020	334	18,835,171.57	4.2%	4.9%
2021	658	37,051,330.67	8.2%	9.7%
2022	747	42,119,599.19	9.3%	11.0%
2023	565	30,999,025.48	7.0%	8.1%
2024	273	14,900,151.82	3.4%	3.9%
2025	161	9,227,727.63	2.0%	2.4%
Totals	8,019	383,188,457.08	100.0%	100.0%
Average.....				<u>December-2016</u>

Fig. 5: Ratio of current loan to latest valuation

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Less than 60%.....	2,725	94,938,490.10	34.0%	24.8%
60% to less than 65%.....	513	26,045,227.74	6.4%	6.8%
65% to less than 70%.....	560	29,331,929.35	7.0%	7.7%
70% to less than 75%.....	754	39,282,035.46	9.4%	10.3%
75% to less than 80%.....	650	37,018,697.33	8.1%	9.7%
80% to less than 85%.....	662	39,636,959.91	8.3%	10.3%
85% to less than 90%.....	698	42,217,900.17	8.7%	11.0%
90% to less than 95%.....	762	39,185,864.41	9.5%	10.2%
95% to less than 100%.....	695	35,531,352.61	8.7%	9.3%
100% or greater.....	0	0.00	0.0%	0.0%
Totals	8,019	383,188,457.08	100.0%	100.0%
Average/weighted average.....			<u>67.2%</u>	<u>72.0%</u>

Fig. 6: Ratio of original loan to original valuation

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Less than 60%	2,296	78,909,101.50	28.6%	20.6%
60% to less than 65%	497	23,498,681.55	6.2%	6.1%
65% to less than 70%	498	26,079,930.37	6.2%	6.8%
70% to less than 75%	665	34,788,479.15	8.3%	9.1%
75% to less than 80%	696	36,091,814.16	8.7%	9.4%
80% to less than 85%	656	38,280,454.11	8.2%	10.0%
85% to less than 90%	697	42,910,592.46	8.7%	11.2%
90% to less than 95%	900	48,571,634.12	11.2%	12.7%
95% to less than 100%	1,086	52,992,085.71	13.5%	13.8%
100% or greater	28	1,065,683.95	0.3%	0.3%
Totals	8,019	383,188,457.08	100.0%	100.0%
Average/weighted average			71.3%	75.0%

Fig. 7: Latest property valuation*

<i>Category £'000</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Less than 20	6	109,211.40	0.1%	0.0%
20 to less than 30	287	5,985,366.86	3.6%	1.6%
30 to less than 40	933	25,095,568.17	11.6%	6.5%
40 to less than 50	1,202	38,554,450.33	15.0%	10.1%
50 to less than 60	1,193	46,311,170.20	14.9%	12.1%
60 to less than 70	1,005	43,291,230.92	12.5%	11.3%
70 to less than 80	815	39,135,245.50	10.2%	10.2%
80 to less than 90	567	31,402,047.93	7.1%	8.2%
90 to less than 100	424	24,097,780.61	5.3%	6.3%
100 to less than 110	261	16,490,145.53	3.3%	4.3%
110 to less than 120	238	15,594,567.62	3.0%	4.1%
120 to less than 130	236	16,466,514.30	2.9%	4.3%
130 to less than 140	168	12,736,562.31	2.1%	3.3%
140 to less than 150	133	10,838,096.78	1.7%	2.8%
150 to less than 160	109	9,404,320.04	1.4%	2.5%
160 to less than 170	74	6,406,874.51	0.9%	1.7%
170 to less than 180	59	5,580,529.12	0.7%	1.5%
180 to less than 190	47	4,587,509.39	0.6%	1.2%
190 to less than 200	41	4,531,289.78	0.5%	1.2%
200 to less than 250	128	14,032,040.00	1.6%	3.7%
250 to less than 300	44	5,501,036.88	0.5%	1.4%
300 to less than 350	22	3,460,576.90	0.3%	0.9%
350 to less than 400	18	2,685,518.61	0.2%	0.7%
400 to less than 450	2	320,546.53	0.0%	0.1%
450 to less than 500	1	23,499.99	0.0%	0.0%
500 to less than 550	0	0.00	0.0%	0.0%
550 to less than 600	1	33,165.48	0.0%	0.0%
600 or greater	5	513,591.39	0.1%	0.1%
Totals	8,019	383,188,457.08	100.0%	100.0%
Average				£76.0k

Note:

* The Mortgage Pool has not been revalued for the purposes of the issue of the Notes and the above values referred to relate to those from when the Mortgage Loans were originated.

Fig. 8: Year of latest recorded property valuation

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Before 1990	57	2,135,187.55	0.7%	0.6%
1990	510	18,190,654.64	6.4%	4.7%
1991	671	25,941,661.90	8.4%	6.8%
1992	372	13,096,437.00	4.6%	3.4%
1993	395	13,836,457.67	4.9%	3.6%
1994	345	13,889,102.54	4.3%	3.6%
1995	582	27,645,311.58	7.3%	7.2%
1996	1,507	81,710,149.89	18.8%	21.3%
1997	1,470	75,251,394.06	18.3%	19.6%
1998	1,090	56,245,799.14	13.6%	14.7%
1999	881	46,425,062.99	11.0%	12.1%
2000	139	8,821,238.12	1.7%	2.3%
Totals	8,019	383,188,457.08	100.0%	100.0%

Note:

The Mortgage Pool has not been revalued for the purposes of the issue of the Notes and the above values referred to relate to those from when the Mortgage Loans were originated.

Fig. 9: Property location by geographical region

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Greater London.....	1,159	76,854,167.33	14.5%	20.1%
South East	1,809	102,592,628.19	22.6%	26.8%
South West.....	2,166	83,724,833.06	27.0%	21.8%
East Anglia	224	9,900,368.36	2.8%	2.6%
North.....	227	7,720,957.19	2.8%	2.0%
Yorkshire	359	14,168,919.20	4.5%	3.7%
North West.....	695	29,205,652.15	8.7%	7.6%
East Midlands.....	340	14,524,189.43	4.2%	3.8%
West Midlands.....	600	25,626,091.20	7.5%	6.7%
Wales	440	18,870,650.97	5.5%	4.9%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 10: Payments past due

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Less than 1	8,019	383,188,457.08	100.0%	100.0%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 11: Current interest rate payable

Category	Number	£	by number	by value
Less than 3.0%	16	908,028.26	0.2%	0.2%
3% to less than 3.5%	6	448,471.60	0.1%	0.1%
3.5% to less than 4%	22	1,404,465.32	0.3%	0.4%
4% to less than 4.5%	0	0.00	0.0%	0.0%
4.5% to less than 5%	140	7,973,852.27	1.7%	2.1%
5% to less than 5.5%	64	3,509,415.55	0.8%	0.9%
5.5% to less than 6%	289	15,555,037.19	3.6%	4.1%
6% to less than 6.5%	157	8,906,680.61	2.0%	2.3%
6.5% to less than 7%	204	10,127,099.81	2.5%	2.6%
7% to less than 7.5%	67	3,992,496.29	0.8%	1.0%
7.5% to less than 8%	7,017	328,882,145.33	87.5%	85.8%
8% to less than 8.5%	29	972,561.09	0.4%	0.3%
8.5% to less than 9%	8	508,203.76	0.1%	0.1%
Totals	8,019	383,188,457.08	100.0%	100.0%
Weighted average				7.48%

Note:

The Standard Variable Rate as at 30th June 2000 was 7.74%.

Fig. 12: Current interest rate type

Category	Number	£	by number	by value
Discount to standard variable rate...	1,001	54,660,264.52	12.5%	14.3%
Premium to standard variable rate...	46	1,887,942.55	0.6%	0.5%
Standard variable rate	6,972	326,640,250.01	86.9%	85.2%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 13: Next scheduled review date*

Category	Number	£	by number	by value
2000	670	40,771,944.67	8.4%	10.6%
2001	1,679	88,311,489.66	20.9%	23.0%
2002	1,838	96,546,784.69	22.9%	25.2%
2003	1,039	52,283,162.37	13.0%	13.6%
2004	73	3,979,156.46	0.9%	1.0%
2005	35	1,792,900.50	0.4%	0.5%
None	2,685	99,503,018.73	33.5%	26.0%
Totals	8,019	383,188,457.08	100.0%	100.0%

Note:

* The table shows the earliest date on which either, the interest rate is due for review or liability to pay a charge upon redemption ceases (apart from a nominal administration fee).

Fig. 14: Repayment method

Category	Number	£	by number	by value
Repayment.....	3,072	134,537,581.86	38.3%	35.1%
Part/Part.....	581	36,981,451.88	7.2%	9.7%
Endowment.....	4,159	198,345,379.32	51.9%	51.8%
PEP.....	127	7,776,451.86	1.6%	2.0%
Pension.....	80	5,547,592.16	1.0%	1.4%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 15: Property type

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Bungalow	424	17,859,989.86	5.3%	4.7%
Detached	1,593	105,528,223.38	19.9%	27.5%
Semi-detached	2,599	115,425,311.69	32.4%	30.1%
Terrace	2,579	104,066,333.97	32.2%	27.2%
Flat – converted	316	17,794,766.58	3.9%	4.6%
Flat – purpose-built	491	21,896,007.29	6.1%	5.7%
Other	17	617,824.31	0.2%	0.2%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 16: Occupancy type

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Wholly occupied	8,019	383,188,457.08	100.0%	100.0%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 17: Tenure type

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Freehold	6,860	329,393,461.08	85.5%	86.0%
Leasehold	1,159	53,794,996.00	14.5%	14.0%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 18: Loan purpose

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Main Advance	5,624	269,876,720.99	70.1%	70.4%
Staged Release	2	60,433.76	0.0%	0.0%
Re-Finance	2,229	107,539,333.17	27.8%	28.1%
Re-Arrangement	164	5,711,969.16	2.1%	1.5%
Totals	8,019	383,188,457.08	100.0%	100.0%

Fig. 19: Mortgage Indemnity Guarantee Provider

<i>Category</i>	<i>Number</i>	<i>£</i>	<i>by number</i>	<i>by value</i>
Sun Alliance	62	2,694,330.27	0.8%	0.7%
Eagle Star	33	1,208,795.76	0.4%	0.3%
London & Edinburgh	630	27,594,714.86	7.9%	7.2%
BOI Insurance	3,146	180,826,548.96	39.2%	47.2%
None	4,148	170,864,067.00	51.7%	44.6%
Totals	8,019	383,188,457.08	100.0%	100.0%

THE ACQUISITION OF THE MORTGAGES

Purchase

Pursuant to the terms of a mortgage sale agreement to be dated the Closing Date (the "**Mortgage Sale Agreement**") between the Issuer, Bristol & West and the Security Trustee (as recipient of the Warranties and of certain undertakings for the benefit of the Noteholders), Bristol & West will agree to sell to the Issuer its interest in the Initial Mortgage Loans and the Related Security including all rights to their repayment and the proceeds of all principal and interest accruing on or after the Closing Date received in respect of them but excluding the right to receive any insurance premiums, break costs, certain other fees and early redemption payments, any amounts arising from the rejection of any payments in respect of the Mortgage Loans, interest accruing before the Closing Date and any other amounts which have not been received by Bristol & West in cleared funds.

The purchase price (the "**Purchase Price**") payable by the Issuer in relation to the Initial Mortgage Loans or the Further Mortgage Loans will be an amount equal to the aggregate of the Principal Balances of the Initial Mortgage Loans on the Closing Date or the Interest Payment Date on which such Further Mortgage Loans are sold (as the case may be). The Issuer may also be liable to pay amounts in respect of the Deferred Purchase Price (as referred to in "*Summary Information – Deferred Purchase Price*") to Bristol & West. Prior to the Closing Date or any Interest Payment Date on which Further Mortgage Loans are sold to the Issuer, the Originator will estimate the Principal Balance of the Initial Mortgage Loans or Further Mortgage Loans as the case may be (the "**Estimated Purchase Price**"). The Estimated Purchase Price in relation to the Closing Date is £300,000,000. The Estimated Purchase Price will be paid by the Issuer on the Closing Date (or, in the case of any Further Mortgage Loans, the Interest Payment Date on which they are sold). The Deferred Purchase Price may be paid on each Interest Payment Date in accordance with the Revenue Priority of Payments to the extent there are amounts available to do so.

The Initial Mortgage Loans will be selected on 30th October 2000 by reference to the aggregate Principal Balance of the Initial Mortgage Loans as at 29th October 2000 (the "**Cut-Off Date**"). Such aggregate Principal Balance is expected to be approximately £300,500,000. To the extent that on the Closing Date the aggregate Principal Balance of the Initial Mortgage Loans or Further Mortgage Loans is less than the Estimated Purchase Price therefor an amount will be due from Bristol & West equal to the amount by which the aggregate Principal Balance of the Initial Mortgage Loans as at the Closing Date or Further Mortgage Loans at the relevant Interest Payment Date is less than the Estimated Purchase Price. Any amount so due from Bristol & West may be set-off against the Purchase Price payable by the Issuer and credited to the Principal Ledger.

If on the Closing Date or on any Interest Payment Date on which any Further Mortgage Loans are sold to the Issuer, the aggregate Principal Balance of the Initial Mortgage Loans or Further Mortgage Loans is greater than the Estimated Purchase Price, the Issuer shall pay to Bristol & West on the next Interest Payment Date (and to the extent unpaid) on each subsequent Interest Payment Date a sum equal to the amount by which the aggregate Principal Balance of the Initial Mortgage Loans as at the Closing Date exceeds the Estimated Purchase Price (the "**Additional Purchase Price**") in accordance with the Principal Priority of Payments.

Under the Mortgage Sale Agreement, the Issuer will declare a trust for the benefit of itself and Bristol & West over the Related Security for the Mortgage Loans and Further Advances or loans provided by Bristol & West and the proceeds of enforcement of the same.

Title

The perfection of the transfer or conveyance of the Mortgage Loans and the Related Security (and where appropriate, their registration) to the Issuer will, save in the limited circumstances referred to below, be deferred. Legal title to the Mortgage Loans and the Related Security will therefore remain with Bristol & West. The Issuer will grant to the Security Trustee a sub-mortgage and security assignment (as applicable) over its equitable interest in the Mortgage Loans and the Related Security. Notice of the sub-mortgage or assignment will not (except as stated below) be given to any Borrower.

The transfers to the Issuer will be perfected, at the discretion of the Security Trustee, after the earliest of the following: (i) the service of an Enforcement Notice; (ii) Bristol & West or the Issuer being required, by an order of a court of competent jurisdiction, or by a regulatory authority of which Bristol & West is a member, or any organisation whose members comprise (but are not necessarily limited to) mortgage lenders with whose instructions it is customary for Bristol & West to comply; (iii) the Security Trustee, the Issuer, or

Bristol & West being required by any statute, regulation, directive or law to take any of such actions; (iv) the Security Trustee certifying to Bristol & West that, in its opinion, the Security created under the Deed of Charge or any material part of such Security is in jeopardy, that the Security Trustee has resolved to take such action to reduce materially such jeopardy and that the perfection of the transfers is, in the opinion of the Security Trustee, necessary in order materially to reduce such jeopardy; (v) the Mortgage Manager's or Cash Manager's appointment being terminated pursuant to the Mortgage Management and Agency Agreement; and (vi) Bristol & West calling for perfection of such transfer by serving notice on the Issuer. See "*Special Considerations – Equitable Assignment*" for a description of the possible consequences of the above restrictions. Pending perfection of such transfer, the right of the Issuer and the Security Trustee to exercise the powers of the legal owner of the Mortgage Loans and the Related Security will be secured by irrevocable powers of attorney granted by Bristol & West in favour of each of the Issuer and the Security Trustee. Noteholders should be aware that the ability of the Issuer and the Security Trustee to exercise the powers of a legal owner of the Mortgage Loans is subject to the requirement that Bristol & West continues to provide the Mortgage Services and to set the interest rate in relation to the Mortgage Loans at all times prior to the termination of its appointment as Mortgage Manager as further described in "*Mortgage and Cash Management*". In addition, Bristol & West may be required to notify Account Borrowers of the transfer of each Account Borrower's Mortgage Loan and Related Security in the event of a B&W Downgrade (as described in "*Special Considerations – Equitable Assignment*").

The title deeds and customer files relating to the Initial Mortgage Loans and Related Security are currently held by or to the order of Bristol & West or by solicitors acting for Bristol & West and the relevant Borrower in connection with the creation of the Mortgage Loans and Related Security. Bristol & West will undertake to procure that from the Closing Date all the title deeds and customer files relating to the Mortgage Loans and Related Security which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or the Security Trustee.

Neither the Issuer nor the Security Trustee has made or has caused to be made on its behalf any enquiries, searches or investigations in relation to the Initial Mortgage Loans and their Related Security, but each is relying entirely on the Warranties given by Bristol & West contained in the Mortgage Sale Agreement (see "*Lending Criteria – Warranties and Repurchase*" below).

Further Advances

Bristol & West may on any day advance additional funds to a Borrower by way of a further advance on the security of the Mortgage. The Issuer may purchase all or some only of such further advances (each a "**Further Advance**") from Bristol & West pursuant to the Mortgage Sale Agreement and the Mortgage Management and Agency Agreement on any Interest Payment Date in accordance with the Principal Priority of Payments. The Issuer shall purchase any Further Advances with funds available in the Principal Ledger or recredited to the Principal Deficiency Ledgers on such Interest Payment Date by the application of Available Revenue Funds pursuant to items (vi), (ix) or (xi) (as applicable) of the Revenue Priority of Payments as described in "*Credit and Liquidity Structure – Available Redemption Funds*" above and on the satisfaction of certain conditions including the following:

- (a) the relevant Further Advance has been made to a Borrower in compliance with the Lending Criteria as described in "*Lending Criteria – Further Advances and Converted Mortgage Loans*" below;
- (b) no Enforcement Notice has been served in respect of the Notes;
- (c) on the relevant Interest Payment Date on which each Further Advance is purchased by the Issuer, the applicable Warranties (as defined below) are provided by Bristol & West to the Issuer and the Security Trustee, for the benefit of each of the Secured Parties, in respect of each such Further Advance;
- (d) the weighted average loan-to-value ratio (the "**LTV**") of the Mortgage Pool (calculated by reference to the most recent property valuation in respect of each Property comprised in the Mortgage Pool and assuming that the Further Advance which is proposed to be purchased is included in the Mortgage Pool) on the Calculation Date immediately preceding the Interest Payment Date on which the relevant Further Advance is to be purchased does not exceed the weighted average LTV of the Initial Mortgage Loans as at the Closing Date by more than one percentage point or such higher percentage as the Rating Agencies may notify in writing to the Security Trustee will not cause the ratings of the Notes to be downgraded;

- (e) the aggregate Principal Balance of those Mortgage Loans which are 90 days or more in arrears does not exceed 2.5% of the aggregate Principal Balance of all of the Mortgage Loans held by the Issuer on such Interest Payment Date or such higher percentage as the Rating Agencies may notify in writing to the Security Trustee will not cause the ratings of the Notes to be downgraded;
- (f) the balance of the Reserve Fund is not less than the Reserve Fund Required Amount;
- (g) the Class A Notes continue to have a rating of AAA from Fitch and Aaa from Moody's, the Class B Notes continue to have a rating of A from Fitch and A1 from Moody's and the Class C Notes continue to have a rating of BBB from Fitch and Baa2 from Moody's (or in each case an equivalent rating from any substitute rating agency);
- (h) the stated maturity date of each Further Advance to be purchased is not later than the Interest Payment Date falling in July 2025;
- (i) no Further Advance and no agreement to make such Further Advance constitutes a regulated consumer credit agreement as defined in the CCA in whole or in part;
- (j) neither the Cash Manager nor the Issuer has received written notification that the purchase of the relevant Further Advance will adversely affect the then current ratings of the Notes assigned by the Rating Agencies (but for the avoidance of doubt neither the Cash Manager nor the Issuer shall be obliged to make any enquiry of the Rating Agencies);
- (k) interest falling due on such Interest Payment Date or deferred on any previous Interest Payment Date in respect of the Class A Notes, the Class B Notes and the Class C Notes together with all amounts ranking above the payment of such interest amounts pursuant to the Revenue Priority of Payments will be fully paid as at the relevant Interest Payment Date upon which such Further Advance is to be purchased;
- (l) the aggregate of the Principal Balances on the date purchased by the Issuer of all Further Advances and Substitute Mortgage Loans purchased by the Issuer (whether or not remaining outstanding) on such Interest Payment Date or any previous Interest Payment Date will not immediately following the proposed purchase exceed £30,000,000;
- (m) no stamp duty or other requisite documentary duties or taxes are payable in respect of any documents of transfer required for the sale of such Further Advance (or any such stamp duty or other documentary duties or taxes are paid by Bristol & West);
- (n) there is a balance of zero on the Principal Deficiency Ledgers on the immediately preceding Interest Payment Date;
- (o) after the occurrence of a Trigger Event, the balance of the Liquidity Reserve Fund is not less than the Liquidity Reserve Fund Required Amount;
- (p) if the Further Advance is a Fixed Rate Mortgage Loan or a Capped Rate Mortgage Loan and following the purchase of the Further Advance the Fixed Rate Conversion Limit (as defined below) is exceeded, the Issuer will enter into a Permitted Hedging Agreement in respect of such Further Advance satisfactory to the Rating Agencies;
- (q) the Discounted Mortgage Condition (as defined below) would not be breached following the purchase by the Issuer of such Further Advance;
- (r) the Interest Payment Date falling in July 2007 has not occurred;
- (s) on the sale of such Further Advance, Bristol & West has certified its solvency in substantially the same form as its certification as to solvency on the Closing Date; and
- (t) each of the Warranties required in respect of such Further Advance under the Mortgage Sale Agreement is made.

For the avoidance of doubt, the failure to satisfy any of the above conditions shall not prevent Bristol & West from making a further advance to a Borrower and in such event such further advance shall be retained by Bristol & West.

Where Bristol & West has made a further advance (which has not been purchased by the Issuer), such further advance may be made on the security of the relevant Mortgage. The Issuer shall hold the benefit of the relevant Mortgage on trust for Bristol & West to the extent that any monies received are in respect of, and the Related Security is security for, such further advance provided however that Bristol & West's

position will be subordinated to that of the Issuer. Should a Borrower default under the further advance, Bristol & West will have the right to require the Issuer to enforce the security subject to their respective priorities.

Each Mortgage is a mortgage or charge which may secure all present and future sums that may be advanced by Bristol & West to the relevant Borrower.

Conversion of Mortgage Loans

Bristol & West may agree to a request by a Borrower to offer a discount or fixed or capped rate of interest on his or her Mortgage Loan or otherwise convert his or her Mortgage Loan into any other type (or combination of types) of mortgage product offered by Bristol & West (excluding the changes set out in (i) to (iii) below, a "Converted Mortgage Loan"), or may itself elect to effect such a conversion following a default by a Borrower, if (and only if) the following conditions are satisfied:

- (a) the Converted Mortgage Loan is converted in accordance with the Lending Criteria (as described further below) which will include for the avoidance of doubt, the making of such investigations as would be made by a Prudent Mortgage Lender;
- (b) either (i) the Converted Mortgage Loan is of a type of mortgage product that forms part of the Initial Mortgage Loans or (ii) if the conversion does not fall within (i), each of the Rating Agencies confirms that the conversion to such other type of mortgage product would not result in a downgrading or withdrawal of the then current ratings of the Notes by the Rating Agencies;
- (c) the mortgage documentation relating to such Converted Mortgage Loan and its Related Security constitutes legal, valid and binding obligations of the relevant Borrower or guarantor, provider of security or insurance company (as the case may be);
- (d) the Converted Mortgage Loan is repayable in full in any event no later than the Interest Payment Date falling in July 2025;
- (e) no Enforcement Notice has been given by the Note Trustee;
- (f) neither the Mortgage Manager nor the Issuer has received written notification that the conversion will adversely affect the then current ratings of the Notes assigned by the Rating Agencies (but for the avoidance of doubt neither the Mortgage Manager nor the Issuer shall be obliged to make any enquiry of the Rating Agencies);
- (g) any Converted Mortgage Loan which constitutes a regulated consumer credit agreement, as defined in the CCA, will conform with the terms of the CCA;
- (h) if the Converted Mortgage Loan is a Fixed Rate Mortgage Loan or a Capped Rate Mortgage Loan and following the conversion the Fixed Rate Conversion Limit is exceeded, the Issuer will enter into a Permitted Hedging Agreement in respect of such Converted Mortgage Loan satisfactory to the Rating Agencies;
- (i) the Reserve Fund Ledger has standing to its credit the Reserve Fund Required Amount and (if a Trigger Event has occurred) the Liquidity Reserve Fund Ledger has standing to its credit the Liquidity Reserve Fund Required Amount; and
- (j) the Discounted Mortgage Condition would not be breached following the conversion.

Mortgage Loans will be considered to fall within the same type of mortgage product if and only if (a) the provisions for determining the amount of interest payable on such Mortgage Loans (including the basis on which the rate varies, the periods for which the rate is fixed or capped and the level and periods for which the rate is discounted), governing the manner in which such Mortgage Loans are to be repaid or the level of any cashback or other incentive or which might otherwise affect the amount and timing of payments from the Borrowers are the same and (b) there are no other material differences between the terms and conditions of such Mortgage Loans.

The following changes under a Mortgage Loan shall not constitute a Converted Mortgage Loan and may be permitted subject to conditions (c) to (j) inclusive but without satisfaction of conditions (a) and (b) above:

- (i) a change from a fixed or capped rate of interest to a variable rate of interest;
- (ii) an extension of the term of a Mortgage Loan provided that it does not have a maturity beyond July 2025; and

(iii) a reduction in the term of the Mortgage Loan.

For the purposes of the above (and the conditions relating to Further Advances):

“**Fixed Rate Mortgage Loans**” means Mortgage Loans, including for the avoidance of doubt any Further Advances, in relation to which the interest rate is fixed for any period;

“**Capped Rate Mortgage Loans**” means Mortgage Loans, including for the avoidance of doubt any Further Advances, in relation to which the interest rate is capped for any period;

The “**Fixed Rate Conversion Limit**” will be exceeded at any time at which the aggregate Principal Balance of the Fixed Rate Mortgage Loans and the Capped Rate Mortgage Loans for the time being outstanding and owed to the Issuer exceeds two per cent. of the Principal Balance of all the Mortgage Loans for the time being outstanding and owed to the Issuer.

Once the percentage of Fixed Rate Mortgage Loans or Capped Rate Mortgage Loans exceeds the Fixed Rate Conversion Limit, Bristol & West will arrange for a Permitted Hedging Counterparty to provide a Permitted Hedging Agreement in relation to any further Fixed Rate Mortgage Loans or Capped Rate Mortgage Loans acquired by the Issuer. See “*Liquidity and Credit Structure – Permitted Hedging Agreements*” for further details.

Discounted Mortgage Limit

Bristol & West may offer discounted rates on its mortgage products both to existing Borrowers and new Borrowers. Discounts may result in variable rate mortgages carrying a rate of interest which is lower than the Standard Variable Rate for part of the time they are outstanding. The interest rate on Fixed Rate Mortgage Loans and Capped Rate Mortgage Loans which are not discounted may also be less than the Standard Variable Rate, even after taking into account amounts received under any Permitted Hedging Agreement entered into by the Issuer.

Certain of the Initial Mortgage Loans are currently subject to interest rate discounts. The Issuer may also acquire Mortgage Loans subject to interest rate discounts through conversions and the purchase of Further Advances, Substitute Mortgage Loans and Further Mortgage Loans.

The Mortgage Management and Agency Agreement contains a condition (the “**Discounted Mortgage Condition**”) to the conversion of Mortgage Loans and the purchase of Further Advances and Substitute Mortgage Loans. The Discounted Mortgage Condition provides that such conversions and purchases are only permitted (subject to the satisfaction of all other applicable conditions) if, immediately following the conversion or purchase, the weighted average discount on the Mortgage Loans owned by the Issuer during the Calculation Period in which the conversion or purchase is made and each subsequent Calculation Period relative to the Standard Variable Rate on the date the Discounted Mortgage Condition is tested will be no less than the levels agreed with the Rating Agencies at the Closing Date.

LENDING CRITERIA

The following criteria (the "Lending Criteria") were applied in respect of the Initial Mortgage Loans and will be applied in respect of each Converted Mortgage Loan, each Substitute Mortgage Loan, each Further Mortgage Loan and all Further Advances as described below. It should be noted that the Lending Criteria have changed over time and not all Initial Mortgage Loans will have been originated under these terms. However, the lending criteria relevant to the origination of the Initial Mortgage Loans were substantially similar to those set out below.

Security

- (a) Each of the Mortgage Loans is secured by a first fixed mortgage over a freehold or leasehold residential property in England and Wales.
- (b) The legal title in the property being taken as security is vested in the Borrower and the Borrower has good and marketable title to the property.
- (c) In all cases a valuation is required, to be performed by a valuer, being an Associate or Fellow of the Royal Institution of Chartered Surveyors, or the Incorporated Society of Valuers and Auctioneers, with a minimum of two years' post-qualified experience at the time of such valuation listed in Bristol & West's panel of valuers or is otherwise acceptable to Bristol & West acting as a Prudent Mortgage Lender, except in the case of certain further advances (i) where the loan-to-value ratio of the loan including the further advance is less than or equal to 85.0% of the existing valuation, or (ii) where an existing valuation report is less than three years old.
- (d) The property is not under construction.
- (e) Borrowers are expected to effect and maintain a life assurance policy in the amount of the loan for the duration of the term which will repay the loan in the event of death. There is no requirement that such life assurance policies are legally or equitably assigned to Bristol & West as security for the loan.
- (f) Borrowers are required to effect and maintain (at their own expense) a property insurance policy in an amount sufficient to recover the reinstatement value of the property and Bristol & West is a joint insured or its interest is noted on the policy.

LTV

- (a) The LTV is calculated by dividing the initial principal amount advanced at completion of the Mortgage Loan (excluding any completion fees) by the valuation of the property.
- (b) The LTV of each Mortgage Loan at the date of the initial advance by Bristol & West to the Borrower cannot be more than 97.5%.
- (c) Where the LTV of a Mortgage Loan at the date of the initial advance (excluding any mortgage indemnity premium or administration or other fee added) is greater than 75%, mortgage indemnity insurance is required. Additional security in the form of guarantees or charges over deposits may also be required.

Term

Each Mortgage Loan within the Provisional Mortgage Pool has an initial term of no longer than 25 years.

Borrowers

- (a) Borrowers must have a minimum age of 18.
- (b) Borrowers must have the right to live and work in the United Kingdom.
- (c) Independently of the number of Borrowers who are parties to any one Mortgage Loan (a maximum of four), the assessment of the loan is based on the income and status of a maximum of two of the Borrowers.
- (d) The Borrowers' credit and employment history will have been assessed with the aid of one or more of the following:
 - (i) voter's roll or other proof of occupancy;

- (ii) search supplied by a credit reference agency;
- (iii) copy of the most recent pay slips and/or the most recent P60;
- (iv) up to three years accounts;
- (v) accountant's certificate in the form supplied by Bristol & West;
- (vi) existing lender's statements or reference; or
- (vii) salary reference from current employers.

Income

- (a) Income is determined by reference to the application form and supporting documentation, where appropriate, and may consist of the following:
 - (i) salary plus 50% of overtime, bonus or commission payments if such overtime, bonus or commission payments are regular and continuing or 100% of overtime, bonus or commission payments if guaranteed; plus pension income if pension is guaranteed for life; plus in certain cases income from a second job; plus rent allowance, mortgage subsidy, London weighting or large town allowance, attendance allowance, shift allowance and/or car allowance; or
 - (ii) any income in the form of profit (but not including drawings) confirmed in the last year's accounts or accountant's certificate for self-employed Borrowers and Borrowers with income derived from a 25% or greater shareholding.
- (b) Each Borrower must disclose all material liabilities, which are assessed by Bristol & West.
- (c) The principal amount advanced does not exceed the higher of 3.5 times the assessed income of the primary Borrower, or, in the case of joint applications, 3.5 times the main income then added to the secondary income or 2.75 times the joint income.

Solicitors

The firm of solicitors or licensed conveyancers acting for Bristol & West must be on Bristol & West's panel.

Further Advances and Converted Mortgage Loans

Generally, in relation to Further Advances and Converted Mortgage Loans, Bristol & West does not formally require the Lending Criteria to be satisfied. However, if considered necessary additional checks may be required to be carried out. The loan to value ratio and the performance of the relevant Mortgage Loan are factors which are considered when determining these requirements.

Changes to Lending Criteria

Bristol & West has the right to vary or waive the Lending Criteria from time to time in the manner of a Prudent Mortgage Lender and Bristol & West may have waived or varied the Lending Criteria acting as a Prudent Mortgage Lender in respect of Mortgage Loans comprised in the Mortgage Pool.

Warranties and Repurchase

The Mortgage Sale Agreement contains warranties (the "Warranties") given by Bristol & West in relation to the Mortgage Loans. No searches, enquiries or independent investigation of title of the type which a Prudent Mortgage Lender would normally be expected to carry out have been or will be made by the Issuer or the Security Trustee, each of whom will rely upon the Warranties.

If there is an unremedied material breach of any of the Warranties then Bristol & West will be required to repurchase the relevant Mortgage Loan and its Related Security by paying into the GIC Account an amount equal to the Principal Balance of the relevant Mortgage Loan (together with all accrued interest) and all other amounts due under such Mortgage Loan to which the Issuer is beneficially entitled (all of which is subject to any applicable cure periods set forth in the Mortgage Sale Agreement). In certain circumstances where the breach of Warranty relates to a Further Advance only, Bristol & West will be required to repurchase the Mortgage Loan secured on the same Property as such Further Advance and its Related Security at the same time as it repurchases such Further Advance. For further details of remedies on material breach of Warranty, see "*Special Considerations - Searches, Investigations and Warranties*".

Investigations and Warranties

The Warranties include statements to the following effect:

- subject to completion of or registration of each Mortgage that may be pending at H.M. Land Registry or the Central Land Charges Registry, each Mortgage Loan is secured by a first fixed mortgage over a residential property in England or Wales;
- subject to completion of any registration of each Mortgage that may be pending at H.M. Land Registry or the Central Land Charges Registry, each Mortgage forms a valid and binding obligation of the relevant Borrower and constitutes a fixed, valid and subsisting mortgage or charge over the relevant Property;
- Bristol & West is the sole legal and beneficial owner with full title guarantee of each Mortgage Loan and the Related Security (save in so far as the Issuer or the Security Trustee or either of them have any interest in such Related Security and subject to any registration which may be pending at H.M. Land Registry or the Central Land Charges Registry) free and clear of any prior ranking mortgage, sub-mortgage, charge, sub-charge, assignment by way of security or other such encumbrance other than those created by operation of law or which forms part of the Related Security;
- in relation to each Mortgage Loan (other than a Further Advance), Bristol & West has received a certificate of title from its solicitor either in the form of the Bristol & West report on title, or after October 1 999, in or substantially in the form approved at the relevant time by the Law Society of England and Wales (or has been given an unconditional irrevocable undertaking by such solicitor to provide such certificate) to the effect that the Borrower has "good and marketable" title to the Property subject to such exceptions or qualifications as Bristol & West (acting as a Prudent Mortgage Lender) may agree;
- each Mortgage Loan is repayable in full not later than the Interest Payment Date falling in July 2025;
- each Mortgage Loan was originated by Bristol & West on or substantially on the terms of the Lending Criteria save for such changes, waivers or variations thereto as would be acceptable to a Prudent Mortgage Lender;
- each Mortgage Loan is either an unregulated agreement under the CCA or (in the case of Converted Mortgage Loans only) is a regulated agreement under the CCA and complies in all respects with the requirements of the CCA and the Issuer and the Cash Manager have all appropriate licences necessary in relation to the Mortgage Loans under the CAA;
- at any time during the 12 months immediately prior to but excluding the Closing Date or the date of purchase by the Issuer of a Mortgage Loan (or, if less, the term of the Mortgage Loan to such date), such Mortgage Loan has not been two or more payments of principal or interest due from any Borrower or Borrowers under such Mortgage Loan in arrears;
- as at the Closing Date or the date of purchase of a Mortgage Loan (as the case may be) such Mortgage Loan does not have one or more payments of principal or interest in arrears;
- prior to granting each Mortgage Loan Bristol & West carried out all investigations, searches and other action (not relating to the matters which were the subject of a solicitors' undertaking to provide a certificate of title to the effect that the Borrower has "good and marketable" title or such other title as would be acceptable to a Prudent Mortgage Lender) that would be undertaken by a Prudent Mortgage Lender lending on the security of residential properties situated in England or Wales;
- as at the date of purchase by the Issuer pursuant to the Mortgage Sale Agreement the Principal Balance of a Mortgage Loan (and in the case of a Further Advance, the Principal Balance of such Further Advance aggregated with the Principal Balance of any other Mortgage Loan secured over the same property) does not exceed 97.5% (excluding any mortgage indemnity premiums or administration or other fee added) of the most recent valuation of the relevant property carried out for or on behalf of Bristol & West;
- each Property is insured under a buildings policy taken out by a Borrower or another person with an interest in the relevant Property under which either (i) Bristol & West is an insured party or (ii) Bristol & West's interest is noted on the policy, in each case against fire and other commercial

risks which would be required by a Prudent Mortgage Lender for an amount not less than the full reinstatement value determined by an independent qualified surveyor or valuer acceptable to Bristol & West;

- no Borrower was, at the relevant date of origination of a Mortgage Loan, an employee or officer of Bristol & West;
- in relation to any leasehold property held by a Borrower the unexpired term of such lease was no less than 70 years on the date the relevant Mortgage was granted.

If, as a result of a repurchase of a Mortgage Loan and its Related Security following a breach of Warranty (as described above), the Issuer has funds available standing to the credit of the Principal Ledger or other funds available in accordance with the Principal Priority of Payments for the purpose (see "*Credit and Liquidity Structure – Available Redemption Funds*"), the Originator will, pursuant to the terms of the Mortgage Sale Agreement and the Mortgage Management and Agency Agreement, use all reasonable endeavours to sell to the Issuer a substitute mortgage loan (a "**Substitute Mortgage Loan**") and its Related Security subject to the satisfaction of certain conditions on the next Interest Payment Date. These conditions include:

- (a) the Substitute Mortgage Loan has been made to the Borrower in compliance with the Lending Criteria;
- (b) no Enforcement Notice has been served in respect of the Notes;
- (c) on the relevant Interest Payment Date that each Substitute Mortgage Loan is purchased by the Issuer the applicable Warranties are provided by Bristol & West to the Issuer and the Security Trustee, for the benefit of each of the Secured Parties, in respect of each such Substitute Mortgage Loan and the Related Security;
- (d) the LTV of the Mortgage Pool (calculated by reference to the most recent property valuation in respect of each Property comprised in the Mortgage Pool and assuming that the Substitute Mortgage Loan which is proposed to be purchased is included in the Mortgage Pool) on the Calculation Date immediately preceding the Interest Payment Date on which the relevant Substitute Mortgage Loan is to be purchased does not exceed the weighted LTV of the Initial Mortgage Loans by more than one percentage point or such higher percentage as the Rating Agencies may notify in writing to the Security Trustee will not cause the rating of the Notes to be downgraded;
- (e) the aggregate Principal Balance of those Mortgage Loans which are 90 days or more in arrears does not exceed 2.5% of the aggregate Principal Balance of all the Mortgage Loans held by the Issuer on such Interest Payment Date or such higher percentage as the Rating Agencies may notify in writing to the Security Trustee will not cause the rating of the Notes to be downgraded;
- (f) the balance of the Reserve Fund is not less than Required Reserve Fund Amount;
- (g) the Class A Notes continue to have a rating of AAA from Fitch and Aaa from Moody's, the Class B Notes continue to have a rating of A from Fitch and A1 from Moody's and the Class C Notes continue to have a rating of BBB from Fitch and Baa2 from Moody's (or in each case an equivalent rating from any substitute rating agency);
- (h) the stated maturity date of each Substitute Mortgage Loan is not later than the Interest Payment Date falling in July 2025;
- (i) no Substitute Mortgage Loan and no agreement to make a Substitute Mortgage Loan constitutes a regulated consumer credit agreement as defined in the CCA in whole or in part;
- (j) neither the Cash Manager nor the Issuer has received written notification that the purchase of the Substitute Mortgage Loans will adversely affect the then current ratings of the Notes assigned by the Rating Agencies (but for the avoidance of doubt, neither the Cash Manager nor the Issuer shall be obliged to make any enquiry of the Rating Agencies);
- (k) interest falling due on such Interest Payment Date or deferred on any previous Interest Payment Date in respect of the Class A Notes, the Class B Notes and the Class C Notes together with all amounts ranking above the payment of such interest amounts pursuant to the Revenue Priority of Payments will be fully paid as at the relevant Interest Payment Date upon which such Substitute Mortgage Loan is to be purchased;

- (l) the aggregate of the Principal Balances on the date purchased by the Issuer of all Further Advances and Substitute Mortgage Loans purchased by the Issuer (whether or not remaining outstanding) on such Interest Payment Date or any previous Interest Payment Date will not immediately following the proposed purchase exceed £30,000,000;
- (m) no stamp duty or other requisite documentary duties or taxes are payable in respect of any documents of transfer required from the sale of such Substitute Mortgage Loan (or any stamp duty or other documentary duties or taxes are paid by Bristol & West);
- (n) there is a balance of zero on the Principal Deficiency Ledgers on the immediately preceding Interest Payment Date;
- (o) after the occurrence of a Trigger Event, the balance of the Liquidity Reserve Fund is not less than the Liquidity Reserve Fund Required Amount;
- (p) if the Substitute Mortgage Loan is a Fixed Rate Mortgage Loan or a Capped Rate Mortgage Loan and following the purchase of the Substitute Mortgage Loan the Fixed Rate Conversion Limit is exceeded, the Issuer has entered into a Permitted Hedging Agreement in respect of such Substitute Mortgage Loan satisfactory to the Rating Agencies;
- (q) the Discounted Mortgage Condition would not be breached following the purchase by the Issuer of such Substitute Mortgage Loan;
- (r) the Interest Payment Date falling in July 2007 has not occurred;
- (s) on the sale of such Substitute Mortgage Loan, Bristol & West has certified its solvency in substantially the same form as its certification as to solvency on the Closing Date; and
- (t) each of the Warranties required in respect of such Substitute Mortgage Loan under the Mortgage Sale Agreement is made.

If such conditions are satisfied and there are sufficient funds standing to the credit of the Principal Ledger or otherwise available in accordance with the Principal Priority of Payments, the Issuer shall be obliged to purchase such Substitute Mortgage Loans and Related Security.

Enforcement Procedures

Bristol & West has established procedures for managing loans that are in arrears, including early contact with Borrowers in order to find a solution to any financial difficulties they may be experiencing. These same procedures, as from time to time varied in accordance with the practice of a Prudent Mortgage Lender, will continue to be applied by the Mortgage Manager under the terms of the Mortgage Management and Agency Agreement in respect of arrears arising on the Mortgage Loans.

INSURANCE CONTRACTS

Buildings Insurance

The Security Trustee (on behalf of the Secured Parties) will have the benefit of a charge over the Issuer's interest in Building Policies.

Bristol & West will warrant, in the Mortgage Sale Agreement, that at the time each Mortgage Loan was completed, each related Property is insured under a buildings policy taken out by a Borrower or another person with an interest in the relevant Property (a "**Building Policy**") under which Bristol & West was jointly named as an insured party or its interest was noted thereon against fire and other commercial risks which would be required by a Prudent Mortgage Lender and for an amount not less than the full reinstatement value determined by a valuer acceptable to Bristol & West.

As part of the sale of the Mortgage Loans, Bristol & West will equitably assign its interests in all Building Policies relating to Mortgage Loans to the Issuer by way of an assignment of insurance contracts pursuant to the Mortgage Sale Agreement. The Issuer will sub-charge its interest in such Building Policies to the Security Trustee pursuant to the Deed of Charge.

Life Policies

In relation to Interest-Only Mortgage Loans for which the appropriate payment vehicle is a life assurance policy (the "**Life Policies**"), the relevant Borrower is required to satisfy Bristol & West at the time the Mortgage Loan is made as to the existence of the Life Policy. Under the Life Policies a certain amount is payable which is anticipated to be sufficient to satisfy the original amount of the Mortgage Loan (excluding any mortgage indemnity premium and any administration or other fee added to the Mortgage Loan) in the event of the death of the relevant Borrower (or, in the case of joint Borrowers, of the first to die) prior to the maturity of such Mortgage Loan. It is not Bristol & West's practice to take security over such Life Policies.

Other Investment Vehicles

In relation to Interest-Only Mortgage Loans for which the appropriate repayment vehicle is not a Life Policy, the Borrower is required to satisfy Bristol & West at the time the Mortgage Loan is made as to the existence of another form of repayment vehicle (whether a pension or endowment policy or otherwise) or that the Borrower will have sufficient means to repay the Mortgage Loan.

Mortgage Indemnity Guarantee Policies

Mortgage indemnity insurance in relation to the Mortgage Loans has, since 1994, been provided to Bristol & West by BOI Insurance Limited (until 1999 it was provided by Great Western Insurance Limited whose assets and liabilities have been acquired by BOI Insurance Limited). BOI Insurance Limited's registered office is at 4 Christian Road, Douglas, Isle of Man. Prior to 1994, London and Edinburgh Insurance Ltd whose registered address is at 13 Fenchurch Avenue, London EC2M 5BT ordinarily provided the bulk of such policies to Bristol & West in addition to a number of other insurance providers (see *Figure 19 "Characteristics of Provisional Mortgage Pool as at 30th June 2000"*). Mortgage indemnity insurance is obtained by Bristol & West when, in accordance with its Lending Criteria (see "*Lending Criteria*" above) certain limits in the loan to value ratio of the proposed advance are to be exceeded. BOI Insurance Limited is a subsidiary of Bank of Ireland and provides a range of insurance services in the United Kingdom and Ireland. London & Edinburgh Insurance Ltd provides general insurance services in the United Kingdom. Bristol & West will by way of equitable assignment transfer all its interest in the mortgage indemnity insurance in relation to the Mortgage Loans to the Issuer on the Closing Date by way of an assignment of insurance contracts pursuant to the Mortgage Sale Agreement. The Issuer will sub-charge its interest in such mortgage indemnity insurance to the Security Trustee pursuant to the Deed of Charge.

MORTGAGE AND CASH MANAGEMENT

Introduction

Under the Mortgage Management and Agency Agreement, Bristol & West will be appointed to manage the Mortgage Loans and to provide certain administrative services described under “*Calculations and Determinations*” and “*Mortgage Manager Reporting Requirements*” below by the Issuer and the Security Trustee. Under the terms of the Mortgage Management and Agency Agreement, the Mortgage Manager may at its own cost sub-contract or delegate its powers and obligations under the Mortgage Management and Agency Agreement. Any such sub-contracting or delegation will not abrogate or relieve the Mortgage Manager of any of its obligations under the Mortgage Management and Agency Agreement. In certain circumstances, the Mortgage Manager will be obliged to delegate its powers and obligations to manage the mortgages (see “*Delegation by Mortgage Manager*”) below.

Bristol & West will agree in the Mortgage Management and Agency Agreement to service the Mortgage Loans with the level of skill, care and diligence as it would in managing those mortgage loans advanced by it and which do not form part of the Mortgage Pool.

Mortgage Rates

The Mortgage Manager will set the rate of interest in respect of the Mortgage Loans (the “**Mortgage Rates**”) on behalf of the Issuer and in accordance with the terms and conditions of the Mortgage Loans.

The terms of the Mortgage Management and Agency Agreement will provide that, at all times prior to the termination of Bristol & West’s appointment as Mortgage Manager, Bristol & West will continue to set the Standard Variable Rate on behalf of the Issuer. Prior to the termination of Bristol & West’s appointment as Mortgage Manager following the occurrence of an Insolvency Event (as described in “*Administration of the Mortgages*” below) no other person (including the Security Trustee, the Delegate Mortgage Manager or any Substitute Mortgage Manager) will have the ability to set the Mortgage Rates, even after the service of an Enforcement Notice.

Interest is calculated on the amount owing by a Borrower (including, but not limited to, capitalised interest) and is adjusted on an annual rest basis to take account of principal repayments.

Payments from Borrowers

Monthly payments of interest and principal in respect of the Mortgage Loans and ancillary insurance premiums (if any) are payable in advance and are credited directly into the Collection Accounts. See further “*Credit and Liquidity Structure – Cash Collection Arrangements*” for a description of the cash collection arrangements following payment by the Borrowers.

Arrears and Default Procedures

The Mortgage Manager will endeavour to collect all payments due under or in connection with the Mortgage Loans in accordance with the arrears procedures employed by Bristol & West from time to time. The procedures may include making arrangements whereby a Borrower’s payments may be varied and/or taking legal action for possession of the relevant Property and the subsequent sale of that Property. The Court may exercise discretion as to whether, on application by the lender, it orders the Borrower to vacate the Property after a default and as to how long the Borrower is given to vacate the Property. A lender will usually apply for such an order so that it can sell the Property with vacant possession.

The net proceeds of sale of the Property (after payment of costs and expenses of the sale) together with any sums paid by a guarantor of the relevant Borrower will be applied against the sums owing from the Borrower to the extent necessary to discharge the Mortgage Loan. Where appropriate, claims may be made pursuant to the Borrower’s personal covenant contained in the terms of the Mortgage Loan. Where such funds are insufficient to redeem such Mortgage Loan in full, a claim would be made under any applicable mortgage indemnity guarantee insurance, and failing which where appropriate against professional advisers (including against solicitors for breach of their undertakings) who advised in connection with the advance of the relevant Mortgage Loan. Where the funds arising from application of the above procedures are insufficient to pay all amounts owing in respect of a Mortgage Loan, such funds will be applied first in paying principal owing and secondly in paying interest and costs in respect of such Mortgage Loan. If there is no applicable mortgage indemnity guarantee insurance or if, after a claim has been paid, an amount is still outstanding (the “**Outstanding Amount**”) in respect of the Mortgage Loan, a provision will be made for the Outstanding Amount (to the extent that it represents principal owing in respect of a Mortgage Loan) in the

Principal Deficiency Ledgers, forming part of the Issuer's accounts, although circumstances may arise in which this provision may subsequently be reduced by the application of Available Revenue Funds as described in "*Credit and Liquidity Structure*" above.

Redemption

Under the Mortgage Management and Agency Agreement, the Mortgage Manager will be responsible for handling the procedures connected with the redemption of Mortgage Loans.

Calculations and Determinations

The Cash Manager will be responsible under the Mortgage Management and Agency Agreement, on each Calculation Date, for calculating the Available Revenue Funds and the Available Redemption Funds, the allocation and payment of moneys in accordance with the Revenue Priority of Payments and the Principal Priority of Payments, the delivery of payment instructions to the GIC Provider in respect of the GIC Account and to the account bank in respect of the Transaction Account, the maintenance of the Ledgers and the Principal Deficiency Ledgers, the notification of certain calculations to the Interest Rate Swap Counterparty and any Permitted Hedging Providers and notification to the Principal Paying Agent and the Agent Bank of the matters required to be notified to them by the Issuer under the Conditions and the Relevant Documents and all other calculations and determinations as set out in the Relevant Documents.

Mortgage Manager Reporting Requirements

The Mortgage Manager will prepare a quarterly report for the benefit of the Issuer, the Security Trustee, the Note Trustee and the Rating Agencies which will contain information as to levels of arrears and reposessions in respect of the Mortgage Loans and all calculations and determinations made on the immediately preceding Calculation Date and cash movements from the GIC Account and the Transaction Account during the preceding Interest Period.

Remuneration of the Mortgage Manager

The Issuer will on each Interest Payment Date pay to the Mortgage Manager for its services under the Mortgage Management and Agency Agreement a quarterly mortgage management and agency fee (inclusive of value added tax, if any) in an amount equal to 0.04% of the aggregate Principal Balance of the Mortgage Loans on the Calculation Date immediately preceding the relevant Interest Payment Date, multiplied by the actual number of days from (and including) the preceding Calculation Date to (but excluding) the current Calculation Date divided by the actual number of days in that year.

Termination of Appointment of Mortgage Manager

The appointment of Bristol & West as Mortgage Manager may only be terminated by notice by the Security Trustee to Bristol & West following any of the events ("**Insolvency Events**") set out below:

- (a) the Mortgage Manager is dissolved, struck off the register of companies or otherwise ceases to exist as a separate legal entity with legal capacity to undertake the Mortgage Services; or
- (b) an order is made or an effective resolution is passed for the winding-up of the Mortgage Manager except for a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Security Trustee in writing; or
- (c) an administration order is made or an administrator, administrative receiver or other receiver, liquidator or similar official or office holder is appointed to the Mortgage Manager or to the whole of its undertaking or assets or to the whole or substantially all of the undertaking or assets which it employs to provide the Mortgage Services or an encumbrancer takes possession of the whole or substantially all of such undertaking or assets so employed; or
- (d) it becomes impossible or impracticable for the Mortgage Manager, acting by or under the direction of its board of directors, to continue to provide the Mortgage Services by reason of any distress, execution, diligence or other process being levied or enforced or sued out against the whole or substantially all of the undertaking or assets which it employs to provide the Mortgage Services; or
- (e) any order or appointment under any insolvency or similar laws is made, or any event occurs which in each case has an analogous effect to any of the above events.

Prior to the occurrence of an Insolvency Event, the appointment of Bristol & West as Mortgage Manager cannot be terminated by the Issuer or the Security Trustee in any circumstances including a breach of the Mortgage Manager's undertakings in the Mortgage Management and Agency Agreement however material.

A Substitute Mortgage Manager may be appointed by the Issuer or the Security Trustee or the Mortgage Manager (subject in each case to the notification in writing of such appointment to the Rating Agencies) on substantially the same terms as those for the Mortgage Manager and subject to all applicable Department of Environment requirements in relation to securitised mortgage loans and the restrictions referred to above.

Delegation by Mortgage Manager

The Security Trustee may require Bristol & West to delegate its responsibilities for carrying out the Mortgage Services to a sub-delegate (the "**Delegate Mortgage Manager**") acceptable to the Security Trustee in any of the events ("**Delegation Events**") set out below:

- (a) a default is made by the Mortgage Manager in the performance or observance of any of its obligations under the Mortgage Management and Agency Agreement to an extent which, in the opinion of the Security Trustee, when taken in aggregate with all other failures, is materially prejudicial to the interests of the Noteholders and (except where such default is incapable of remedy, when no such continuation and/or notice as is hereinafter mentioned will be required) such default is not remedied, or means of remedying it are not agreed, within 30 days after the Mortgage Manager receiving written notice from the Security Trustee or the Issuer requiring the same to be remedied;
- (b) at any time after the Note Trustee has served an Enforcement Notice, the Security Trustee is of the opinion that the continuation of the appointment of the Mortgage Manager is materially prejudicial to the interests of the Noteholders;
- (c) the Mortgage Manager ceases or, through an authorised action of the board of directors of the Mortgage Manager, threatens to cease to carry on business or stops payment or threatens to stop payment of its debts or the Mortgage Manager is deemed unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (excluding the words "it is proved to the satisfaction of the Court that" from Sections 123(1)(e) and (2)) or otherwise becomes insolvent;
- (d) proceedings are initiated against the Mortgage Manager under any applicable liquidation, administration, insolvency, composition, reorganisation or similar laws (including, but not limited to, the presentation of a petition for an administration order or for an appointment of a liquidator or provisional liquidator) or the Mortgage Manager shall initiate or consent to judicial proceedings relating to itself under applicable liquidation, administration, insolvency, composition, reorganisation or other similar laws or shall make a conveyance or assignment of the whole or any substantial part of its assets for the benefit of its creditors generally.

The terms of the appointment will provide for the Delegate Mortgage Manager to act as agent and attorney of the Mortgage Manager in carrying out the Mortgage Services and performing the covenants of the Mortgage Manager under the Mortgage Management and Agency Agreement. If appointed, the Delegate Mortgage Manager would be required to act within the policies and procedures of Bristol & West in relation to the Mortgage Services and to comply with any instructions given to it by Bristol & West at any time. Bristol & West has undertaken in the Mortgage Management and Agency Agreement not to amend such policies and procedures or give any such instructions other than in accordance with the practice of a Prudent Mortgage Lender or, after the service of an Enforcement Notice, with the consent of the Security Trustee. However, Noteholders should be aware that as between Bristol & West and any Delegate Mortgage Manager any amendment of Bristol & West's policies and procedures and any such instruction would be effective even if made in breach of such undertaking.

Bristol & West has agreed in the Mortgage Management and Agency Agreement to indemnify and hold the Issuer harmless from any cost, loss, liability, claim or damage which the Issuer may suffer or incur directly or indirectly as a result of any breach by Bristol & West of its obligations under the Mortgage Management and Agency Agreement and any failure to provide the Mortgage Services in accordance with the practice of a Prudent Mortgage Lender. The long term unsecured and unguaranteed debt obligations of Bristol & West are rated A1 by Moody's.

Cash Management and termination of appointment of Cash Manager

Under the Mortgage Management and Agency Agreement, Bristol & West will also be appointed to act as Cash Manager to undertake certain duties (the “**Securitisation Services**”) on behalf of the Issuer not performed by the Mortgage Manager. The Securitisation Services will include the servicing and administration of the Issuer’s assets (other than the Mortgage Loans), the making of the calculations and payments required by the Mortgage Management and Agency Agreement and the Deed of Charge and the preparation of quarterly reports delivered to the Security Trustee in accordance with the Mortgage Management and Agency Agreement.

Pursuant to the Mortgage Management and Agency Agreement, the appointment of Bristol & West as Cash Manager may be terminated by either the Security Trustee or the Issuer if Bristol & West defaults in the performance and observance of any of its covenants in the Mortgage Management and Agency Agreement to an extent which taken in aggregate with all such other failures, is materially prejudicial to the interests of the Noteholders and (except where such default is incapable of remedy) such default is not remedied within 30 days of such default or if certain insolvency events occur in respect of it.

The appointment of Bristol & West as Cash Manager may also be terminated upon Bristol & West giving to the Issuer and the Security Trustee not less than six months’ prior written notice (or such shorter period as the Security Trustee may agree).

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted, as the actual rate at which Mortgage Loans will be repaid and a number of other relevant factors (including the effect of conversions between different types of Mortgage Loans) are unknown.

Calculations of the possible annual lives of the Notes can be made based on certain assumptions. For example, based on certain assumptions that:

- (a) the Issuer exercises its option to redeem the Notes in July 2007;
- (b) the Mortgage Loans are subject to a constant annual rate of repayment as shown in the table below;
- (c) no Principal Losses are realised on any of the Mortgage Loans;
- (d) no Further Advances are made; and
- (e) no Liquidity Reserve Fund is established.

The approximate average life of the Notes, at various assumed rates of repayment for the Mortgage Loans, would be as follows:

<i>Constant Repayment Rate (% per annum)</i>	<i>Possible Average Life of Class A Notes (years)</i>	<i>Possible Average Life of Class B Notes (years)</i>	<i>Possible Average Life of Class C Notes (years)</i>
12.5	4.4	6.6	6.8
15	4.1	6.4	6.8
17.5	3.8	6.1	6.8
20	3.5	5.8	6.7
22.5	3.2	5.3	6.7

No assurances can be given that the redemption of the Notes will occur as described in assumption (a).

Assumption (b) is stated as an average annualised repayment rate as the repayment rate for one Interest Period may be substantially different from that for another. The constant repayments shown above are purely indicative and do not represent the full range of possibilities for constant repayment rates including the effect of Further Advances and Converted Mortgage Loans.

Assumptions (c), (d) and (e) relate to circumstances which are not predictable.

The average lives of the Notes are subject to factors largely outside the control of the Issuer and consequently no assurance can be given that the assumptions and estimates above will prove in any way to be realistic and they must be viewed with considerable caution.

SUMMARY OF THE TRANSACTION DOCUMENTS

The following is a summary of the principal contents of each document directly concerning the issue of the Class A Notes, the Class B Notes and the Class C Notes.

Subscription Agreements

ING Bank, The Governor and Company of the Bank of Ireland, Credit Suisse First Boston (Europe) Limited and J & E Davy have, pursuant to a subscription agreement in relation to the Class A Notes dated 30th October 2000 (the "Class A Notes Subscription Agreement") agreed with the Issuer, subject to certain conditions, to subscribe and pay for all the Class A Notes at 100% of their principal amount. ING Bank has, pursuant to a subscription agreement in relation to the Class B Notes dated 30th October 2000 (the "Class B Notes Subscription Agreement") and pursuant to a subscription agreement in relation to the Class C Notes dated 30th October 2000 (the "Class C Notes Subscription Agreement") agreed with the Issuer, subject to certain conditions, to subscribe and pay for the Class B Notes and the Class C Notes at 100% of their respective principal amounts. The Issuer has agreed to pay the Managers' management and underwriting fees and selling commissions pursuant to the Subscription Agreements as referred to in "Subscription and Sale". The Issuer has also agreed to reimburse the Managers and ING Bank in connection with certain expenses in connection with the issue of the Notes and to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes. The Class A Notes Subscription Agreement, the Class B Notes Subscription Agreement and the Class C Notes Subscription Agreement entitle ING Bank to terminate such agreements in certain circumstances prior to payment to the Issuer.

Mortgage Sale Agreement

The Issuer, Bristol & West and the Security Trustee have entered into the Mortgage Sale Agreement under which Bristol & West's entire beneficial interest in the principal amounts of the loans comprised in the Initial Mortgage Loans and Related Security will be assigned to the Issuer. Details of the Initial Mortgage Loans and the sale thereof are more particularly described in the section entitled "The Mortgage Loans" above.

Trust Deed

The Issuer and the Note Trustee will enter into the Trust Deed. The Trust Deed will, *inter alia*, constitute the Class A Notes, the Class B Notes and the Class C Notes and set out the Note Trustee's duties to the Class A Noteholders, the Class B Noteholders and the Class C Noteholders and its discretions in respect of such duties, as more particularly described in the sections entitled "Summary Information – Status, form and denomination".

Agency Agreement

The Issuer, the Note Trustee, the Principal Paying Agent and the Agent Bank will enter into the Agency Agreement. This will, *inter alia*, describe the conditions to, and method for, payment in respect of the Class A Notes, the Class B Notes and the Class C Notes by the Principal Paying Agent and the determinations to be made by the Agent Bank.

Deed of Charge

The Issuer, the Security Trustee, the Note Trustee, the Mortgage Manager, the Cash Manager, the GIC Provider, the Interest Rate Swap Counterparty, the Principal Paying Agent, the Agent Bank, the Originator, the Corporate Services Provider, the Share Trustee and the Subordinated Loan Provider will enter into the Deed of Charge. This will, *inter alia*, create the security for the Class A Notes, the Class B Notes and the Class C Notes in favour of the Security Trustee on trust for the Class A Noteholders, the Class B Noteholders and the Class C Noteholders and other beneficiaries. The detail, and the beneficiaries, of such security are more particularly described in the sections above. The Deed of Charge contains provisions for the accession to it of any Delegate Mortgage Manager or Permitted Hedging Provider.

Mortgage Management and Agency Agreement

The Issuer, the Mortgage Manager, the Cash Manager, the Originator and the Security Trustee will enter into the Mortgage Management and Agency Agreement. This will require the Mortgage Manager to administer the Mortgage Loans on behalf of the Issuer, such administrative functions being more particularly described in the section entitled "Mortgage and Cash Management" above.

Under the Mortgage Management and Agency Agreement, the Cash Manager will have a range of functions, including, on each Interest Determination Date (as defined in Condition 4(d)(B)), the determination of the Principal Amount Outstanding and the Pool Factor for each Class A Note, each Class B Note and each Class C Note for the following Interest Period and responsibilities in relation to the receipt of monies and the maintenance of certain bank accounts.

On each Interest Payment Date, an administration fee will accrue to each of the Mortgage Manager and the Cash Manager which will each be paid as described in the section entitled "*Credit and Liquidity Structure – Fees*" above.

Subordinated Loan Agreement

The Issuer, Bristol & West and the Security Trustee will enter into the Subordinated Loan Agreement pursuant to which Bristol & West will make an advance to the Issuer (the "**Subordinated Loan**") under a subordinated loan facility consisting of two tranches. The first tranche of £780,000 will be used for meeting the costs and expenses arising in respect of the issue. The second tranche of £2,500,000 will be used to provide the initial funding of the Reserve Fund and will be credited to the GIC Account. Details of the Subordinated Loan are more particularly described in the section entitled "*Credit and Liquidity Structure – Subordinated Loan*" above.

Guaranteed Investment Contract

The Issuer, the GIC Provider, the Cash Manager and the Security Trustee will enter into the GIC in which, *inter alia*, the GIC Provider will contract to pay interest on funds in the GIC Account in respect of each Interest Period at a specific variable rate of interest set out therein. Details of the GIC are more particularly described in the section entitled "*Credit and Liquidity Structure – Guaranteed Investment Contract, GIC Account and the Transaction Account*" above.

Interest Rate Swap Agreement and Swap Guarantee

The Issuer, the Interest Rate Swap Counterparty and the Security Trustee will enter into the Interest Rate Swap Agreement which sets out certain hedging arrangements as more particularly described in "*Credit and Liquidity Structure – Interest Rate Swap Agreement*". The obligations of the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement are unconditionally and irrevocably guaranteed by the Swap Guarantor pursuant to the Swap Guarantee the details of which are described in the section entitled "*Credit and Liquidity Structure – Interest Rate Swap Agreement*" above.

Corporate Services Agreements

SFM Corporate Services Limited, the Issuer, Bristol & West and the Note Trustee will enter into the Issuer Corporate Services Agreement and SFM Corporate Services Limited, Bristol & West and the Note Trustee will enter into the Parent Corporate Services Agreement. These set out the terms upon which SFM Corporate Services Limited will provide certain corporate and personnel services to Holdings and the Issuer.

Post Enforcement Call Option Deed

The Issuer, Holdings and the Note Trustee will enter into the Post Enforcement Call Option Deed granting in favour of Holdings an option to acquire all of the Class B Notes and an option to acquire all of the Class C Notes in certain circumstances in the event the Security is enforced, as more particularly described in the section entitled "*Summary Information – Post Enforcement Call Option in favour of Holdings*".

Holdings Deed

The Issuer and Holdings will enter into the Holdings Deed pursuant to which, *inter alia*, Holdings will agree with the Issuer to exercise the options granted in its favour pursuant to the Post Enforcement Call Option Deed.

Account Agreements

Each of Bank of Scotland and NatWest will enter into the BoS Account Agreement and the NWB Account Agreement with Bristol & West, the Security Trustee and the Issuer in relation to the Collection Accounts.

Collection Accounts Declarations of Trust

Bristol & West will enter into the BoS Collection Accounts Declaration of Trust and the NWB Collection Accounts Declaration of Trust pursuant to which it will hold on trust for, *inter alia*, itself and the Issuer all moneys received into the Collection Accounts.

TERMS AND CONDITIONS OF THE NOTES

If Notes are issued in definitive form, the terms and conditions set out on each Note (the “**Conditions**”) will be as set out below. While the Notes remain in global form, the same terms and conditions govern the Notes, except to the extent that they are not appropriate for Notes in global form.

The £285,000,000 Class A Mortgage Backed Floating Rate Notes due 2027 (the “**Class A Notes**”), the £9,000,000 Class B Mortgage Backed Floating Rate Notes due 2027 (the “**Class B Notes**”) and the £6,000,000 Class C Mortgage Backed Floating Rate Notes due 2027 (the “**Class C Notes**”) and, together with the Class A Notes and the Class B Notes, and any Further Notes issued pursuant to Condition 16 the “**Notes**”) to be issued by Shipshape Residential Mortgages No.1 plc (the “**Issuer**”) will be constituted by a trust deed expected to be dated 31st October 2000 (the “**Closing Date**”) (the “**Trust Deed**”, which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) and made between the Issuer and Citicorp Trustee Company Limited (the “**Note Trustee**”, which expression shall include its successors or any further or other trustee appointed pursuant to the Trust Deed) as trustee for, *inter alios*, the holders for the time being of the Notes (the “**Noteholders**”) and the holders for the time being of the Coupons (as defined below) (the “**Couponholders**”). Any reference below to a “class” of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes or to the Class C Notes, as the case may be, or to the respective holders thereof.

Security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (the “**Deed of Charge**”, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) expected to be dated the Closing Date and made between, *inter alios*, the Issuer and Citicorp Trustee Company Limited (in this capacity the “**Security Trustee**”, which expression includes its successors or any further or other security trustee under the Deed of Charge).

By an agency agreement expected to be dated the Closing Date (the “**Agency Agreement**”, which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) and made between the Issuer, the Note Trustee and Citibank, N.A. acting through its London Branch as principal paying agent (the “**Principal Paying Agent**” and, together with such additional paying agents, if any, appointed from time to time in respect of the Notes, the “**Paying Agents**”) and Citibank, N.A., London Branch as agent bank (the “**Agent Bank**”) provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes of each class.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Deed of Charge.

Copies of the Trust Deed, the Agency Agreement, the Deed of Charge, the master definitions and framework deed signed by various parties on the Closing Date (the “**Framework Deed**”), the Mortgage Sale Agreement, the Mortgage Management and Agency Agreement, the GIC, the Interest Rate Swap Agreement, the Swap Guarantee, the Class A Notes Subscription Agreement, the Class B Notes Subscription Agreement, the Class C Notes Subscription Agreement, the Subordinated Loan Agreement, the Assignment of Insurance Contracts, the Post-Enforcement Call Option Deed, the Holdings Deed, the Declaration of Trust, the Issuer Corporate Services Agreement, the Parent Corporate Services Agreement, the Account Agreements and the Collection Accounts Declarations of Trust (all as defined in the Framework Deed), are available for inspection by the Noteholders at the London Branch for the time being of the Note Trustee, being at the date hereof at 11 Old Jewry, London EC2R 8DV, and at the specified offices of the Paying Agent.

Capitalised terms not otherwise defined in these Conditions shall bear the meanings given to them in the Framework Deed.

1. Form, Denomination and Title

The Notes are serially numbered and are issued in bearer form. The Class A Notes, the Class B Notes and the Class C Notes are issued in denominations of £100,000 each, in each case with interest coupons and talons (respectively, “**Coupons**” and “**Talons**”) attached and a grid endorsed thereon for the recording of all payments of principal in accordance with the provisions of Condition 5. Title to the Notes and Coupons shall pass by delivery.

The holder of any Note and the holder of any Coupon may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments) as the absolute owner of such Note or Coupon, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon.

The holder of each Coupon (whether or not such Coupon is attached to the relevant Note) in his capacity as such shall be subject to and bound by all the provisions contained in the relevant Note.

2. Status, Priority and Security

(a) Status

- (i) The Notes and Coupons constitute direct, secured and unconditional obligations of the Issuer and are secured over the assets of the Issuer pursuant to the Deed of Charge, as more fully described below (the "Security"). The Notes of the same class rank *pari passu* without preference or priority amongst Notes of the same class.
- (ii) In accordance with the provisions of Conditions 4, 5 and 6, the Trust Deed and the Deed of Charge, payments of principal and interest on the Class B Notes and Class C Notes are subordinated, *inter alia*, to payments of principal and interest on the Class A Notes and payments of principal and interest on the Class C Notes are subordinated, *inter alia*, to payments of principal and interest on the Class B Notes.
- (iii) The Notes are all constituted by the Trust Deed and are secured by the same Security, but the Class A Notes will rank on enforcement in priority to the Class B Notes and the Class C Notes and the Class B Notes will rank on enforcement in priority to the Class C Notes. The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee in any such case to have regard only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict of interest between the interests of the Class A Noteholders and the Class B Noteholders and the Class C Noteholders and subject thereto to have regard only to the interests of the Class B Noteholders if, in the Note Trustee's opinion, there is a conflict of interest between the interests of the Class B Noteholders and the interests of the Class C Noteholders.
- (iv) The Trust Deed contains provisions limiting the powers of the Class B Noteholders and the Class C Noteholders, *inter alia*, to request or direct the Note Trustee to take any action to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders. Except in certain circumstances, the Trust Deed imposes no such limitations on the powers of the Class A Noteholders, the exercise of which will be binding on the Class B Noteholders and the Class C Noteholders irrespective of the effect thereof on their interests. The Trust Deed contains provisions limiting the powers of the Class C Noteholders, *inter alia*, to request or direct the Note Trustee to take any action to pass any Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class B Noteholders. Except in certain circumstances and as referred to above, the Trust Deed imposes no such limitations on the powers of the Class B Noteholders, the exercise of which will be binding on the Class C Noteholders irrespective of the effect thereof on their interests.
- (v) All classes of Notes are subject to the provisions of the Relevant Documents.

(b) Security

As security for the payment of all moneys payable in respect of the Notes and the Coupons and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Security Trustee and any receiver appointed under the Deed of Charge), and to certain other beneficiaries under the Deed of Charge from time to time, the Issuer will enter into the Deed of Charge creating Security (including the Security described below) in favour of the Security Trustee for itself and on trust for the other persons expressed to be secured parties thereunder:

- (i) a charge by way of a first ranking fixed security over all of the Issuer's right, title, interest and benefit, present and future in, to and under the Mortgage Loans and their Related Security, including all interests sold or agreed to be sold to the Issuer pursuant to the Mortgage Sale Agreement;

- (ii) a charge by way of a first ranking fixed security of the Issuer's right, title, interest and benefit, present and future, in and to all moneys standing to the credit of the GIC Account, the Transaction Account and its interest in the Collection Accounts (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors) (as defined in the Deed of Charge);
- (iii) an assignment by way of a first ranking fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the Relevant Documents (as defined in Condition 3) other than the Trust Deed and the Deed of Charge;
- (iv) a first fixed charge over any Permitted Hedging Agreement (as defined in the Framework Deed) at any time entered into by the Issuer;
- (v) a charge by way of a first fixed security over all investments in certain cash or cash equivalents (the "Authorised Investments") permitted to be made by, or on behalf of, the Issuer pursuant to the Deed of Charge (and all monies payable thereunder or accrued thereon and the benefit of all related covenants and related rights of enforcement) (which may take effect as a floating charge and thus rank behind the claims of certain preferential and other creditors); and
- (vi) a first floating charge (ranking behind the claims of certain preferential and other creditors) over all of the property, assets and undertakings of the Issuer not already subject to fixed security or otherwise effectively assigned as security,

all as more particularly set out in the Deed of Charge. The assets of the Issuer, which will constitute the security for the Class A Notes and the Coupons relating thereto, will also stand as security for amounts payable by the Issuer in respect of the Class B Notes and the Coupons relating thereto and the Class C Notes and the Coupons relating thereto, to the Note Trustee and the Security Trustee under the Trust Deed, the Deed of Charge and the Agency Agreement, to the Paying Agents and the Agent Bank under the Agency Agreement and the Deed of Charge, to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement and the Deed of Charge, to the Mortgage Manager under the Mortgage Management and Agency Agreement and the Deed of Charge, to the Cash Manager under the Mortgage Management and Agency Agreement and the Deed of Charge, to the Subordinated Loan Provider under the Subordinated Loan Agreement and the Deed of Charge, to the GIC Provider under the GIC and the Deed of Charge, to the Originator under the Mortgage Sale Agreement and the Deed of Charge, to any Delegate Mortgage Manager under the Mortgage Management and Agency Agreement and the Deed of Charge, to the Corporate Services Provider under the Issuer Corporate Services Agreement, the Parent Corporate Services Agreement and the Deed of Charge, to the Share Trustee under the Declaration of Trust and to any Permitted Hedging Provider under a Permitted Hedging Agreement and the Deed of Charge (each as referred to in the Framework Deed). The Deed of Charge will contain provisions regulating the priority of application of amounts forming part of such security among the persons entitled thereto.

(c) Order of Priority on Enforcement

The Security will become enforceable upon the occurrence of an Event of Default (as defined in Condition 9). On enforcement of the Security, the Security Trustee is required to apply moneys available for distribution in or towards the satisfaction of the following amounts in the order of priority set out in the Deed of Charge.

(d) Restriction on enforcement on behalf of Class B Noteholders or Class C Noteholders

The Note Trustee cannot, while any of the Class A Notes are outstanding and there is no subsisting Event of Default under Condition 9 relating to the Class A Notes, enforce the Security on behalf of the Class B Noteholders or the Class C Noteholders (whether or not requested to do so by the Class B Noteholders or the Class C Noteholders under the Deed of Charge).

(e) Restriction on enforcement on behalf of Class C Noteholders

The Note Trustee cannot, while any of the Class A Notes or any of the Class B Notes are outstanding and there is no subsisting Event of Default under Condition 9 relating to the Class A Notes or the Class B Notes, enforce the Security on behalf of the Class C Noteholders (whether or not requested to do so by the Class C Noteholders under the Deed of Charge).

3. Covenants

Save with the prior written consent of the Security Trustee or as permitted or provided for in any of the Trust Deed, the Mortgage Sale Agreement, the Framework Deed, the Deed of Charge, the Mortgage Management and Agency Agreement, the Agency Agreement, the Interest Rate Swap Agreement, the Swap Guarantee, the Subordinated Loan Agreement, the GIC, the Collection Accounts Declarations of Trust, the Account Agreements, the Issuer Corporate Services Agreement, the Parent Corporate Services Agreement, the Class A Notes Subscription Agreement, the Class B Notes Subscription Agreement, the Class C Notes Subscription Agreement, the Assignment of the Insurance Contracts, the Post Enforcement Call Option Deed, the Holdings Deed, the Declaration of Trust, the Global Notes and any Permitted Hedging Agreement (the "Relevant Documents"), the Issuer shall not, so long as any Note remains outstanding (as defined in the Trust Deed):

(a) *Negative Pledge*

create or permit to subsist any Encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or sell or otherwise dispose of any part of its assets (including any uncalled capital) or its undertaking, present or future, or the Security;

(b) *Restrictions on Activities*

- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities in which the Relevant Documents provide or envisage that the Issuer will engage; or
- (ii) have any subsidiaries or any subsidiary undertakings (as defined in the Companies Act 1985) or any employees or premises;

(c) *Disposal of Assets*

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(d) *Dividends or Distributions*

pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Deed of Charge;

(e) *Borrowings*

incur any indebtedness in respect of borrowed money whatsoever except in respect of the Notes or pursuant to the Subordinated Loan Agreement or give any guarantee in respect of indebtedness or of any obligation of any person;

(f) *Merger*

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(g) *Other*

permit the validity or effectiveness of any of the Relevant Documents to which it is a party, or the priority of the security interests created thereby, to be amended, terminated or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the terms of, the Trust Deed, these Conditions, the Deed of Charge or any of the other Relevant Documents to which it is a party, or permit any part of any of the Relevant Documents to which it is a party, or the Security or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any part of the Security, save as envisaged in the Relevant Documents to which it is a party;

(h) *VAT*

apply to become part of any group for the purposes of Section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or for the purposes of any act, regulation, order, statutory instrument or directive which, from time to time, may re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994, unless required to do so by law;

(i) *Bank accounts*

have an interest in any bank account other than the GIC Account, the Transaction Account, the Collection Accounts and any Authorised Investments unless such account or interest therein is charged to the Security Trustee on terms acceptable to it; and

(j) *U.K. Tax Resident*

be resident for tax purposes in any jurisdiction other than the United Kingdom or have a branch, business establishment or other fixed establishment outside the United Kingdom.

In giving any consent to the foregoing, the Security Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Relevant Documents or may impose such other conditions or requirements as the Security Trustee may reasonably deem expedient in the interests of the Noteholders (but, in the event of conflict, subject to the provisions of Condition 2(d) and (e)) provided that such modifications or additions do not cause any downgrade in the then current ratings by the Rating Agencies of any class of the Notes.

4. Interest

(a) *Period of Accrual*

The Notes bear interest on their Principal Amount Outstanding (as defined in Condition 5(e)) from (and including) the Closing Date (or, in the case of any Tap Issue (as defined in Condition 16), the relevant further closing date). Each Note (or in the case of the redemption of part only of a Note of a particular class, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before and after any judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given by the Principal Paying Agent to the holder thereof (in accordance with Condition 14) that upon presentation thereof, such payment will be made, provided that upon such presentation payment is in fact made.

Whenever it is necessary to compute an amount of interest in respect of any Note for any period (including any Interest Period (as defined below in Condition 4(b))), such interest shall be calculated on the basis of actual days elapsed and a 365-day year (or, in the case of an Interest Period ending in a leap year, a 366-day year).

(b) *Interest Payment Dates and Interest Periods*

Interest on the Notes is payable quarterly in arrear on the 22nd of January, April, July and October in each year (unless such day is not a Business Day (as defined below) in which case interest will be payable on the next Business Day) (each an "Interest Payment Date") in respect of the Interest Period (as defined below) ending immediately prior thereto. The first such payment is due on the Interest Payment Date falling in January 2001 in respect of the period from (and including) the Closing Date to (but excluding) such Interest Payment Date.

In these Conditions, the period from (and including) an Interest Payment Date (or, in respect of the first such period, the Closing Date) to (but excluding) the next following Interest Payment Date is called an "Interest Period".

(c) *Presentation of Coupons*

On issue, Coupons relating to the Notes in definitive form are attached to the Notes. Interest payments on the Notes will be made against presentation and surrender of the appropriate Coupons in accordance with Condition 6 below, except as provided therein.

(d) *Determination of Rate of Interest*

(i) The rate of interest payable from time to time in respect of the Class A Notes, the Class B Notes and Class C Notes determined under Condition 4(d)(iii) as applicable (the "Rate of Interest") will be determined by the Agent Bank on the Closing Date in respect of the first Interest Period and thereafter on each Interest Payment Date in respect of the Interest Period commencing on such Interest Payment Date (each an "Interest Determination Date").

(ii) The Rate of Interest in relation to the Class A Notes, the Class B Notes and the Class C Notes for each Interest Period shall be the aggregate of:

(A) the Relevant Margin (as defined in Condition 4(d)(iii) below); and

(B) LIBOR, being either:

(aa) the rate for three-month sterling deposits in the London inter-bank market which appears on Telerate Screen Page No. 3750 (the "Screen Rate") (or, in respect of the first such Interest Period, a linear interpolation of the rate for two month and three month sterling deposits) (or (i) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Note Trustee) as may replace the Telerate Monitor) as of 11.00 a.m. (London time) on such Interest Determination Date; or

(bb) if the Screen Rate is not then available, the arithmetic mean of the rates notified to the Agent Bank at its request by each of the reference banks duly appointed for such purpose (the "Reference Banks") as the rate at which three-month deposits in sterling are offered for the same period as that Interest Period by those Reference Banks to prime banks in the London inter-bank market at or about 11.00 a.m. (London time) on the Interest Determination Date (or, in respect of the first Interest Period, the arithmetic mean of a linear interpolation of the rates for two and three month sterling deposits notified by the Reference Banks). If, on any such Interest Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the opinion of the Note Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the arithmetic mean of the rates quoted by major banks in London, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the Closing Date or the relevant Interest Determination Date, as the case may be, for loans in sterling for a period of three months or, in the case of the first Interest Period, the same as the relevant Interest Period.

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

"LIBOR" means the London Interbank Offered Rate as determined pursuant to Condition 4(d)(ii)(B);

the "Relevant Margin" shall be:

(A) in the case of the Class A Notes, 0.25% per annum for each Interest Period ending on or before the Interest Payment Date falling in July 2007 and, thereafter, 0.50% per annum;

(B) in the case of the Class B Notes, 0.80% per annum for each Interest Period ending on or before the Interest Payment Date falling in July 2007 and, thereafter, 1.60% per annum; and

(C) in the case of the Class C Notes, 1.40% per annum for each Interest Period ending on or before the Interest Payment Date falling in July 2007 and, thereafter 2.40% per annum.

(e) *Calculation of Interest Payment*

The Agent Bank will, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date, determine the Rate of Interest applicable to, and calculate the amount of interest

payable on each of the Notes of each class (each an "Interest Amount") for the relevant Interest Period. The Interest Amount on the Class A Notes, the Class B Notes and the Class C Notes shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of each class of Note, multiplying the sum by the number of days in the relevant Interest Period, divided by 365 or, in the case of an Interest Period ending in a leap year, 366 and rounding the resultant figure to the nearest whole penny (fractions of half a penny or more being rounded upwards and fractions otherwise being rounded downwards).

(f) *Publication of Rate of Interest and Interest Payments on the Notes*

The Agent Bank will cause the Rate of Interest and the Interest Amount for each class of Notes for each Interest Period and the relevant Interest Payment Date to be forthwith notified to the Issuer, the Note Trustee and the Paying Agents on the Closing Date and each Interest Determination Date and, for so long as the Notes are admitted to the Official List of the U.K. Listing Authority and/or traded on the London Stock Exchange, to the Company Announcements Office of the London Stock Exchange on or as soon as possible after the date of commencement of the relevant Interest Period. The Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(g) *Determination or calculation by Note Trustee*

If the Agent Bank at any time for any reason does not determine a Rate of Interest and/or calculate an Interest Amount in accordance with Condition 4(e), the Note Trustee shall determine the Rate of Interest in respect of the relevant classes of Notes at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in Condition 4(d)), it shall deem fair and reasonable in all the circumstances, and/or, as the case may be, the Note Trustee shall calculate the Interest Amount in accordance with Condition 4(e), and each such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(h) *Notification to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Note Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Note Trustee and all Noteholders of the relevant class and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions.

(i) *Reference Banks and Agent Bank*

The Issuer will procure that, so long as any of the Notes of any class remain outstanding, there will at all times be four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of each of Barclays Bank PLC, Lloyds TSB Bank plc, HSBC Bank plc and National Westminster Bank Plc. The initial Agent Bank shall be Citibank, N.A. acting through its London Branch. The Issuer, with the prior written approval of the Note Trustee, reserves the right at any time to terminate the appointment of the Agent Bank or any of the Reference Banks. Notice of any such termination will be given to the Noteholders. If any person shall be unable or unwilling to continue to act as a Reference Bank or the Agent Bank (as the case may be), or if the appointment of any Reference Bank or the Agent Bank shall be terminated, the Issuer will, with the approval of the Note Trustee, appoint a successor Reference Bank or Agent Bank (as the case may be) to act as such in its place, provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Note Trustee has been appointed.

(j) *Subordination*

Interest with respect to the Class B Notes and the Class C Notes shall be payable in accordance with the provisions of Condition 6, subject to the terms of this Condition.

In the event that the aggregate of all moneys standing to the credit of the GIC Account and the Transaction Account on an Interest Payment Date which are available to the Issuer on that Interest Payment Date for application in or towards the payment of interest due in relation to the Class B Notes and/or the Class C Notes on such Interest Payment Date (such aggregate available funds being

referred to in this Condition 4 as the “Residual Amount”) are not sufficient to satisfy in full the aggregate amount of interest which is otherwise payable on the Class B Notes on such Interest Payment Date, then notwithstanding any other provision of these Conditions, there shall be payable on such Interest Payment Date, by way of interest on each Class B Note, only an equal *pro rata* share of the Residual Amount on such Interest Payment Date calculated by dividing the Residual Amount by the number of Class B Notes then outstanding. In the event that the Residual Amount is not sufficient to satisfy in full the aggregate amount of interest which is otherwise payable on the Class C Notes on such Interest Payment Date, then notwithstanding any other provision of these Conditions, there shall be payable on such Interest Payment Date, by way of interest on each Class C Note, only an equal *pro rata* share of the Residual Amount on such Interest Payment Date calculated by dividing the Residual Amount by the number of Class C Notes then outstanding.

In any such event, the Issuer shall create a provision in its accounts for a shortfall which will be equal to the amount by which the aggregate amount of interest paid on the Class B Notes and/or the Class C Notes on any Interest Payment Date in accordance with this Condition 4(j) falls short of the aggregate amount of interest which would otherwise be payable on the Class B Notes and/or the Class C Notes on that date. Such shortfall shall itself accrue interest for each Interest Period during which it remains outstanding at the Rate of Interest for the Class B Notes or the Class C Notes (as the case may be) for such Interest Period and such accrued interest shall be aggregated with and treated for the purpose of this Condition as if it were interest due but unpaid on the Class B Notes or the Class C Notes (as the case may be) on the next succeeding Interest Payment Date.

(k) *Rounding*

For the purpose of all calculations referred to in these Conditions, all percentages will be rounded to the nearest one hundred thousandth of a percentage point and all sterling amounts will be rounded to the nearest penny, with a half penny being rounded upwards.

5. Redemption, Purchase and Cancellation

(a) *Final Redemption*

Unless previously redeemed in full as provided in this Condition, the Issuer shall redeem the Notes of each class at their Principal Amount Outstanding on the Interest Payment Date falling in July 2027 (the “Final Maturity Date”).

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in paragraphs 5(b), (c) or (d) of this Condition but without prejudice to Condition 9.

(b) *Mandatory redemption in part*

Prior to the service of an Enforcement Notice, the Notes will be subject to mandatory redemption in part on each Interest Payment Date in an aggregate principal amount calculated by reference to the Available Redemption Funds as determined on the immediately preceding Calculation Date.

On any such Interest Payment Date (other than a Pro Rata Redemption Date as defined below), Available Redemption Funds shall be applied in the following order:

- (i) in or towards the redemption of the Class A Notes only until the Class A Notes are redeemed in full;
- (ii) in or towards the redemption of the Class B Notes only until the Class B Notes are redeemed in full;
- (iii) in or towards the redemption of the Class C Notes until the Class C Notes are redeemed in full.

If on any Interest Payment Date prior to the service of an Enforcement Notice (a “Pro Rata Redemption Date”) all of the following conditions are satisfied:

- (a) the balance on the Reserve Fund Ledger is not less than the Reserve Fund Required Amount on the immediately preceding Calculation Date;
- (b) if a Trigger Event has occurred on or prior to such Interest Payment Date, the balance on the Liquidity Reserve Fund Ledger is not less than the Liquidity Reserve Fund Required Amount on the immediately preceding Calculation Date;

- (c) on such Interest Payment Date the ratio of (a) the aggregate Principal Amount Outstanding of the Class B Notes and the Class C Notes to (b) the aggregate Principal Amount Outstanding of the Class A Notes is not less than 30/285;
- (d) on the immediately preceding Calculation Date there was a nil balance on each of the Principal Deficiency Ledgers;
- (e) the Principal Balance then outstanding of the Mortgage Loans in relation to which an amount equal to or greater than the last three monthly payments is in arrears or has been capitalised at any time in the last 12 months is less than two per cent. of the Principal Balance then outstanding of all the Mortgage Loans; and
- (f) the Cash Manager confirmed in writing to the Issuer (with a copy to the Security Trustee) on the immediately preceding Calculation Date that it was not aware that a *pro rata* redemption of the Class A Notes and the Class B Notes would adversely affect the then current ratings of the Notes assigned by the Rating Agencies,

then subject to the provisions set out below the Available Redemption Funds shall be applied in the following order:

- (i) firstly, in or towards the redemption of the Class A Notes and the Class B Notes *pro rata* according to the respective amounts thereof provided that if all Class A Notes have been redeemed, all Available Redemption Funds will be applied to redeem the Class B Notes until the Class B Notes have been redeemed in full; and
- (ii) secondly, in or towards the redemption of the Class C Notes until the Class C Notes have been redeemed in full,

provided that if on any Pro Rata Redemption Date the following further conditions (in addition to the conditions referred to in (a), (b), (c), (d), (e) and (f) above) are satisfied:

- (X) on such Interest Payment Date the ratio of (a) the aggregate Principal Amount Outstanding of the Class C Notes to (b) the Aggregate Principal Amount Outstanding of the Class B Notes is not less than 4/3; and
- (Y) the Cash Manager confirmed in writing to the Issuer (with a copy to the Security Trustee) on the immediately preceding Calculation Date that it was not aware that a *pro rata* redemption of the Class A Notes, the Class B Notes and the Class C Notes would adversely affect the then current ratings of the Notes assigned by the Rating Agencies,

then the Available Redemption Funds shall instead be applied:

- (i) firstly, in or towards the redemption of the Class A Notes, the Class B Notes and the Class C Notes *pro rata* according to the respective amounts thereof until the Principal Amount Outstanding of the Class C Notes is reduced to the greater of (a) £500,000 and (b) twice the outstanding Principal Balance of the Mortgage Loan with the greatest outstanding Principal Balance on such Interest Payment Date, provided that if all Class A Notes have been redeemed all Available Redemption Funds will be applied in or towards the redemption of the Class B Notes and the Class C Notes *pro rata* according to the respective amounts thereof until the Principal Amount Outstanding of the Class C Notes is reduced to the greater of (a) £500,000 and (b) twice the outstanding Principal Balance of the Mortgage Loan with the greatest outstanding Principal Balance on such Interest Payment Date;
- (ii) secondly, once the Principal Amount Outstanding of the Class C Notes is reduced to the greater of (a) £500,000 and (b) twice the outstanding Principal Balance of the Mortgage Loan with the greatest outstanding Principal Balance on such Interest Payment Date, in or towards the redemption *pro rata* according to the respective amounts thereof of any remaining Class A Notes and Class B Notes provided that if all Class A Notes have been redeemed, all Available Redemption Funds not applied under (i) will be applied to redeem the Class B Notes until the Class B Notes are redeemed in full; and
- (iii) thirdly, in or towards the redemption of the remaining Class C Notes until the Class C Notes have been redeemed in full.

(c) *Optional redemption*

On giving not more than 60 nor less than 30 days' notice to the Note Trustee and to the Noteholders and provided that, on the Interest Payment Date on which such notice expires, no Enforcement Notice has been served following an Event of Default (each as described in Condition 9), and further provided that it has, prior to giving such notice, certified to the Note Trustee, and provided evidence acceptable to the Note Trustee (as specified in the Trust Deed) that it will have the necessary funds to discharge any amounts required under the Deed of Charge to be paid in priority to each class of the Notes, the Issuer may:

- (i) on any Interest Payment Date falling in or after July 2007, redeem all but not part of the Notes at their Principal Amount Outstanding together with accrued but unpaid interest thereon; or
- (ii) on any Interest Payment Date on which the aggregate Principal Amount Outstanding of all the Notes then outstanding is less than 10% of the aggregate Principal Amount Outstanding of the aggregate of the Notes as at the Closing Date and any Further Notes on the date of issue thereof,

redeem all but not part of the Notes at their Principal Amount Outstanding together with accrued but unpaid interest thereon.

(d) *Optional redemption for tax*

If the Issuer at any time satisfies the Note Trustee immediately prior to the giving of the notice referred to below that, by reason of a change in tax law (or the application or official interpretation thereof), on the next Interest Payment Date the Issuer or any Paying Agent would be required to deduct or withhold from any payment of principal or interest on the Class A Notes, the Class B Notes or the Class C Notes (other than where the relevant holder has some connection with the relevant jurisdiction other than the holding of Class A Notes, Class B Notes or Class C Notes or related Coupons) and/or under the Interest Rate Swap Agreement and/or under a Permitted Hedging Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed in the United Kingdom or elsewhere or any political sub-division thereof or any authority thereof or therein having the power to tax, then the Issuer shall use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Note Trustee as principal debtor under the Class A Notes, the Class B Notes and the Class C Notes upon the Note Trustee being satisfied that such substitution will not be materially prejudicial to the Noteholders and that the position of the Secured Parties will not thereby be adversely affected.

If the Issuer is unable to arrange a substitution as described above and, as a result, such requirement to deduct or withhold is continuing, then the Issuer may, on any date and having given not more than 60 nor less than 30 days' written notice to the Note Trustee and the Noteholders in accordance with Condition 14 and having provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the necessary funds to discharge any amounts required under the Deed of Charge to be paid in priority to each class of Notes, redeem all but not some only of the Class A Notes, the Class B Notes and the Class C Notes at par together with accrued but unpaid interest on their Principal Amount Outstanding up to and including the date of repayment and shall pay in full all items ranking in priority to or *pari passu* with the Class A Notes, the Class B Notes and the Class C Notes in the order of priority of payments set out in the Deed of Charge.

(e) *Note Principal Payments, Principal Amount Outstanding and Pool Factor*

The principal amount to be redeemed in respect of each Note (the "Note Principal Payment") on any Interest Payment Date under Condition 5(b) above shall, in relation to the Notes of any class, be a *pro rata* share of the aggregate amount required to be applied in redemption of Notes of that class on such Interest Payment Date under Condition 5(b) above (rounded down to the nearest whole penny), provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On (or as soon as practicable after) each Calculation Date, the Issuer shall (or shall cause the Cash Manager to) determine (i) the amount of any Note Principal Payment due on the next following Interest Payment Date, (ii) the Principal Amount Outstanding (as defined below) of each Note on the next following Interest Payment Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date) and (iii) the fraction expressed as a decimal to the sixth point (the "Pool Factor") of which the numerator is the Principal Amount Outstanding of a Note and the denominator

is £100,000. Each determination by the Issuer (or the Cash Manager on its behalf) of any Note Principal Payment, Principal Amount Outstanding of a Note or Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The "Principal Amount Outstanding" of a Note on any date shall be £100,000 less, in each case, the aggregate amount of all Note Principal Payments in respect of such Note that have become due and payable since the Closing Date.

The Issuer (or the Cash Manager on behalf of the Issuer) will cause each determination of a Note Principal Payment, Principal Amount Outstanding or Pool Factor to be notified forthwith (and, in any event, no later than the date falling four business days prior to an Interest Payment Date) to the Note Trustee, the Paying Agents, the Rating Agencies, the Agent Bank and (for so long as the Notes are admitted to the Official List of the U.K. Listing Authority and the listing requirements of the U.K. Listing Authority so require) the Company Announcements Office of the London Stock Exchange and will cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding or Pool Factor to be given in accordance with Condition 14 at the same time as the notice referred to in Condition 14 is given. If no Note Principal Payment is due to be made on the Notes on an Interest Payment Date, a notice to this effect will be given by the Issuer to the Noteholders.

If the Issuer (or the Cash Manager on its behalf) does not at any time for any reason determine a Note Principal Payment, Principal Amount Outstanding or Pool Factor in accordance with the preceding provisions of this paragraph, such Note Principal Payment, Principal Amount Outstanding or Pool Factor shall be determined by the Note Trustee in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer.

(f) Notice of redemption

Any such notice as is referred to in Condition 5(c) and Condition 5(d) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at amounts specified in these Conditions.

(g) No purchase by Issuer

The Issuer will not be permitted to purchase any of the Notes.

(h) Cancellation

All Notes redeemed in full will be cancelled upon redemption, together with any unmatured Coupons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

(i) Subordination

Except as provided in Condition 5(b), until the Interest Payment Date on which all of the Class A Notes are redeemed in full, the Class B Noteholders and/or the Class C Noteholders will not be entitled to any repayment of principal in respect of the Class B Notes and/or the Class C Notes. Except as provided in Condition 5(b), until the Interest Payment Date on which all of the Class B Notes are redeemed in full, the Class C Noteholders will not be entitled to any repayment of principal in respect of the Class C Notes.

6. Payments

- (a)* Payments of principal and interest in respect of the Notes issued or which are in issue in definitive form of either class will be made to the bearer against presentation (and, in the case of a final repayment of principal, surrender or, in the case of part payment only, endorsement) of the Notes at the specified office of any Paying Agent and, at such presentation, the grid endorsed thereon shall be marked in respect of the amount of principal so redeemed. Payments of interest in respect of the Notes of each class will (subject as provided in Conditions 6(c) and (d)) be made only against presentation of the relevant Coupons at the specified office of any Paying Agent. Such payment will be made at the specified office of any Paying Agent by sterling cheque drawn on or, at the option of the holder, by transfer to, a sterling account. If any Note or Coupon of either class is presented for payment on a day which is not a day on which banks are open for business in the place where it is so presented, payment shall be made on the next succeeding day on which banks are open for business and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note or, as the case may be, of such Coupon.

- (b) Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- (c) On the date upon which any Note becomes due and payable in full, unmatured Coupons appertaining thereto (whether or not attached to such Note) shall become void and no payment shall be made in respect thereof. If the due date for redemption of any Note is not an Interest Payment Date, interest accrued since the previous Interest Payment Date will be paid only against presentation and surrender of such Note.
- (d) If any amount of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 4 will be paid against presentation of such Note at the specified office of any Paying Agent.
- (e) The Principal Paying Agent and its initial specified office is listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a paying agent with a specified office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Condition 14.
- (f) If a Paying Agent makes a payment in respect of any Note of a particular class or Coupon presented to it for payment, such Paying Agent will cause the grid endorsed on such Note (in respect of payments of principal) and on the Coupon (in respect of payments of interest) to be annotated so as to evidence the amount and date of such payment.
- (g) *Payments in Sterling*
- (i) The Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to Noteholders, Euroclear, Clearstream, Luxembourg, the Note Trustee and the Paying Agents, designate a date for the redenomination of the Notes (a "**Redenomination Date**"), falling on or after the date on which the United Kingdom participates in the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community (the "**Treaty**") or otherwise participates in European Economic and Monetary Union in a manner with an effect similar to such third stage.
- "Euro" means the currency introduced at the start of the third stage of economic and monetary union pursuant to the Treaty.
- "TARGET" means the Trans-European Automated Real-Time Gross Settlement Express Transfer System.
- (ii) With effect from the Redenomination Date, notwithstanding the other provisions of the Conditions:
- (a) The Notes shall be deemed to be redenominated in Euro in the denomination of Euro 0.01 with a principal amount for each such Note equal to the principal amount of that Note in Sterling, converted into Euro at the rate for conversion of Sterling into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations) provided that, if the Issuer determines, with the agreement of the Note Trustee, that the then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from the provision specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the U.K. Listing Authority and the Company Announcements Office of the London Stock Exchange on which the Notes may be listed and the Paying Agents of such deemed amendments.
- (b) If Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of Euro 0.01, Euro 1,000, Euro 10,000, Euro 100,000 and such other denominations as the Note Trustee shall determine and notify to the Noteholders.
- (c) All payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro. Such payments will be made in Euro by credit or transfer to a Euro account (or any

other account to which Euro may be credited or transferred) specified by the payee or by cheque.

- (d) A Note may only be presented for payment on a day on which commercial banks and foreign exchange markets are open for general business in the place of presentation and which is a day on which TARGET is operating.
 - (e) The amount of interest in respect of the Notes will be calculated by reference to the aggregate principal amount of Notes presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01.
 - (f) If interest is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by the sum of (i) the number of those days falling in a leap year divided by 366 and (ii) the number of those days falling in a non-leap year divided by 365.
- (iii) Following redenomination of the Notes pursuant to Condition 6(g)(i), the amount of interest due in respect of Notes represented by the Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest Euro 0.01.

7. Taxation

All payments in respect of the Notes and Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature levied or applied in any jurisdiction unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to holders of Notes or Coupons in respect of such withholding or deduction.

8. Prescription

The Notes shall become void unless presented for payment within a period of ten years from the relevant date in respect thereof. Coupons shall become void unless presented for payment within a period of five years from the relevant date in respect thereof. After the date on which a Note or a Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the “**relevant date**”, in respect of a Note or Coupon, is the date on which a payment in respect thereof first becomes due or (if the full amount of the moneys payable in respect of all the Notes and/or Coupons due on or before that date has not been duly received by the Paying Agents or the Note Trustee on or prior to such date) the date on which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with Condition 14.

9. Events of Default

The Note Trustee may, and if so requested in writing by the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class A Notes or, if no Class A Notes are outstanding, the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class B Notes or if no Class A Notes and no Class B Notes are outstanding, the holders of not less than 25% in aggregate of the Principal Amount Outstanding of the Class C Notes, or if directed by or pursuant to an Extraordinary Resolution (as defined in the Trust Deed) of the Class A Noteholders or, if no Class A Notes are outstanding, the Class B Noteholders or if no Class A Notes and no Class B Notes are outstanding, the Class C Noteholders (subject, in each case, to being indemnified to its satisfaction) shall, give notice (an “**Enforcement Notice**”) to the Issuer and the Security Trustee declaring the Class A Notes, the Class B Notes and the Class C Notes to be due and repayable at any time after the happening of any of the following events (each an “**Event of Default**”):

- (a) default is made for a period of three Business Days in the payment of the principal of, or interest on, any Note when and as the same ought to be paid in accordance with these Conditions; or
- (b) default is made by the Issuer in the performance or observance of any obligation binding upon it under the Notes, the Trust Deed or the Deed of Charge (other than a default referred to in Condition 9(a)) and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy, when no notice will be required) such default continues for a

period of 21 Business Days (or such longer period as the Note Trustee may in its discretion permit) following the service by the Note Trustee on the Issuer of written notice requiring the same to be remedied, provided that the Note Trustee shall have certified to the Class A Noteholders or, if no Class A Notes are outstanding, the Class B Noteholders or if no Class A Notes and no Class B Notes are outstanding, the Class C Noteholders; or

- (c) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 9(d), ceases or, through an authorised action of the Board of Directors of the Issuer, threatens to cease to carry on business or substantially all of its business or the Issuer is deemed to be unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (as that section may be amended, modified or re-enacted) or becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or otherwise becomes insolvent; or
- (d) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the Noteholders of each class; or
- (e) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order) and such proceedings are not, in the opinion of the Security Trustee, being disputed in good faith with a reasonable prospect of success, or an administrative receiver or other receiver, liquidator or similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 14 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally.

10. Enforcement of Notes

(a) At any time after the occurrence of an Event of Default (as defined in Condition 9) and without prejudice to its rights of enforcement in relation to the Security, the Security Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce payment in respect of the Notes at their Principal Amount Outstanding together with accrued interest, but it shall not be bound to take any such proceedings unless:

- (i) it shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or, if there are no Class A Notes outstanding, the Class B Noteholders or, if there are no Class A Notes and no Class B Notes outstanding, the Class C Noteholders or so requested in writing by the holders of at least 25% in aggregate of the Principal Amount Outstanding of the Class A Notes or, if there are no Class A Notes outstanding, the holders of at least 25% in aggregate of the Principal Amount Outstanding of the Class B Notes or if there are no Class A Notes and no Class B Notes outstanding, the holders of at least 25% in aggregate of the Principal Amount Outstanding of the Class C Notes; and
- (ii) it shall have been indemnified to its satisfaction.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Security Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing.

(b) *Insufficient proceeds following enforcement*

In the event that the Security is enforced and, after payment of all other claims ranking in priority to the Class B Notes and the Class B Coupons and the Class C Notes and the Class C Coupons under the Deed of Charge, the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Class B Notes and the Class C Notes

and all other claims ranking *pari passu* therewith, then the Class B Noteholders and the Class C Noteholders and the Class B Couponholders and the Class C Couponholders shall, upon the Security having been enforced and realised to the maximum possible extent as certified by the Note Trustee, be forthwith entitled to their respective shares of such remaining proceeds (as determined in accordance with the provisions of the Deed of Charge) and, after payment to each Class B Noteholder or Class B Couponholder and Class C Noteholder or Class C Couponholder (as the case may be) of its respective share of such remaining proceeds, all interests in the Class B Permanent Global Note and the Class C Permanent Global Note will be automatically exchanged for equivalent interests in an equivalent amount of Class B Notes and Class C Notes in definitive form and such Class B Permanent Global Note and Class C Permanent Global Note (if any) will be cancelled. On the date of such exchange (the "Option Exercise Date"), the Note Trustee (on behalf of all of the Class B Noteholders and the Class C Noteholders) will, at the request of Shipshape Residential Mortgages Holdings Limited ("Holdings"), transfer for a nominal consideration all (but not some only) of the Class B Notes (together with accrued interest thereon) and for a nominal consideration all (but not some only) of the Class C Notes (together with accrued interest thereon) to Holdings pursuant to the option granted to it by the Note Trustee (as agent for the Noteholders) pursuant to a post enforcement call option deed (the "Post Enforcement Call Option Deed") dated on or about 31st October 2000 between the Issuer, Holdings and the Note Trustee; Holdings will agree pursuant to a deed (the "Holdings Deed") dated on or about 31st October 2000 to exercise the option granted in its favour pursuant to the Post Enforcement Call Option Deed. Immediately upon such transfer, no such former Class B Noteholder or Class B Couponholder or Class C Noteholder or Class C Couponholder shall have any further interest in the Class B Notes or the Class C Notes respectively. Each of the Class B Noteholders and the Class C Noteholders acknowledges that the Note Trustee has the authority and the power to bind the Noteholders in accordance with the terms and conditions set out in the Post Enforcement Call Option Deed and each Class B Noteholder or Class C Noteholder, by subscribing for or purchasing the Class B Notes or the Class C Notes, agrees to be so bound.

11. Meetings of Noteholders, Modification and Waiver

- (a) The Trust Deed contains provisions for convening meetings of the Noteholders and, in the circumstances set out in the Trust Deed, separate meetings of each class of Noteholders to consider any matter affecting their interests including proposals by Extraordinary Resolution (as defined below) of the Noteholders or the relevant class thereof, as the case may be, to modify, or to sanction the modification of, the Notes, or the relevant class thereof (including these Conditions), or the provisions of any of the Relevant Documents.
- (b) An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all Noteholders irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of the date of maturity of the Notes or which would have the effect of postponing any day for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes or, as the case may be, the Coupons or altering the quorum or majority required for an Extraordinary Resolution (a "Basic Terms Modification"), which shall (subject to Condition 11(d)) not take effect unless it shall have been sanctioned by an Extraordinary Resolution of the Class B Noteholders and an Extraordinary Resolution of the Class C Noteholders.

Any Extraordinary Resolution passed at any meeting of Class B Noteholders shall not be effective for any purpose while any Class A Notes remain outstanding unless either:

- (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders; or
- (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders.

Any Extraordinary Resolution passed at any meeting of Class C Noteholders shall not be effective for any purpose while any Class A Notes and any Class B Notes remain outstanding unless either:

- (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders and the Class B Noteholders; or
- (ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders and the Class B Noteholders.

- (c) Subject as provided below, the quorum at any meeting of Noteholders, or holders of the relevant class of Notes, as the case may be, for passing an Extraordinary Resolution will be two or more persons holding or representing a majority in aggregate of the Principal Amount Outstanding of the Notes then outstanding or, as the case may be, relevant class of Notes, or at any adjourned meeting, two or more persons being or representing Noteholders of the relevant class, whatever the aggregate Principal Amount Outstanding and whatever the class of the Notes then outstanding so held or represented.
- (d) The quorum at any meeting of Noteholders or the relevant class of Noteholders, as the case may be, for passing an Extraordinary Resolution in respect of a Basic Terms Modification shall be two or more persons holding or representing not less than 75% in aggregate of the Principal Amount Outstanding of the Notes or, as the case may be, relevant class of Notes, or, at any adjourned meeting, two or more persons representing not less than 25% in the aggregate of the Principal Amount Outstanding of the Notes or, as the case may be, the relevant class of Notes for the time being outstanding. The majority required for an Extraordinary Resolution shall be 75% of the votes cast on that resolution.
- (e) The Note Trustee may agree, without the consent of the Noteholders, to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of, any breach or proposed breach of the Notes (including these Conditions) or any of the Relevant Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which, in the opinion of the Note Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Note Trustee may also, without the consent of the Noteholders or the Couponholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and the Couponholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

12. Indemnification and exoneration of the Note Trustee and Security Trustee

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee and providing for their indemnification in certain circumstances, including provisions relieving them from taking enforcement proceedings or enforcing the Security unless indemnified to their satisfaction. The Note Trustee and the Security Trustee and their related companies are entitled to enter into business transactions with the Issuer, the Agent Bank, the Originator, the Cash Manager, the Mortgage Manager and any affiliates of the Issuer without accounting for any profit resulting therefrom. The Note Trustee and the Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Mortgage Manager or any agent or related company or the clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Note Trustee and the Security Trustee.

13. Replacement of definitive Notes and Coupons

If any Note or Coupon of either class is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note or Coupon will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before new ones will be issued.

14. Notice to Noteholders

Any notice regarding the Notes to Noteholders other than notices given in accordance with the next following paragraph shall be deemed to have been duly given if published in a leading daily newspaper printed in the English language and with general circulation in the United Kingdom (which for the time being is expected to be *The Financial Times* or any successor thereof) or, if this is not practicable, in the opinion of the Note Trustee, in another appropriate newspaper having general circulation in the United Kingdom previously approved in writing by the Note Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made in the manner required in one of the newspapers referred to above.

Any notice specifying an Interest Payment Date, a Rate of Interest, an Interest Amount, a Note Principal Payment, a Principal Amount Outstanding or a Pool Factor shall be deemed to have been duly

given if the information contained in such notice appears on a medium for the electronic display of data as may be approved by the Note Trustee and notified to the Noteholders in accordance with the preceding paragraph. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen. If it is impossible or impracticable to give notice in accordance with this paragraph then notice of the matters referred to in this Condition shall be given in accordance with the preceding paragraph.

Whilst the Notes are admitted to the Official List of the U.K. Listing Authority copies of all notices given in accordance with this Condition shall be sent to the Company Announcements Office of the London Stock Exchange.

The Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition.

15. Third Party Rights

No person has any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any Condition but this does not affect any right or remedy of any person which exists or is available apart from that Act.

16. Further Issues

The Issuer may from time to time on any Interest Payment Date falling in or prior to July 2002 without the consent of the Noteholders or the Couponholders or the Note Trustee, and in accordance with the Trust Deed, create and issue: (i) further Class A Notes ("Further Class A Notes") having the same terms and conditions as the Notes in all respects (except for the first payment of interest) so as to form a single series with, and share the same security as, the Class A Notes; (ii) further Class B Notes ("Further Class B Notes") having the same terms and conditions as the Class B Notes in all respects (except for the first payment of interest) so as to form a single series with, and share the same security as Class B Notes; and (iii) further Class C Notes ("Further Class C Notes", and together with the Further Class A Notes and the Further Class B Notes, the "Further Notes") having the same terms and conditions as the Class C Notes in all respects (except for the first payment of interest) so as to form a single series with, and share the same security as, the Class C Notes provided that: (i) the aggregate of the initial Principal Amount Outstanding of all Further Notes issued on any Interest Payment Date and of all Further Notes issued on any previous Interest Payment Date will not exceed £150,000,000, (ii) the Issuer shall be limited to three such further issues (each a "Tap Issue") in aggregate, (iii) an amount equal to the aggregate principal amount of such Tap Issue is applied by the Issuer in purchasing a Further Mortgage Pool which will be secured pursuant to the Deed of Charge; and (iv) the Rating Agencies have confirmed in writing that the arrangements in respect of such Tap Issue are such as would enable the then current ratings of the Notes previously issued to be maintained. Any such Further Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of security pursuant to the Deed of Charge.

17. Governing Law

The Trust Deed, the Agency Agreement, the Subscription Agreements, the Notes and the Coupons and all other Relevant Documents are governed by, and shall be construed in accordance with, English law.

GLOBAL NOTES

Each class of the Notes shall be initially represented by (i) in the case of the Class A Notes, a Temporary Global Note in the principal amount of £285,000,000 (ii) in the case of the Class B Notes, a Temporary Global Note in the principal amount of £9,000,000 and (iii) in the case of the Class C Notes, a Temporary Global Note in the principal amount of £6,000,000, in each case without Coupons attached. Each Temporary Global Note will be deposited on behalf of the subscribers of each class of Notes with the Common Depository for Euroclear and Clearstream, Luxembourg on the Closing Date. Upon deposit of each such Temporary Global Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Notes represented by such Temporary Global Note with the principal amount of the relevant class of Notes equal to the principal amount thereof for which it has subscribed and paid. Interests in each Temporary Global Note will be exchangeable not earlier than 40 days after the Closing Date (the "Exchange Date"), provided that certification of non-U.S. beneficial ownership by the relevant Noteholders has been received, for interests in a Permanent Global Note without Coupons attached representing Notes of the relevant class. On the exchange of a Temporary Global Note for a Permanent Global Note of the relevant class, the Permanent Global Note will remain deposited with the Common Depository.

Title to the Global Notes will pass by delivery. Interest and principal on each Global Note will be payable against presentation of the Global Note by the Common Depository to the Principal Paying Agent provided that, when the Notes are represented by a Temporary Global Note, certification of non-U.S. beneficial ownership by the relevant Noteholders has been received by Euroclear or Clearstream, Luxembourg (as described below). A record of each payment made on a Global Note, distinguishing between any payment of principal and payment of interest, will be endorsed on the relevant schedule to that Global Note by the Paying Agents (or the Paying Agents shall procure that such endorsement be made) and such record shall be *prima facie* evidence that the payment in question has been made. Each Permanent Global Note will only be exchangeable for definitive Notes in the limited circumstances described below. Each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note other than Clearstream, Luxembourg in the case of Euroclear, and Euroclear in the case of Clearstream, Luxembourg, will be entitled to receive any payment so made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as any Notes are represented by a Global Note, such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

For so long as a class of Notes are represented by a Global Note, each person who is for the time being shown in the records of Euroclear, or of Clearstream, Luxembourg, as the holder of a particular Principal Amount Outstanding of that class of Notes (other than Euroclear or Clearstream, Luxembourg), in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the particular Principal Amount Outstanding of that class of Notes standing to the account of any person shall be conclusive and binding for all purposes, will be entitled to be treated by the Issuer and the Note Trustee other than in respect of the payment of principal on interest as a holder of such Principal Amount Outstanding of such class of Notes and the expression "Noteholder" shall be construed accordingly but without prejudice to the entitlement of the bearer of the relevant Global Note to be paid principal and interest thereon in accordance with its terms.

If, after the Exchange Date:

- (a) the Notes become due and repayable pursuant to Condition 9 and any Noteholder becomes entitled to proceed directly against the Issuer in accordance with Condition 10; or
- (b) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Note Trustee is available; or
- (c) as a result of any amendment to, or change in, the laws or regulations of England and Wales (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer is or the Paying Agents are or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required

were the Notes in definitive form (unless the Issuer has determined to redeem the Notes in accordance with Condition 5(d)),

then the Issuer will, at its sole cost and expense, issue:

- (i) Class A Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class A Notes;
- (ii) Class B Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class B Notes; and
- (iii) Class C Notes in definitive form in exchange for the whole outstanding interest in the Permanent Global Note in respect of the Class C Notes,

in each case within 40 days of the occurrence of the relevant event and subject in each case to certification as to non-U.S. beneficial ownership.

Subject to any U.K. Listing Authority or London Stock Exchange requirements to the contrary, any notice to Noteholders in respect of Notes represented by Global Notes shall be deemed to have been duly given if sent to Euroclear and/or Clearstream, Luxembourg (as applicable) and shall be deemed to have been given on the date on which such notice was so sent.

Notices: Notwithstanding Condition 14, for so long as all the Notes are represented by a Global Note and the Global Note is deposited with a Common Depositary for Euroclear and Clearstream, Luxembourg or any additional or substitute clearing system as mentioned above, notices to Noteholders may be given by delivery to Euroclear and Clearstream, Luxembourg or any additional or substitute Clearing System for communication by it to entitled "Accountholders" and such notices shall be deemed to have been given to the Noteholders in accordance with Condition 14 on the Business Day following delivery to Euroclear and Clearstream, Luxembourg or any additional or substitute Clearing System provided that in the case of Notes admitted to the Official List of the U.K. Listing Authority and traded on the London Stock Exchange, the requirements of the U.K. Listing Authority and the London Stock Exchange have been complied with.

Meetings: The holder of, or a proxy for the holder of, a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders.

UNITED KINGDOM TAXATION

The following is a general summary of certain aspects of current United Kingdom law and published Inland Revenue practice. It relates only to persons who are the absolute beneficial owners of Notes and related Coupons and may not apply to certain classes of person (such as dealers). In addition, it may not apply where interest on the Notes is deemed to be the income of any other person for tax purposes. Prospective Noteholders should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Interest Paid

Under current Inland Revenue practice the Notes will be regarded as bearer securities for the purposes of section 124 of the Income and Corporation Taxes Act 1988 (the "Act") notwithstanding that they are represented by the Global Notes. Accordingly, interest payments on each Note will be treated as interest paid on a "quoted Eurobond" within the meaning of section 124 of the Act, so long as the Notes are represented by the Global Notes and continue to be listed on a recognised stock exchange within the meaning of section 841 of the Act (the London Stock Exchange is currently a recognised stock exchange). Accordingly, where the Notes represented by the Global Notes are held within a recognised clearing system within the meaning of section 841A of the Act (Euroclear and Clearstream, Luxembourg have each been designated as a recognised clearing system for this purpose) payments of interest on the Notes by any Paying Agent (as defined in the Trust Deed) may, under current law and practice, be made without withholding or deduction for or on account of United Kingdom income tax, provided that:

- (a) payment is made directly to the recognised clearing system; or
- (b) payment is made to, or at the direction of a depository for the recognised clearing system and the person by or through whom the interest is paid has obtained a valid declaration PA3 from a depository for the recognised clearing system; or
- (c) the person by or through whom the interest is paid has obtained a notice from the Inland Revenue instructing that person to pay the interest with no tax deducted.

This paragraph will not apply if the Notes cease to be represented by the Global Notes.

If the Notes cease to be represented by the Global Notes and definitive Notes are issued, the definitive Notes will constitute "quoted Eurobonds" within the meaning of section 124 of the Act, provided that they continue to be listed on a recognised stock exchange and remain in bearer form. Accordingly, under current law and practice, payments of interest may in such circumstances be made without withholding or deduction for or on account of United Kingdom income tax where:

- (a) the person by or through whom the payment is made is not in the United Kingdom; or
- (b) the payment is made by or through a person who is in the United Kingdom and:
 - (i) the Note and the Coupon are held in a recognised clearing system (as to which see above) and payment is made directly to the recognised clearing system, or where payment is made to or at the direction of a depository for the clearing system, the depository has made a declaration in the required manner to the relevant payer in respect of payments of interest on the Notes or the Inland Revenue has issued a notice to the relevant payer stating that this paragraph (i) is satisfied; or
 - (ii) a person who is not resident in the United Kingdom beneficially owns the Notes and related Coupons (provided that a separate declaration in the required form has been made in advance to the relevant payer in respect of each payment of interest, or the Inland Revenue has issued a notice to the relevant payer stating that this paragraph (ii) is satisfied).

In all other cases, interest will be paid under deduction of United Kingdom income tax at a rate, currently 20%, subject to any direction to the contrary by the Inland Revenue pursuant to the provisions of any appropriate double taxation treaty. If interest is paid under deduction of United Kingdom income tax, the Issuer is not obliged to pay any additional amount in respect of the Notes.

Where:

- (a) any person in the United Kingdom, in the course of a trade or profession:

- (i) acts as custodian of a Note or Coupon in respect of which he receives any interest or such interest is paid to another person at his direction or with his consent; or
- (ii) by means of Coupons (including any warrant for or bill of exchange purporting to be drawn or made in payment of interest) collects or secures payment of or receives interest for another person or otherwise arranges to collect or secure payment for such a person; or
- (b) any bank in the United Kingdom sells or otherwise realises Coupons (including any warrant or bill of exchange, as above) and pays over the proceeds or carries them into an account; or
- (c) any dealer in coupons in the United Kingdom purchases any Coupons (including any warrant or bill of exchange, as above) otherwise than from a bank or another dealer in coupons,

that person, bank or dealer (a "Collecting Agent") is liable to account for United Kingdom income tax at the lower rate, currently 20%, (except in the case where acting only to clear a cheque or arrange for the clearance of a cheque) on such interest or proceeds of realisation and is entitled to deduct an amount in respect thereof unless an exemption from such liability is applicable, including where:

- (aa) a person who is not resident in the United Kingdom beneficially owns the Note and Coupon and is beneficially entitled to the interest or proceeds; or
- (bb) the interest or proceeds arise to trustees in respect of a Note and Coupon held by them under a qualifying discretionary or accumulation trust (under the terms of which some or all of the trust income is required to be accumulated or is payable under a discretion) and is not, before being distributed, the income of any person other than the trustees (nor treated as income of a settlor) and the trustees and each of the beneficiaries are not resident in the United Kingdom; or
- (cc) the Notes are held in a recognised clearing system (as to which see above) and the person pays or accounts for interest directly to the recognised clearing system or to a depositary for the recognised clearing system; or
- (dd) the Notes are held in a recognised clearing system (as to which see above) for which the person is acting as depositary,

and, in each of (aa)-(cc) above, the person, bank or dealer concerned has received a declaration in the form required by regulations made by the Inland Revenue or the Inland Revenue has given notice that it considers that one or more of (aa)-(cc) above is satisfied.

The interest will have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment even if the interest is paid without deduction. However, except for any income tax deducted as described above (and except in the case of non-United Kingdom resident trustees of a trust having any ordinarily resident or resident beneficiary) a person not resident in the United Kingdom will not be liable to United Kingdom tax on interest on a Note unless it is chargeable to income tax or corporation tax on a branch or agency in the United Kingdom through which the non-resident person carries on a trade, profession or vocation. However, exemption from or reduction of such United Kingdom tax liability may be available under the provisions of an applicable double taxation treaty.

Finance Act 2000

The Finance Act 2000 introduced, in place of the exemption from withholding tax on interest payments described under the heading "taxation of interest paid" above, a wider exemption which has the effect that a person by or through whom a payment of interest is made (including the Issuer or any paying agent) will not be required to deduct United Kingdom withholding tax in respect of interest on any security which is issued by a company, is listed on a recognised stock exchange and carries a right to interest. The Finance Act 2000 also removes altogether the obligation of a Collecting Agent to deduct United Kingdom withholding tax as referred to above. These Finance Act 2000 provisions have effect for payments of interest made on or after 1st April 2001. An obligation to provide information to the Inland Revenue in relation to interest payments is proposed.

Proposed EU Directive on the Taxation of Savings Income

In June 1998, the European Commission presented to the Council of Ministers of the European Union ("EU") a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. The "withholding tax system" would require a paying agent established in a Member State to withhold tax at a minimum rate of 20% from any interest, discount or premium paid to an individual resident in another Member State unless such an

individual presents a certificate obtained from the tax authorities of the Member State in which he is resident confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would require a Member State to supply to the other Member States details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. For these purposes the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual who is beneficially entitled to them.

The Ecofin Council agreed on 20th June 2000 that the proposals will not be adopted in their present form and that the ultimate objective of any EU Directive will be the exchange of information between Member States (although Member States would be permitted to operate a transitional withholding tax system if they so wish). It is intended that this should be agreed by the Council of Ministers by 31st December 2002. The United Kingdom has indicated that if the EU Directive is enacted it would choose to introduce an "information reporting system".

Capital Gains and Income Profits

The Notes will constitute "qualifying corporate bonds" within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, neither a chargeable gain nor an allowable loss will arise on a disposal or redemption of the Notes for the purposes of United Kingdom taxation of chargeable gains.

A Noteholder within the charge to United Kingdom corporation tax in respect of a Note (including a Noteholder so chargeable in relation to a branch or agency in the United Kingdom) will, generally, be liable to corporation tax on income on any profits (and obtain relief for permitted losses) on the Notes. Any such profits (including interest) or permitted losses on the Notes will generally be chargeable (or allowable, as appropriate) by reference to accounting periods of the company on either an authorised accruals or mark to market basis. For such Noteholders, the "accrued income scheme" (described below) will not apply to such a Note.

Accrued Income

A Noteholder (other than a Noteholder within the charge to corporation tax in respect of the relevant Note) who is resident or ordinarily resident in the United Kingdom or carrying on a trade in the United Kingdom through a branch or agency for the purposes of which the Note is held may be chargeable to United Kingdom tax on income on an amount treated (by rules known as the accrued income scheme contained in Chapter II of Part XVII of the Act) as representing interest accrued on the Note at the time of disposal (determined by the Inland Revenue on a just and reasonable basis). A purchaser of a Note will not be entitled to any allowance under the accrued income scheme to set against any deemed or actual interest in respect of the Notes. If for any reason any interest due on an Interest Payment Date is not paid and a Note is subsequently disposed of with the right to receive accrued interest, special rules may apply for the purposes of the accrued income scheme.

Stamp Duty

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Global Notes or on the issue of a Note in definitive form.

Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should seek independent professional advice without delay.

SUBSCRIPTION AND SALE

Pursuant to the Class A Notes Subscription Agreement, ING Bank and The Governor and Company of the Bank of Ireland, Credit Suisse First Boston (Europe) Limited and J&E Davy (together with ING Bank, the "Managers") have agreed, subject to the terms and conditions set out therein, to subscribe for the Class A Notes at a price equal to the issue price of 100% of their principal amount and will be paid a combined management and underwriting fee of 0.1% and a selling commission of 0.05% of the aggregate principal amount of the Class A Notes. ING Bank has agreed pursuant to the Class B Notes Subscription Agreement and the Class C Notes Subscription Agreement, subject to the terms and conditions set out therein, to subscribe for the Class B Notes and the Class C Notes at a price equal to the issue price of 100% of their respective principal amounts and will be paid in respect of the Class B Notes a combined management and underwriting fee of 0.2% and a selling commission of 0.1% of the aggregate principal amount of the Class B Notes and in respect of the Class C Notes a combined management and underwriting fee of 0.3% and a selling commission of 0.1% of the aggregate principal amount of the Class C Notes. Each of the Managers under the Class A Subscription Agreement and ING Bank under the Class B Subscription Agreement and the Class C Subscription Agreement are entitled to be released and discharged from its respective obligations in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the subscription of the Notes as more particularly described in the Subscription Agreements.

Selling Restrictions

1. United Kingdom

Each of the Managers has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any of the Notes to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part IV of the Financial Services Act 1986 except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 or the Financial Services Act 1986;
- (b) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Financial Services Act 1986 to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom the document may otherwise lawfully be issued or passed on.

2. United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreements, it will not offer or sell the Notes within the United States, (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (the "distribution compliance period") (except in accordance with Rule 903 of Regulation S) and neither it nor its affiliates nor any person acting on its behalf have engaged in or will engage in any directed selling efforts with respect to the Notes and it will have sent to each distributor, dealer or other person to which it sells Notes during the distribution compliance period, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit, of U.S. persons.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is not participating in the offering may violate the requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

General

No action has been taken by the Issuer or the Managers which would or is intended to permit a public offer of Notes in any country or jurisdiction where action for that purpose is required, save for having obtained the approval of this Offering Circular by the U.K. Listing Authority and for having procured the delivery of a copy of the Offering Circular for registration to the Registrar of Companies. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes in any country or jurisdiction where further action for that purpose is required and neither this Offering Circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances which will result in compliance with applicable laws and regulations.

GENERAL INFORMATION

1. The issue of the Notes has been authorised by resolution of the Board of Directors of the Issuer passed on 27th October 2000.
2. It is expected that admission to listing of the Notes on the Official List of the U.K. Listing Authority and admission to trading on the London Stock Exchange will be granted on or before the Closing Date subject only to issue of the Temporary Global Notes, which will take place subject only to satisfaction of certain conditions precedent contained in the Class A Notes Subscription Agreement, the Class B Notes Subscription Agreement and the Class C Notes Subscription Agreement. If such conditions precedent are not so satisfied or waived on or before the Closing Date there will be no issue and listing of the Notes as aforesaid. The issue of the Notes is subject to the admission of the Notes to listing on the U.K. Listing Authority and to trading on the London Stock Exchange being granted on the Closing Date.
3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for the Class A Notes is 011848613 and the ISIN is XS0118486132. The Common Code for the Class B Notes is 011866271 and the ISIN is XS0118662716. The Common Code for the Class C Notes is 011866328 and the ISIN is XS0118663284.
4. The auditors of the Issuer, PricewaterhouseCoopers, have issued an accountant's report on the balance sheet of the Issuer contained in this Offering Circular as at the date of this Offering Circular. The financial year end of the Issuer is 31st March. The first audited accounts of the Issuer will be prepared for the period ended 31st March 2001.
5. So long as the Notes are admitted to the Official List of the U.K. Listing Authority and traded on the London Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London.
6. The Issuer is not and has not been involved in any legal or arbitration proceedings which may have, or have had, since its date of incorporation, a significant effect on its financial position nor is the Issuer aware that any such proceedings are pending or threatened.
7. PricewaterhouseCoopers have given and not withdrawn their written consent to the issue of this Offering Circular and the inclusion herein of their report on the Issuer and references to their name in the form and context in which it appears and have authorised the contents of that part of the listing particulars containing its report for the purposes of Section 152(1)(e) of the Financial Services Act 1986.
8. Since 13th July 2000 (being the date of incorporation of the Issuer), there has been (1) no material adverse change in the financial position or prospects of the Issuer, and (2) no significant change in the trading or financial position of the Issuer.
9. Copies of the following documents may be inspected during usual business hours at the offices of Norton Rose at Kempson House, Camomile Street, London EC3A 7AN for 14 days from the date of this Offering Circular:
 - (a) the Memorandum and Articles of Association of the Issuer;
 - (b) PricewaterhouseCoopers report;
 - (c) the consent referred to in paragraph 7 above;
 - (d) the following contracts entered into by the Issuer which are or may be material;
 - (i) the Class A Notes Subscription Agreement;
 - (ii) the Class B Notes Subscription Agreement;
 - (iii) the Class C Notes Subscription Agreement;
 - (iv) the Mortgage Sale Agreement;
 - (v) the Framework Deed; and
 - (vi) the Issuer Corporate Services Agreement and the Parent Corporate Services Agreement;
 - (e) prior to the Closing Date, drafts (subject to modification) and, from the Closing Date, copies of the following documents:

- (i) the Trust Deed (including the form of the Class A Temporary Global Note, the Class A Permanent Global Note, the Class A Note and the Class A Coupon, the Class B Temporary Global Note, the Class B Permanent Global Note, the Class B Note and the Class B Coupon and the Class C Temporary Global Note, the Class C Permanent Global Note, the Class C Note and the Class C Coupon);
- (ii) the Agency Agreement;
- (iii) the Deed of Charge;
- (iv) the Mortgage Sale Agreement;
- (v) the Mortgage Management and Agency Agreement;
- (vi) the Subordinated Loan Agreement;
- (vii) the GIC;
- (viii) the Interest Rate Swap Agreement;
- (ix) the Swap Guarantee;
- (x) the Declaration of Trust;
- (xi) the Holdings Deed;
- (xii) the Post-Enforcement Call Option Deed;
- (xiii) the Class A Notes Subscription Agreement;
- (xiv) the Class B Notes Subscription Agreement;
- (xv) the Class C Notes Subscription Agreement;
- (xvi) the Framework Deed;
- (xvii) the Issuer Corporate Services Agreement and the Parent Corporate Services Agreement;
- (xviii) the Collection Accounts Declaration of Trust;
- (xvix) the Assignment of Insurance Contracts; and
- (xx) the Account Agreements.

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