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

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF GREENOCK FUNDING NO. 5 PLC (THE "**ISSUER**") IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS ELECTRONIC TRANSMISSION OR THE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF APPLICABLE LAWS.

The Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the Prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the Prospectus by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the United States Securities Act of 1933, as amended) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2005.

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GREENOCK FUNDING NO. 5 PLC

(Incorporated in England and Wales with limited liability, registered number 6790964)

Sub-class of Notes	Principal Amount	Issue Price	Interest rate	Ratings (Moody's/ S&P)	Final Maturity Date
Class AVFN Note	£10,000,000,000	100%	0.10% margin above One-Month Sterling LIBOR	Aaa/AAA	July 2066
Class A1 Notes	£1,382,900,000	100%	0.10% margin above One-Month Sterling LIBOR	Aaa/AAA	July 2066
Class A2 Notes	£1,382,900,000	100%	0.10% margin above One-Month Sterling LIBOR	Aaa/AAA	July 2066
Class A3 Notes	£1,382,900,000	100%	0.10% margin above One-Month Sterling LIBOR	Aaa/AAA	July 2066
Class A4 Notes	£1,382,900,000	100%	0.10% margin above One-Month Sterling LIBOR	Aaa/AAA	July 2066
Class A5 Notes	£1,382,900,000	100%	0.10% margin above One-Month Sterling LIBOR	Aaa/AAA	July 2066
Class Z Notes	£2,541,700,000	100%	1.00% margin above One-Month Sterling LIBOR	Unrated	July 2066

On or about 23 July 2009 (the "**Closing Date**"), Greenock Funding No. 5 PLC (the "**Issuer**") will issue its asset backed floating rate notes (the "**Notes**") in the classes set out above.

The principal asset from which the Issuer will make payments on the Notes is its interest in the Originator Trust consisting of rights in a pool of current account residential mortgage loans and prime flexible mortgage loans originated by The Royal Bank of Scotland plc ("**RBS**") and secured over properties located in England, Wales and Scotland.

Interest will be payable monthly in arrear on the 13th day of each month in each year (subject to following business day convention) for all classes of Notes. See further the definition of "**Interest Payment Date**".

Subject to the detailed description and limitations set out in the section herein entitled "**Credit Structure**", the Notes will have the benefit of credit enhancement or support comprising the availability of excess portions of Revenue Receipts and, in the case of the Class A Notes only, the General Reserve Fund, the Liquidity Reserve Fund (if established) and subordination of the Class Z Notes (in respect of payments of interest and, following the service of a Note Acceleration Notice on the Issuer, payments of both interest and principal). The Notes will also have the benefit of derivative transactions, namely the Total Return Swap Transaction, which will be provided by RBS in its capacity as the Total Return Swap Provider.

The Notes will be issued pursuant to a trust deed (the "**Trust Deed**") and secured pursuant to a deed of charge (the "**Deed of Charge**") dated on or about the Closing Date.

The Notes will be obligations of the Issuer only. The Notes will not be obligations of RBS or any of its affiliates.

Application will be made to the Financial Services Authority (the "**FSA**") in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Notes (other than the Class AVFN Note) 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 (other than the Class AVFN Note) to be admitted to trading on the London Stock Exchange's Regulated Market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). This Prospectus comprises a prospectus for the purposes of EU Directive 2003/71/EC (the "**Prospectus Directive**"). The Class AVFN Note will not be admitted to the Official List nor admitted to trading on the London Stock Exchange.

The Class A Notes will be assigned the ratings set out above on or about the Closing Date. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes are highly structured. Before you purchase any Notes, be sure that you understand the structure and the risks (see, in particular, the section herein entitled "**Risk Factors**"). The risk characteristics of the Class AVFN Note differ from those of the Class A Term Notes and the Class Z Notes generally. The risk characteristics of the Class Z Notes differ from those of the Class AVFN Note and the Class A Term Notes generally.

RBS has agreed to purchase all the Notes from the Issuer on the Closing Date.

Lead Manager

The Royal Bank of Scotland

The date of this Prospectus is 23 July 2009

IMPORTANT NOTICE

THE NOTES WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY PERSON OTHER THAN THE ISSUER. IN PARTICULAR, THE NOTES WILL NOT BE OBLIGATIONS OF, OR THE RESPONSIBILITY OF, OR GUARANTEED BY, ANY OF THE ORIGINATOR, THE ORIGINATOR TRUSTEE, THE ORIGINATOR BENEFICIARY, THE TOTAL RETURN SWAP PROVIDER, THE LEAD MANAGER, THE SUBSCRIBER, THE CASH MANAGER, THE ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, THE NOTE TRUSTEE, THE SECURITY TRUSTEE (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE ORIGINATOR, THE ORIGINATOR TRUSTEE, THE ORIGINATOR BENEFICIARY, THE TOTAL RETURN SWAP PROVIDER, THE LEAD MANAGER, THE SUBSCRIBER, THE CASH MANAGER, THE ACCOUNT BANK, THE COLLECTION ACCOUNT BANK, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR BY ANY PERSON OTHER THAN THE ISSUER.

Each sub-class of the Class A1 Notes, the Class A2 Notes, the Class A3 Notes, the Class A4 Notes and the Class A5 Notes (together the "**Class A Term Notes**") and the Class Z Notes will be represented on issue by a global note in registered form (together, the "**Global Notes**"). The Class AVFN Note will be issued in dematerialised registered form and no certificate evidencing entitlement to the Class AVFN Note will be issued. The Class A Term Notes or the Class Z Notes may be registered in definitive registered form under certain circumstances (each, the "**Definitive Notes**").

The Issuer will maintain a register, to be kept on the Issuer's behalf by the Registrar, in which the Class A Term Notes are registered in the name of a nominee (the "**Nominee**") for a common depository (the "**Common Depository**") for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") as owner of the Global Notes and in which the Class Z Notes are registered in the name of the Class Z Noteholder. Transfers of all or any portion of the interests in the Global Notes may be made only through the register maintained by the Issuer. Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Class A Term Notes ("**Book-Entry Interests**"). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants.

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

Except in the circumstances described under "*Description of the Notes — Issuance of Definitive Notes*", the Class A Term Notes and the Class Z Notes will not be available in definitive registered form. Definitive Notes will be issued in registered form only.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING OF THE NOTES IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. NO REPRESENTATION IS MADE BY THE ISSUER, THE ORIGINATOR, THE ORIGINATOR TRUSTEE, THE ORIGINATOR BENEFICIARY, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE LEAD MANAGER OR THE SUBSCRIBER THAT THIS PROSPECTUS MAY BE LAWFULLY DISTRIBUTED, OR THAT THE NOTES MAY BE LAWFULLY OFFERED, IN COMPLIANCE WITH ANY APPLICABLE REGISTRATION OR OTHER REQUIREMENTS IN ANY SUCH JURISDICTION, OR PURSUANT TO AN EXEMPTION AVAILABLE THEREUNDER, AND NONE OF THEM ASSUMES ANY RESPONSIBILITY FOR FACILITATING ANY SUCH DISTRIBUTION OR OFFERING. IN PARTICULAR, SAVE FOR OBTAINING THE APPROVAL OF THIS PROSPECTUS AS A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE BY THE UK LISTING AUTHORITY, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER, THE ORIGINATOR, THE ORIGINATOR TRUSTEE, THE ORIGINATOR BENEFICIARY, THE NOTE TRUSTEE, THE SECURITY TRUSTEE OR THE LEAD MANAGER OR THE SUBSCRIBER WHICH WOULD PERMIT A PUBLIC OFFERING OF THE NOTES OR DISTRIBUTION OF THIS PROSPECTUS IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED.

ACCORDINGLY, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED, IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS AND THE LEAD MANAGER AND THE SUBSCRIBER HAS EACH REPRESENTED THAT ALL OFFERS AND SALES BY IT WILL BE MADE ON SUCH TERMS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES ARE REQUIRED BY THE ISSUER AND THE LEAD MANAGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") ("**U.S. PERSONS**") EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON REALES OR TRANSFERS, SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

EACH INITIAL AND SUBSEQUENT PURCHASER OF THE NOTES WILL BE DEEMED BY ITS ACCEPTANCE OF SUCH NOTES TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS INTENDED TO RESTRICT THE RESALE OR OTHER TRANSFER OF THE NOTES AS SET FORTH THEREIN AND DESCRIBED IN THIS PROSPECTUS AND, IN CONNECTION THEREWITH, MAY BE REQUIRED TO PROVIDE CONFIRMATION OF ITS COMPLIANCE WITH SUCH RESALE AND OTHER TRANSFER RESTRICTIONS IN CERTAIN CASES. SEE "*TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS*".

NONE OF THE ISSUER, THE LEAD MANAGER OR THE SUBSCRIBER MAKES ANY REPRESENTATION TO ANY PROSPECTIVE INVESTOR OR PURCHASER OF THE NOTES REGARDING THE LEGALITY OF INVESTMENT THEREIN BY SUCH PROSPECTIVE INVESTOR OR PURCHASER UNDER APPLICABLE LEGAL INVESTMENT OR SIMILAR LAWS OR REGULATIONS.

THE ISSUER ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF ITS KNOWLEDGE (HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

NO PERSON IS AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFERING OR SALE OF THE NOTES OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, THE ORIGINATOR, THE ORIGINATOR TRUSTEE, THE ORIGINATOR BENEFICIARY, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE LEAD MANAGER, THE SUBSCRIBER OR ANY OF THEIR RESPECTIVE AFFILIATES OR ADVISERS. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE OR ALLOTMENT MADE IN CONNECTION WITH THE OFFERING OF THE NOTES SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION OR CONSTITUTE A REPRESENTATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE ORIGINATOR OR IN THE OTHER INFORMATION CONTAINED HEREIN SINCE THE DATE HEREOF. THE INFORMATION CONTAINED IN THIS PROSPECTUS WAS OBTAINED FROM THE ISSUER AND THE OTHER SOURCES IDENTIFIED HEREIN, BUT NO ASSURANCE CAN BE GIVEN BY THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE LEAD MANAGER OR THE SUBSCRIBER AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NONE OF THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE LEAD MANAGER OR THE SUBSCRIBER MAKES ANY REPRESENTATION, EXPRESS OR IMPLIED, OR ACCEPTS ANY RESPONSIBILITY, WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION IN THIS PROSPECTUS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS PROVIDING LEGAL, BUSINESS,

ACCOUNTING OR TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL, BUSINESS, ACCOUNTING AND TAX ADVISERS PRIOR TO MAKING A DECISION TO INVEST IN THE NOTES.

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER OF, OR AN INVITATION BY OR ON BEHALF OF, THE ISSUER, THE ORIGINATOR, THE ORIGINATOR TRUSTEE, THE ORIGINATOR BENEFICIARY, THE LEAD MANAGER OR THE SUBSCRIBER OR ANY OF THEM TO SUBSCRIBE FOR OR PURCHASE ANY OF THE NOTES IN ANY JURISDICTION WHERE SUCH ACTION WOULD BE UNLAWFUL AND NEITHER THIS PROSPECTUS, NOR ANY PART THEREOF, MAY BE USED FOR OR IN CONNECTION WITH ANY OFFER TO, OR SOLICITATION BY, ANY PERSON IN ANY JURISDICTION OR IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

PAYMENTS OF INTEREST AND PRINCIPAL IN RESPECT OF THE NOTES WILL BE SUBJECT TO ANY APPLICABLE WITHHOLDING TAXES WITHOUT THE ISSUER OR ANY OTHER PERSON BEING OBLIGED TO PAY ADDITIONAL AMOUNTS THEREFOR.

IN THIS PROSPECTUS ALL REFERENCES TO "**POUNDS**", "**STERLING**", "**GBP**" AND "**£**" ARE REFERENCES TO THE LAWFUL CURRENCY FOR THE TIME BEING OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (THE "**UNITED KINGDOM**" or "**UK**"). REFERENCES IN THIS PROSPECTUS TO "**EURO**" AND "**€**" ARE REFERENCES TO THE SINGLE CURRENCY INTRODUCED AT THE START OF THE THIRD STAGE OF EUROPEAN ECONOMIC AND MONETARY UNION ON 1 JANUARY 1999 PURSUANT TO THE TREATY ESTABLISHING THE EUROPEAN COMMUNITIES, AS AMENDED FROM TIME TO TIME.

Forward-Looking Statements

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

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PARTIES AND PRINCIPAL FEATURES OF TRANSACTION

The following is an overview of the parties and the principal features of the Notes, the Loans and their Related Security and the Transaction Documents and is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Prospectus.

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

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

The Parties

Issuer

Greenock Funding No. 5 plc is a public limited company incorporated under the laws of England and Wales with registered number 6790964 (the "**Issuer**"). The Issuer is beneficially owned by Holdings. The Issuer was established as a special purpose entity for the purpose of, *inter alia*, issuing the Notes and using the gross proceeds of (a) the Class A Term Notes and the Class AVFN Note (in respect of amounts subscribed for on the Closing Date only) principally to pay the Issuer Initial Trust Consideration to the Originator, (b) the Class Z Notes principally to fund the General Reserve Fund and (c) the Class AVFN Note (in respect of amounts subscribed for after the Closing Date) principally to pay the Issuer Additional Trust Consideration and if applicable thereafter, the New Portfolio Additional Trust Consideration to the Originator.

Holdings

Greenock Holding No. 5 Limited is a private limited company incorporated under the laws of England and Wales with registered number 6847492 ("**Holdings**"). The issued share capital of Holdings is held by SFM Corporate Services Limited as trustee (the "**Share Trustee**") under the terms of a discretionary trust for charitable purposes.

Originator

The Royal Bank of Scotland plc, incorporated under the laws of Scotland with registered number SC90312 ("**RBS**" and, in its capacity as originator, the "**Originator**"). Pursuant to the terms of an originator trust deed to be entered into between the Issuer and RBS in its capacities as Originator, Originator Trustee and Originator Beneficiary dated on or about the Closing Date (the "**Originator Trust Deed**"), the Originator will declare a trust over the Originator Trust Property in favour of the Issuer and the Originator Beneficiary.

The Originator may designate New Loans to become part of the Originator Trust Property on any date. Net Principal Increases will also form part of the Originator Trust Property on the date such Net Principal Increases are made, (the date on which a New Loan and/or Net Principal Increase becomes part of the Originator Trust Property, being an "**Additional Trust Date**").

Originator Trustee

RBS (in its capacity as the originator trustee under the Originator Trust Deed, the "**Originator Trustee**") will act as trustee of the Loans originated by RBS and subject to the declaration of trust by RBS in the Originator Trust Deed (such trust is referred to herein as the "**Originator Trust**"). RBS cannot be removed by the beneficiaries as trustee of the Originator Trust.

Originator Beneficiary

RBS (in its capacity as a beneficiary under the Originator Trust Deed, the "**Originator Beneficiary**" and together with the Issuer as beneficiary under the Originator Trust Deed, the "**Originator Trust Beneficiaries**") will be a beneficiary under the Originator Trust in addition to the Issuer.

Cash Manager

RBS (in its capacity as cash manager, the "**Cash Manager**") will enter into a cash management agreement with the Issuer and the Security Trustee on or about the Closing Date (the "**Cash Management Agreement**"). The Cash Manager will act as agent for the Issuer, to manage all cash transactions and maintain certain ledgers on behalf of the Issuer.

Note Trustee

Citicorp Trustee Company Limited (in such capacity, the "**Note Trustee**"), will be appointed pursuant to a trust deed (the "**Trust Deed**") to be entered into on or about the Closing Date between the Issuer and the Note Trustee to represent the interests of the registered holders of the Notes (the "**Noteholders**").

Security Trustee

Citicorp Trustee Company Limited (in such capacity, the "**Security Trustee**"), will hold the security granted by the Issuer under the deed of charge to be entered into on or about the Closing Date between, *inter alios*, the Issuer and the Security Trustee (the "**Deed of Charge**") for the benefit of the Noteholders and the other Secured Creditors and will be entitled to enforce such security.

Total Return Swap Provider

On or about the Closing Date, RBS (in such capacity, the "**Total Return Swap Provider**") will enter into an ISDA Master Agreement (including a schedule, a credit support annex and one or more confirmations) with the Issuer and the Security Trustee to swap amounts calculated by reference to 99 per cent. of the Current Balance of the Eligible Loans (excluding the Unfunded Eligible Loans) (such balance to be determined as further described in the Total Return Swap Agreement) and One-Month LIBOR plus a margin for certain revenue amounts (subject to a cap) received by the Issuer in respect of the Investor Interest (as defined below) (the "**Total Return Swap Agreement**").

Account Bank

RBS will be appointed as account bank to the Issuer (in such capacity, the "**Account Bank**") pursuant to the terms of a bank account agreement to be entered into by, *inter alios*, the Account Bank, the Issuer and the Security Trustee on or about the Closing Date (the "**Bank Account Agreement**"). The Issuer will open three accounts, (a) the transaction account (the "**Transaction Account**") (b) the guaranteed investment contract account into which (I) amounts equal to the Investor Interest Amount will be paid from the RBS Collection Accounts and (II) Issuer Surrender Payments (if any) which will be paid as appropriate by the Originator (the "**GIC Account**") and (c) a Euro-denominated account (the "**Euro Account**", and together with the Transaction Account and the GIC Account and, together with any additional accounts to be established pursuant to the Bank Account Agreement, the "**Bank Accounts**") with the Account Bank on or before the Closing Date.

The short term unguaranteed, unsubordinated and unsecured debt obligations of the Account Bank are currently rated P-1 by Moody's and A-1 by S&P.

If at any time the short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below a rating of P-1 by Moody's or A-1 by S&P or such other rating as the Rating Agencies may confirm will not have an adverse effect on the then current ratings of the Class A Notes, the Issuer will be required (within 30 days) to arrange for the transfer (at its own cost) of the Bank Accounts to a bank or financial institution rated P-1 by Moody's or A-1 by S&P or their equivalents by two other international recognised rating agencies or such lower rating as the Rating Agencies confirm will not result in the downgrade of the Notes, on substantially similar terms to those set out in the Bank Account Agreement.

The Issuer may invest amounts standing to the credit of the GIC Account in Authorised Investments.

Collection Account Bank

As at the date of this Prospectus, the Originator maintains a number of collection accounts (such accounts, the "**RBS Collection Accounts**") (in such capacity, the "**Collection Account Bank**") into

which RBS receives all collections from the respective Borrowers under the current account residential mortgages and prime flexible mortgage loans.

Subordinated Loan Provider

RBS will act as subordinated loan provider to the Issuer (in such capacity, the "**Subordinated Loan Provider**") pursuant to the subordinated loan agreement to be entered into on or about the Closing Date between, *inter alios*, the Issuer and the Subordinated Loan Provider (the "**Subordinated Loan Agreement**").

Corporate Services Provider

Structured Finance Management Limited (in such capacity, the "**Corporate Services Provider**") will be appointed to provide certain corporate services to the Issuer and Holdings pursuant to a corporate services agreement (the "**Corporate Services Agreement**") to be entered into on or about the Closing Date by, *inter alios*, the Issuer, Holdings and the Corporate Services Provider.

Principal Paying Agent, Agent Bank and Registrar

Citibank N.A., London Branch will be appointed to act as principal paying agent, as agent bank and as registrar in respect of the Global Notes (the "**Principal Paying Agent**", the "**Agent Bank**" and the "**Registrar**" respectively) pursuant to an agency agreement to be entered into on or about the Closing Date between, *inter alios*, the Issuer, the Principal Paying Agent, the Registrar, the VFN Registrar and the Agent Bank (the "**Agency Agreement**").

VFN Registrar

RBS will be appointed to act as registrar in respect of the Class AVFN Note (the "**VFN Registrar**") pursuant to the Agency Agreement.

Figure 1 – Ownership Structure

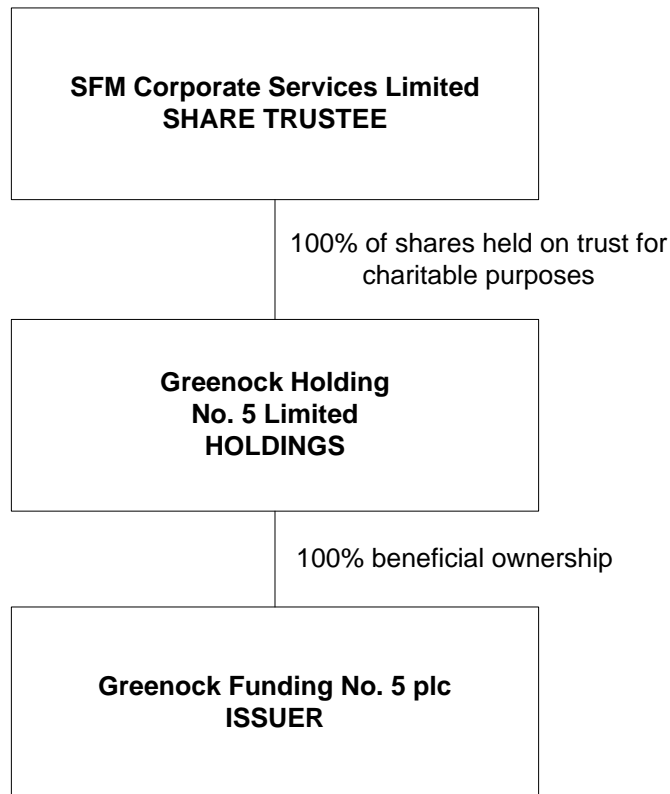


Figure 1 illustrates the ownership structure of the special purpose companies that will be parties to the transaction, as follows:

- The Issuer is beneficially owned by Holdings.
- The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.
- None of the Issuer, Holdings or the Share Trustee are either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Originator or any member of the group of companies containing the Originator.

Figure 2 – Transaction Structure

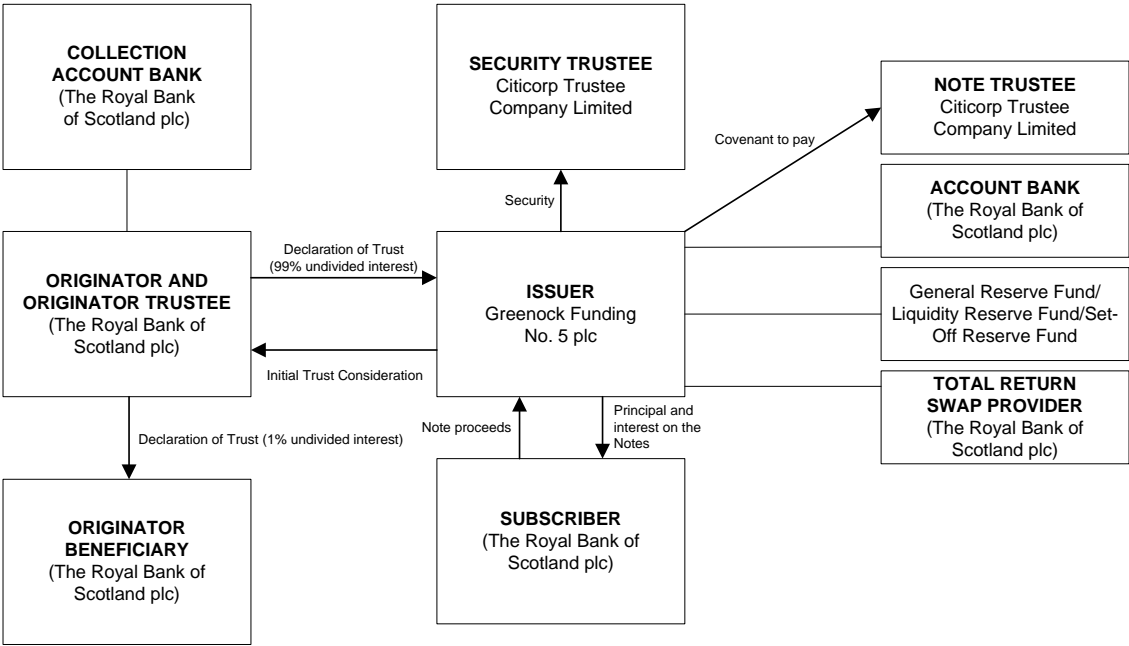


Figure 2 illustrates a brief overview of the transaction, as follows:

The Initial Originator Trust Property

On the Closing Date, RBS will identify a certain number of Loans forming part of the Initial Portfolio constituting the Originator Trust Property on Closing Date (the "**Initial Loans**"), together with RBS's entitlement to such Initial Loans' Related Security (the "**Initial Related Security**") and the mortgages associated with the Initial Loans forming part of the Originator Trust Property on the Closing Date and all rights, interest and benefit derived therefrom from time to time (referred to herein as the "**Initial Portfolio**"). The Initial Portfolio will constitute the initial trust property of the Originator Trust (the "**Initial Originator Trust Property**"). Each Loan in the Initial Portfolio will have been originated by RBS pursuant to a loan agreement (a "**Loan Agreement**") and have been originated under the One Account brand.

Pursuant to the Originator Trust Deed to be entered into on or about the Closing Date between the Originator, the Originator Trustee, the Originator Beneficiary and the Issuer, the Originator will declare the Originator Trust over the Originator Trust Property together with the Related Security and in accordance with the conditions of the Originator Trust Deed. The Originator may designate New Portfolios to become Originator Trust Property on an Additional Trust Date.

Investor Interest and Originator Interest

The beneficial interests of the Issuer and the Originator Beneficiary under the Originator Trust are fixed undivided interests, called the "**Investor Interest**" and the "**Originator Interest**" respectively. The Issuer holds the Investor Interest and RBS holds the Originator Interest. For further detail see "*Summary of the Key Transaction Documents - Originator Trust Deed*".

The Investor Interest will entitle the Issuer to an amount equal to 99 per cent. of the amounts received by the Originator Trustee in respect of the Portfolio comprising the Originator Trust Property. The Originator

Interest will entitle the Originator Beneficiary to an amount equal to 1 per cent. of the amounts received by the Originator Trustee in respect of the Portfolio comprising the Originator Trust Property.

Collections and Losses in respect of the Loans

Any Loan Revenue Receipt and/or Loan Principal Receipt and/or Loan Loss (any such amount, a "**Relevant Amount**") and/or any other receipts representing proceeds of enforcement of All Moneys Mortgages which secure any Loan and Associated Debt (such other receipts, "**Other AMM Receipts** ") shall be allocated to: (a) the Originator Beneficiary in respect of the Originator Interest as to 1 per cent. of the amounts relating to the Loans and the Associated Debt (such allocated amount, the "**Originator Interest Amount**"); and (b) the Issuer in respect of the Investor Interest as to 99 per cent. of the amounts relating to the Loans and the Associated Debt (such allocated amount, the "**Investor Interest Amount**").

"**Associated Debt**" means any indebtedness a Borrower may owe to RBS from time to time other than in respect of the Loans.

The Investor Interest Amount shall: (i) in the case of a Loan Revenue Receipt or a Loan Principal Receipt or Other AMM Receipts, be paid on each London Business Day from the relevant RBS Collection Accounts into the GIC Account by the Originator Trustee pending use in accordance with the relevant Priorities of Payments, and (ii) in the case of a Loan Loss, recorded by way of debit entry on the Principal Deficiency Ledger.

"**Loan Loss**" means all realised losses on the Loans as determined by RBS in its capacity as servicer of the Originator Trust Property in accordance with the Servicing Standard set out in the Originator Trust Deed.

Any amounts forming Excess AMM Consideration shall be paid by the Issuer directly to the Originator outside the Priorities of Payment in accordance with the Originator Trust Deed.

"**Excess AMM Consideration**" shall on any Allocation Date be the aggregate of the AMM Excess (if any) in respect of each Other AMM Receipt received into an applicable RBS Collection Account on that Allocation Date.

"**AMM Excess**" in respect of an Other AMM Receipt shall be the greater of (i) 99 per cent. of the amount (if any) by which such Other AMM Receipt exceeds the total amount outstanding under the Loan for which the All Moneys Mortgage is security prior to the application of such Other AMM Receipt in payment of such Loan and (ii) zero.

"**Allocation Date**" means on each London Business Day upon which the Originator (or in the case of any Replacement Collection Account, the Issuer) receives Loan Principal Receipts, Loan Revenue Receipts or Other AMM Receipts in the applicable RBS Collection Account or the occurrence of a Loan Loss in respect of a Loan; or each Additional Trust Date on which there have been Net Principal Increases made in a specified amount; or each Additional Trust Date on which a New Portfolio of a specified amount is designated as Originator Trust Property.

Eligible Loans and Ineligible Loans

All Loans in the Portfolio will be deemed to be Eligible Loans or Ineligible Loans on the basis of compliance with (i) the Eligibility Criteria and (ii) the Loan Warranties.

Any Loan which complies with both the Eligibility Criteria and the Loan Warranties on the applicable date on which it is tested will be deemed an "**Eligible Loan**" on the applicable date and shall remain an Eligible Loan for the remaining term of the Originator Trust (**provided that** such Eligible Loan may become an Unfunded Eligible Loan if any Net Principal Increase in respect of such Eligible Loan cannot be funded out of Retained Principal Amounts and/or by way of Further VFN Subscription). All Eligible Loans will have been funded by the Issuer by way of the Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration (other than Unfunded Eligible Loans, which are funded by way of Unfunded Eligible Consideration).

Any Loan which does not comply with the Eligibility Criteria and/or any of the Loan Warranties on the applicable date on which it is tested will be deemed an "**Ineligible Loan**" on the applicable date.

All Loans in the Initial Portfolio will be tested for compliance with the Eligibility Criteria and the Loan Warranties on the Closing Date and be deemed Eligible Loans or Ineligible Loans accordingly.

All Loans (other than Eligible Loans in the Originator Trust as at the Closing Date) will be deemed to be Ineligible Loans on the date of their inclusion in the Originator Trust until they are tested for compliance, and comply with the Eligibility Criteria and the Loan Warranties.

During the Revolving Period, each New Loan shall be tested for compliance with the Eligibility Criteria and the Loan Warranties on the Calculation Date immediately following the Collection Period during which such New Loan formed part of the Originator Trust Property. The relevant New Loan will be tested as of the close of business on the Collection Period End Date preceding the Calculation Date, and, subject to compliance with the Eligibility Criteria and the Loan Warranties, such New Loan will be deemed to be an Eligible Loan from the first day of the Collection Period in which the Calculation Date falls.

During the Revolving Period, Ineligible Loans will also be tested for compliance with the Eligibility Criteria and the Loan Warranties on each Calculation Date. Each Ineligible Loan will be tested as of the Collection Period End Date preceding the Calculation Date, and, subject to compliance with the Eligibility Criteria and the Loan Warranties, such Ineligible Loan will be deemed to be an Eligible Loan for the remaining term of the Originator Trust from the first day of the Collection Period in which the Calculation Date falls (**provided that** it may become an Unfunded Eligible Loan). Such Loans will be "**New Eligible Loans**". The Issuer will pay to the Originator an amount equal to New Portfolio Additional Trust Consideration in respect of any New Eligible Loans.

Any New Loan that becomes part of the Originator Trust Property after the Revolving Period End Date (regardless of whether it complies with the Eligibility Criteria and the Loan Warranties) or any Net Principal Increase made in respect of a Loan after the Revolving Period End Date (a "**Revolving Period End Date Ineligible Loan**") will be deemed to be Ineligible Loans for the remaining term of the Originator Trust.

All Ineligible Loans and/or Net Principal Increases in respect of Ineligible Loans (as applicable) will be funded by way of Ineligible Consideration. Cashflows from Ineligible Loans will form part of the Originator Trust Property but such amounts as distributed to the Issuer will form "**Ineligible Consideration**", and will be paid by the Issuer directly to the Originator outside of the Issuer's Priorities of Payment.

Any amounts paid by the Issuer to the Originator as Ineligible Consideration in relation to a New Loan which becomes an Eligible Loan on a relevant Calculation Date shall, with respect to amounts received by the Originator in relation to such Loan from the end of the Collection Period preceding the relevant Calculation Date on which any such Loan becomes an Eligible Loan to and including such relevant Calculation Date, be paid to the Issuer as an "**Issuer Adjustment Amount**" on any Business Day between the relevant Calculation Date and the end of the Collection Period in which such Calculation Date falls.

If a Net Principal Increase in respect of an Eligible Loan cannot be funded out of Retained Principal Amounts and/or by way of VFN Subscription on or prior to the next following Interest Payment Date falling after the Collection Period in which a Net Principal Increase was made, such Eligible Loan (together with any related Net Principal Increase) shall (subject to the payment of the NPI Compensation Payment (as defined below)) become an Unfunded Eligible Loan. If (a) on any Interest Payment Date, an Eligible Loan is deemed to have been an Unfunded Eligible Loan from and including the first day of the Collection Period in which the Interest Payment Date falls due to the Issuer failing to pay the Issuer Additional Trust Consideration as described in this paragraph; or (b) on the first day of any Collection Period, an Eligible Loan is deemed to be an Ineligible Loan because a Net Principal Increase has been made after the Revolving Period End Date, the Originator shall pay to the Issuer the NPI Compensation Payment.

Any Investor Interest Amount in relation to an Eligible Loan which becomes an Unfunded Eligible Loan on a relevant Interest Payment Date shall, with respect to amounts received in relation to such Loans from the end of the Collection Period preceding the relevant Interest Payment Date on which any such Loan becomes an Unfunded Eligible Loan to and including such relevant Interest Payment Date, be paid to the Originator as an "**Originator Adjustment Amount**" on or prior to the Interest Payment Date following the relevant Calculation Date.

See "*Summary of the Key Transaction Documents - Originator Trust Deed and Beneficiaries Deed*" below.

New Portfolios

The Originator may designate New Portfolios (comprising New Loans, New Related Security and all amounts derived therefrom) to become Originator Trust Property on the Additional Trust Date in accordance with the terms of the Originator Trust Deed.

During the Revolving Period, in respect of (i) New Loans which are deemed Eligible Loans and (ii) New Eligible Loans, the Issuer will, to the extent funds are available, on or prior to the next following Interest Payment Date following the Collection Period in which the New Loan becomes part of the Originator Trust Property and/or New Eligible Loan is deemed to be an Eligible Loan, pay to the Originator the New Portfolio Additional Trust Consideration in respect of any such New Loans and/or New Eligible Loans, to the extent funds are available (as described below).

The New Portfolio Additional Trust Consideration will be funded (i) firstly, by Retained Principal Amounts (if any) and/or (ii) secondly, if there are insufficient Retained Principal Amounts, by way of a Further VFN Subscription (in respect of the portion of the New Portfolio Additional Trust Consideration which is insufficiently funded by the Retained Principal Amounts). If the Issuer is unable to fund the New Portfolio Additional Trust Consideration through the application of Retained Principal Amounts and/or by way of a Further VFN Subscription, such New Loans will be deemed Unfunded Eligible Loans and will be funded by way of Unfunded Eligible Consideration until such time as the Issuer has sufficient Retained Principal Amounts and/or a Further VFN Subscription is made to pay the required amount of New Portfolio Additional Trust Consideration in respect of the Unfunded Eligible Loans on any subsequent Interest Payment Date. Once the required New Portfolio Additional Trust Consideration is paid in respect of the Unfunded Eligible Loans on or before an Interest Payment Date, they shall be deemed to be Eligible Loans on such Interest Payment Date and any Investor Interest Amount generated by these Loans will be paid to the Issuer and will be applied in accordance with the Issuer's Priorities of Payments.

New Loans which are deemed to be Ineligible Loans will be funded by way of Ineligible Consideration.

See "*Summary of the Key Transaction Documents - Originator Trust Deed and Beneficiaries Deed*" below.

Net Principal Increases

Upon the occurrence of any net principal increases in the relevant debit balance of a Loan (the "**Net Principal Increases**"), such Net Principal Increases will be subject to the terms of the Originator Trust Deed and become part of the Originator Trust Property on the relevant Additional Trust Date.

In respect of Net Principal Increases in relation to Eligible Loans during the Revolving Period, the Issuer will, to the extent funds are available, on or prior to the next following Interest Payment Date falling after the end of the Collection Period on which the Net Principal Increase was made, pay to the Originator the Issuer Additional Trust Consideration in respect of such Net Principal Increase.

The Issuer Additional Trust Consideration will be funded (i) firstly, by Retained Principal Amounts (if any) and/or (ii) secondly, if there are insufficient Retained Principal Amounts, by way of a Further VFN Subscription (in respect of the portion of the Issuer Additional Trust Consideration which is insufficiently funded by the Retained Principal Amounts). If the Issuer is unable to fund the Issuer Additional Trust Consideration through the application of Retained Principal Amounts and/or by way of a Further VFN Subscription, such Loans (including the Net Principal Increase) will be deemed Unfunded Eligible Loans (only on the payment of the NPI Compensation Payment) and will be funded by way of Unfunded Eligible Consideration until such time as the Issuer has sufficient Retained Principal Amounts and/or a Further VFN Subscription is made to pay the amount of required Issuer Additional Trust Consideration in respect of the Unfunded Eligible Loans on or before any subsequent Interest Payment Date. In addition, the Originator will pay the NPI Compensation Payment to the Issuer in respect of any Loan which, following a related Net Principal Increase, becomes an Unfunded Eligible Loan. Once the required Issuer Additional Trust Consideration is paid in respect of the Unfunded Eligible Loans on or before an Interest Payment Date, they shall be deemed to be Eligible Loans on such Interest Payment Date and any Investor

Interest Amounts generated by these Loans will be paid to the Issuer and will be applied in accordance with the Issuer's Priorities of Payments.

Net Principal Increases in respect of Ineligible Loans will be funded by way of Ineligible Consideration.

See "*Summary of the Key Transaction Documents - Originator Trust Deed and Beneficiaries Deed*" below.

Originator Power of Attorney

The Originator Trusts over the Portfolio will vest a 99 per cent. undivided beneficial interest in the Originator Trust Property in the Issuer. Legal title to the Loans and their Related Security will remain with the Originator. The Issuer will not have any direct relationship with, and will not be able directly to enforce the obligations of any Borrower under its Loan Agreement. However, the Originator will, under the terms of the Originator Trust Deed, grant to the Issuer a power of attorney given by way of security (the "**Originator Power of Attorney**") to permit the Issuer, upon the occurrence of certain events, to take certain actions in the name of RBS (in its capacity as Originator) to, *inter alia*, ensure performance by RBS (in its capacity as Originator) of its obligations under the Originator Trust Deed (including its covenants to enforce rights under the Loans and collecting amounts payable under or in respect of the Loans). For further details see "*Summary of the Key Transaction Documents - Originator Trust Deed - Originator Power of Attorney*".

Reacquisition of beneficial interests in Loans

The beneficial interest in a Loan may be reacquired by the Originator, pursuant to the terms of the Transaction Documents, when jointly directed by the Originator Beneficiary and the Issuer. For further details see "*Originator Trust Deed - Reacquisition of beneficial interest in Loans by Originator*".

The Notes

On or about the Closing Date, the Issuer will issue the Class A Term Notes, the Class AVFN Note and the Class Z Notes. The Notes will be constituted by the Trust Deed to be entered into on or about the Closing Date.

The Class A Term Notes

The Issuer will use the gross proceeds of the issue of the Class A Term Notes to pay part of the Issuer Initial Trust Consideration due to the Originator on the Closing Date.

The Class AVFN Note

The proceeds of the Class AVFN Note received on the Closing Date will also be used to pay part of the Issuer Initial Trust Consideration. The proceeds of any Further VFN Subscriptions will be used to pay the Issuer Additional Trust Consideration and/or the New Portfolio Additional Trust Consideration or part thereof (as applicable) on the applicable Interest Payment Date.

The Class AVFN Note will have a maximum principal amount of £10,000,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class AVFN Noteholder and notified to the Note Trustee (the "**Maximum AVFN Amount**"), that can be subscribed for by the Class AVFN Noteholder at the request of the Issuer.

The commitment of the Class AVFN Noteholder in relation to the Class AVFN Note will be extinguished once the Maximum AVFN Amount has been drawn under such Class AVFN Note or on 31 July 2012, whichever is the earlier (the "**VFN Commitment Termination Date**"). In the event that the Maximum AVFN Amount has been drawn and, in accordance with the Conditions, the Issuer repays some of the principal due on Class AVFN Note, such repaid principal amount will be available to be redrawn by the Issuer up to the Maximum AVFN Amount within the Revolving Period.

The Class Z Notes

The Issuer will use the proceeds of the issue of the Class Z Notes to establish the General Reserve Fund on the Closing Date and from time to time will use the proceeds of any Further Class Z Notes together

with any Further Subordinated Loan Advances to increase the General Reserve Fund. Moneys standing to the credit of the General Reserve Fund will to the extent insufficient Revenue Receipts are available be added on each Interest Payment Date towards other income of the Issuer to determine the amount of the Available Revenue Receipts and, to the extent of any General Reserve Fund Excess, or when the Class A Noteholders have been paid in full, shall be used to repay the Class Z Notes.

Payments

The Issuer will use amounts received in respect of its interest in the Originator Trust Property which are Revenue Receipts and (except to the extent retained in the Revolving Period Purchase Fund during the Revolving Period) Principal Receipts to meet its obligations to pay, among other items, interest amounts and principal amounts to the Noteholders on each Interest Payment Date.

Issuer Security

Pursuant to the terms of the Deed of Charge to be entered into on or about the Closing Date, the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to the Noteholders and the other Secured Creditors.

Bank Accounts

The Issuer will open the GIC Account, the Transaction Account and the Euro Account with the Account Bank, which will be governed by the Bank Account Agreement to be entered into on or about the Closing Date.

Total Return Swap Transaction

The Issuer will enter into the Total Return Swap Agreement with the Total Return Swap Provider on or about the Closing Date. Under the terms of the Total Return Swap Agreement, the Issuer and the Total Return Swap Counterparty have agreed to swap (i) revenue amounts received by the Issuer originating from its rights in respect of the Investor Interest with (ii) amounts calculated by reference to 99 per cent. of the Current Balances of the Eligible Loans (excluding the Unfunded Eligible Loans) (such balances to be determined as at the beginning of certain Collection Periods as further described in the Total Return Swap Agreement) and One-Month LIBOR plus a margin (such swap transaction being the "**Total Return Swap Transaction**").

Subordinated Loan

The proceeds of the Initial Subordinated Loan Advance to be made by the Subordinated Loan Provider to the Issuer on or about the Closing Date will also be deposited into the Transaction Account on the Closing Date and applied towards payment of certain of the Issuer's initial fees and expenses incurred in connection with the issue of the Notes. Any Further Subordinated Loan Advances made by the Subordinated Loan Provider to the Issuer after the Closing Date will be deposited into the GIC Account and used to fund (a) the General Reserve Fund, to the extent the balance of the General Reserve Fund is less than the General Reserve Fund Required Amount and/or (b) the Set-Off Reserve Fund, to the extent that the balance of the Set-Off Reserve Fund is less than the Set-Off Reserve Fund Required Amount (as required).

Liquidity Reserve Fund

In limited circumstances, the Issuer will establish a Liquidity Reserve Fund. If established, moneys standing to the credit of the Liquidity Reserve Fund may be applied as part of Available Principal Receipts or, to the extent there is an Income Deficit, used towards payment of senior expenses and interest on the Class A Notes on each Interest Payment Date. For further details, see "*Credit Structure – Liquidity Reserve Fund*".

General Reserve Fund

On the Closing Date, the Issuer will establish the General Reserve Fund. Amounts standing to the credit of the General Reserve Fund will be added to the other income of the Issuer to determine the amount of Available Revenue Receipts. For further details, see "*Credit Structure – General Reserve Fund*".

Set-Off Reserve Fund

On the occurrence of a Set-Off Reserve Fund Downgrade Event, the Issuer will establish the Set-Off Reserve Fund. Amounts of the Set-Off Reserve Fund Excess standing to the credit of the Set-Off Reserve Fund will be added to the other income of the Issuer to determine the amount of Available Revenue Receipts. Prior to the service of a Note Acceleration Notice, amounts representing the Set-Off Reserve Required Amount will only be available to be applied by the Issuer after the Class A Notes have been redeemed in full. For further details, see "*Credit Structure – Set-Off Reserve Fund*".

KEY CHARACTERISTICS OF THE NOTES

	Class AVFN	Class A1
	Nominal principal amount of £10,000,000,000 of which £1,728,944,456 will be subscribed for	
Principal Amount:	on the Closing Date	£1,382,900,000
Credit enhancement:	The Class Z Notes and Reserve Funds	The Class Z Notes and Reserve Funds
Issue Price:	100%	100%
Interest Rate:	One-Month Sterling LIBOR + Margin	One-Month Sterling LIBOR + Margin
Margin:	0.10% p.a.	0.10% p.a.
Interest Accrual Method:	Actual/Actual	Actual/Actual
Interest Payment Dates:	For all Notes, monthly in arrear on the Interest Payment Dates falling on the 13th day of each month of each year (subject to following business day convention).	
First Interest Payment Date:	14 September 2009	14 September 2009
Final Maturity Date:	July 2066	July 2066
Application for Exchange Listing:	Not Listed	London
ISIN:	N/A	XS0438575093
Common Code:	N/A	043857509
Ratings (Moody's/S&P):	Aaa/AAA	Aaa/AAA/
	Class A2	Class A3
Principal Amount:	£1,382,900,000	£1,382,900,000
Credit enhancement:	The Class Z Notes and Reserve Funds	The Class Z Notes and Reserve Funds
Issue Price:	100%	100%
Interest Rate:	One-Month Sterling LIBOR + Margin	One-Month Sterling LIBOR + Margin
Margin:	0.10% p.a.	0.10% p.a.
Interest Accrual Method:	Actual/Actual	Actual/Actual
Interest Payment Dates:	For all Notes, monthly in arrear on the Interest Payment Dates falling on the 13th day of each month of each year (subject to following business day convention).	
First Interest Payment Date:	14 September 2009	14 September 2009
Final Maturity Date:	July 2066	July 2066
Application for Exchange Listing:	London	London
ISIN:	XS0438495227	XS0438514548
Common Code:	043849522	043851454
Ratings (Moody's/S&P):	Aaa/AAA	Aaa/AAA
	Class A4	Class A5
Principal Amount:	£1,382,900,000	£1,382,900,000
Credit enhancement:	The Class Z Notes and Reserve Funds	The Class Z Notes and any Reserve Funds
Issue Price:	100%	100%
Interest Rate:	One-Month Sterling LIBOR + Margin	One-Month Sterling LIBOR + Margin
Margin:	0.10% p.a.	0.10% p.a.
Interest Accrual Method:	Actual/Actual	Actual/Actual
Interest Payment Dates:	For all Notes, monthly in arrear on the Interest Payment Dates falling on the 13th day of each month of each year (subject to following business day convention).	
First Interest Payment Date:	14 September 2009	14 September 2009
Final Maturity Date:	July 2066	July 2066
Application for Exchange Listing:	London	London
ISIN:	XS0438516329	XS0438520438
Common Code:	043851632	043852043
Ratings (Moody's/S&P):	Aaa/AAA	Aaa/AAA
	Class Z	
Principal Amount:	£2,541,700,000	
Credit enhancement:	General Reserve Fund and Set-Off Reserve Fund (if established), to the extent the Class A Notes have been redeemed in full	
Issue Price:	100%	
Interest Rate:	One-Month Sterling LIBOR + Margin	
Margin:	1.00% p.a.	
Interest Accrual Method:	Actual/Actual	
Interest Payment Date:	For all Notes, monthly in arrear on the Interest Payment Dates falling on the 13th day of each month of each year (subject to following business day convention)	
Interest Payment Dates:		
First Interest Payment Date:	14 September 2009	
Final Maturity Date:	July 2066	
Application for Exchange Listing:	London	
ISIN:	XS0438529223	
Common Code:	043852922	
Ratings (Moody's/S&P):	Unrated	

TRANSACTION OVERVIEW

Description of the Notes, the Loans and their Related Security and the Transaction Documents

Status and Form of the Notes

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

- £10,000,000,000 Class AVFN Asset Backed Floating Rate Variable Funding Note due July 2066 (the "**Class AVFN Note**");
- £1,382,900,000 Class A1 Asset Backed Floating Rate Notes due July 2066 (the "**Class A1 Notes**");
- £1,382,900,000 Class A2 Asset Backed Floating Rate Notes due July 2066 (the "**Class A2 Notes**");
- £1,382,900,000 Class A3 Asset Backed Floating Rate Notes due July 2066 (the "**Class A3 Notes**");
- £1,382,900,000 Class A4 Asset Backed Floating Rate Notes due July 2066 (the "**Class A4 Notes**");
- £1,382,900,000 Class A5 Asset Backed Floating Rate Notes due July 2066 (the "**Class A5 Notes**" and, together with the Class A1 Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes, the "**Class A Term Notes**" and, together with the Class AVFN Note, the "**Class A Notes**"); and
- £2,541,700,000 Class Z Asset Backed Floating Rate Notes due July 2066 (the "**Class Z Notes**" and, together with the Class A Notes, the "**Notes**").

Pre-acceleration (i) payments of interest on the Class A Notes will rank *pari passu* without any preference or priority among themselves, (ii) payments of principal on the Class AVFN Note will rank ahead of payments of principal on the Class A Term Notes and (iii) payments of principal on the Class A Term Notes will be paid sequentially and (iv) payments of interest on the Class A Notes will rank ahead of payments of interest and principal on the Class Z Notes. Post acceleration payments of both interest and principal on the Class A Notes will rank ahead of payments of interest and principal on the Class Z Notes. Payments of principal on the Class Z Notes will be met from the Available Revenue Receipts after payment of higher ranking liabilities and from any General Reserve Fund Excess (if applicable).

Pursuant to the Deed of Charge, the Notes will be secured by the Security. Certain other amounts, being the amounts owing to the other Secured Creditors, will also be secured by the Security under the Deed of Charge. In the event of the Security being enforced, the Class A Notes will rank in priority to the Class Z Notes. Certain amounts due by the Issuer to its other Secured Creditors also rank in priority to the Class A Notes and the Class Z Notes.

The Notes will be obligations of the Issuer only. The Notes will not be obligations of, or the responsibility of, any person other than the Issuer or guaranteed by any person. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by any of the Originator, the Originator Trustee, the Originator Beneficiary, the Total Return Swap Provider, the Lead Manager, the Subscriber, the Cash Manager, the Account Bank, the Collection Account Bank, the Note Trustee, the Security Trustee, the Corporate Services Provider, any company in the same group of companies as such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Originator, the Originator Trustee, the Originator Beneficiary, the Total Return Swap Provider, the Lead Manager, the Subscriber, the Cash Manager, the Account Bank, the Collection Account Bank, the Note Trustee, the Security Trustee, the Corporate Services Provider or by any other person other than the Issuer.

Interest on the Notes

The interest rates applicable to the Notes from time to time will be determined by reference to the London Interbank Offered Rate ("**LIBOR**") for One-Month Sterling deposits as displayed on Reuters Screen page LIBOR01 ("**One-Month Sterling LIBOR**") (other than the first Interest Period, which will be determined by reference to a linear interpolation of 2 weeks and One-Month Sterling LIBOR) plus, in each case, a margin which will differ for the Class A Term Notes, the Class AVFN Note and the Class Z Notes. Sterling LIBOR will be determined on the first day of the relevant Interest Period for which the relevant interest rate will apply.

The margins applicable to the Notes, and the Interest Periods for which such margins apply, will be as set out in "*Key Characteristics of the Notes*" above.

Interest payments on the Class Z Notes will be subordinated to interest payments on the Class A Notes (see "*Cashflows — Application of Available Revenue Receipts prior to service of a Note Acceleration Notice on the Issuer*" and "*Cashflows – Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below). This means that holders of the Class Z Notes (the "**Class Z Noteholders**") will not be entitled to receive any payment of interest unless and until all amounts of interest then due to holders of the Class A Notes (the "**Class A Noteholders**") have been paid in full.

Subject as provided below, if on any Interest Payment Date prior to service of a Note Acceleration Notice on the Issuer and prior to the redemption in full of the Class A Notes, after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, the Issuer has insufficient funds to make payment in full of all amounts of interest (including deferred interest thereon) payable in respect of the Class Z Notes, any shortfall in the amount of interest due will not then be paid on such Interest Payment Date but will be deferred and will only be paid, in accordance with the Pre-Acceleration Revenue Priority of Payments (as described in "*Cashflows*" below), on subsequent Interest Payment Dates if and when permitted by any subsequent cashflow which is available after the Issuer's higher ranking liabilities have been discharged in full. Any interest not paid on the Class Z Notes when due will accrue interest and will be paid only to the extent there are funds available on a subsequent Interest Payment Date in accordance with the relevant Priorities of Payments (as described in "*Cashflows*" below). All deferred amounts (including interest thereon) will become immediately due and payable on the Final Maturity Date of the Class Z Notes or on any earlier date that the Class Z Notes are redeemed in full.

Interest will not be deferred on the Class A Notes (or the Class Z Notes where the Class A Notes have been redeemed in full).

Failure to pay interest on the Class A Notes (or the Class Z Notes where the Class A Notes have been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Note Trustee giving a Note Acceleration Notice and the Security Trustee enforcing the Security. Failure to pay interest when due on Class Z Notes where the Class A Notes remain outstanding will not constitute an Event of Default.

Interest is payable in respect of the Notes in Sterling. In respect of each class of Notes, interest is payable monthly in arrear on the 13th day of each month in each year, or, if such day is not a day (other than a Saturday or Sunday) on which banks are generally operating business in London (a "**London Business Day**"), on the immediately succeeding London Business Day (each such date being an "**Interest Payment Date**").

An "**Interest Period**" in relation to the Notes is the period from (and including) an Interest Payment Date (except in the case of the first Interest Payment Date, where it shall be the period from (and including) the Closing Date) to (but excluding) the next succeeding (or first) Interest Payment Date.

Mandatory Redemption

Subject to the terms of the Deed of Charge prior to the service of a Note Acceleration Notice, on each Interest Payment Date, Available Principal Receipts (to the extent not applied as a credit to the Revolving Period Purchase Fund) will be applied to repay the Class AVFN Note until repaid in full, then the Class A1 Notes *pro rata* and *pari passu*, then the Class A2 Notes *pro rata* and *pari passu*, then the Class A3

Notes *pro rata* and *pari passu*, then the Class A4 Notes *pro rata* and *pari passu*, then the Class A5 Notes *pro rata* and *pari passu* on a sequential basis until repaid in full and, on each Interest Payment Date, Available Revenue Receipts will be applied, after payment of higher ranking liabilities, to repay the Class Z Notes until repaid in full. On each Interest Payment Date, any General Reserve Fund Excess (as described in "*Credit Structure – General Reserve Fund*" below), will also be applied to repay the Class Z Noteholders.

Optional Redemption in Full and in Part

Upon giving not more than 10 nor less than 5 days' notice to the Noteholders in accordance with Condition 17 (*Notice to Noteholders*) of the terms and conditions of the Notes (the "**Conditions**"), the Note Trustee and the Total Return Swap Provider and **provided that** (a) on or prior to the Interest Payment Date on which such notice expires, no Note Acceleration Notice has been served, (b) the Issuer has, immediately prior to giving such notice, provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that the Issuer will have the necessary funds to pay all principal and interest due in respect of the Notes to be redeemed on the relevant Interest Payment Date and to discharge all other amounts required to be paid in priority or *pari passu* with the Notes on such Interest Payment Date and (c) S&P has been notified by the Issuer of such intention and the Issuer has not received any written objection from S&P within 14 days of such notification, the Issuer may at its option redeem all (in full or in part) the Class A1 Notes *pro rata* and *pari passu*, the Class A2 Notes *pro rata* and *pari passu*, the Class A3 Notes *pro rata* and *pari passu*, the Class A4 Notes *pro rata* and *pari passu* and the Class A5 Notes *pro rata* and *pari passu*, or the Class Z Notes on the first Interest Payment Date falling on 14 September 2009 or any Interest Payment Date thereafter, **provided that** in the case of redemption of the Class Z Notes, the Class A Notes have been redeemed in full (See *Condition 7.3(a)(iii) of the Notes*).

Any Note redeemed pursuant to Condition 7.3(a) of the Notes will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption (see Condition 7.3(a) of the Notes).

Optional Redemption for Tax or Other Reasons

Subject to the Conditions, if by reason of a change in tax law affecting the Notes and/or the Total Return Swap Agreement which becomes effective on or after the Closing Date, (a) the Issuer or the Principal Paying Agent would be required (on the next Interest Payment Date) to make a deduction or withholding for or on account of tax from any payment in respect of the Notes and/or (b) either the Issuer and/or the Total Return Swap Provider (as applicable) would be required to make a withholding or deduction for or on account of tax from any payment it makes under the Total Return Swap Agreement (as applicable), then the Issuer shall use its reasonable endeavours to appoint a Principal Paying Agent in another jurisdiction (in the case of (a) above) or arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes such that no such withholding or deduction is required (in the case of either (a) or (b) above).

If the Issuer satisfies the Note Trustee that taking the actions as described above would not avoid the effect of the relevant events in (a) or (b) or that, having used its reasonable endeavours, the Issuer is unable to effect such appointment or arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 10 nor less than 5 days' notice in accordance with Condition 7.4 of the Notes redeem all (but not some only) of the Class A Notes and (if the Class A Notes have been redeemed in full) the Class Z Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon (See Condition 7.4 of the Notes).

Credit Enhancement

The Notes will have the benefit of the following credit enhancement or support:

- availability of excess portions of Revenue Receipts (see "*Credit Structure – Credit Support for the Notes provided by Available Revenue Receipts and Credit Structure – Income Deficiency*");
- (in the case of the Class A Notes only) the General Reserve Fund (see "*Credit Structure – General Reserve Fund*");

- (in the case of the Class A Notes only) the Liquidity Reserve Fund, if established (a) following an Liquidity Reserve Fund Downgrade Event or (b) if The Royal Bank of Scotland Group plc (registered number SC45551) ("**RBSG**") ceases to be the ultimate parent company of the Originator (see "*Credit Structure — Liquidity Reserve Fund*"); and
- (in the case of pre-acceleration payments of interest on the Class A Notes and post-acceleration payments of both interest and principal on the Class A Notes) subordination of the Class Z Notes.

Purchase of Notes

Under the Conditions, the Issuer will not be permitted to purchase any of the Notes.

Further Class A Term Notes and/or Further Class Z Notes

The Issuer will be entitled (but not obliged) to issue further Class A Term Notes and/or further Class Z Notes (the "**Further Class A Term Notes**" and the "**Further Class Z Notes**" respectively, and together referred to as the "**Further Notes**") carrying the same terms and conditions in all respects (except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the existing Class A Term Notes and/or Class Z Notes, as appropriate.

The issue of any Further Notes will be subject to satisfaction of the conditions set out in Condition 16 (*Further Class A Term Notes and/or Further Class Z Notes*) including that the ratings of each sub-class of Class A Notes at that time outstanding are not negatively impacted as a result of such issue of Further Notes.

Final Maturity

Unless previously redeemed in full, each sub-class of Notes will mature on the date (which is an Interest Payment Date) designated as the "**Final Maturity Date**" for that sub-class of Notes in the table entitled "*Key Characteristics of the Notes*".

Withholding Tax

Payments of interest and principal with respect to the Notes will be subject to any applicable withholding or deduction for or on account of any taxes and none of the Issuer, the VFN Registrar nor the Principal Paying Agent or any other person will be obliged to pay additional amounts in respect of any such withholding or deduction. The applicability of any withholding or deduction for or on account of UK taxes is discussed further under "*United Kingdom Taxation*".

Expected Average Lives of the Notes

The actual average lives of the Notes cannot be stated, as the actual rate of repayment of the Loans and redemption of the Loans and a number of other relevant factors are unknown.

Ratings

The ratings to be assigned to each sub-class of the Class A Notes on or about the Closing Date by Moody's Investors Service Limited ("**Moody's**") and Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc ("**Standard and Poor's**" and "**S&P**"), and, together with S&P and Moody's, the "**Rating Agencies**", which term includes any further or replacement rating agency appointed by the Issuer with the approval of the Note Trustee to give a credit rating to the Notes (or any class thereof), are set out in "*Key Characteristics of the Notes*" above.

The issuance of the Class A Notes will be conditional on the assignment on the Closing Date of the expected ratings by Moody's and S&P set out above in the table titled "*Key Characteristics of the Notes*" above.

The Class Z Notes will not be rated.

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

judgment, circumstances (including without limitation, a reduction in the credit rating of the Account Bank and/or the Total Return Swap Provider) in the future so warrant.

Listing

Application will be made to the UK Listing Authority to list each sub-class of the Notes (except the Class AVFN Note) on the Official List maintained by the UK Listing Authority and to the London Stock Exchange to admit the Notes (except the Class AVFN Note) to trading on the London Stock Exchange's Regulated Market. The Class AVFN Note will not be admitted to the Official List nor admitted to trading on the London Stock Exchange.

Cashflows backing the Notes

The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated from the Investor Interest in the Loans forming part of the Originator Trust Property and paid to the Issuer in respect of its beneficial interest in the Originator Trust. For further detail see "*Summary of the Key Transaction Documents - Originator Trust Deed and Beneficiaries Deed*" and "*Cashflows*".

The Loans

The term "**Loans**" when used in this Prospectus means the debit balance on certain current accounts of customers of the Originator which are secured on residential owner-occupied properties in England, Wales and Scotland and prime flexible mortgage loans originated by the Originator also secured on residential owner-occupied properties in England, Wales and Scotland all of which have been originated under the One Account brand from time to time which form part of the Portfolio and their Related Security together with, where the context so requires, each Net Principal Increase made after the Closing Date.

The term "**English Loan**" when used in this Prospectus means a Loan secured by an English Mortgage (as defined below). The term "**Scottish Loan**" when used in this Prospectus means a Loan secured by a Scottish Mortgage (as defined below).

The Initial Portfolio and each New Portfolio subject to the declarations of trust contained in the Originator Trust Deed (the "**Portfolio**") will consist of the Loans, the Related Security and all moneys derived therefrom from time to time.

The Loans in the Portfolio will include Loans which have been made to Borrowers who wish to purchase or remortgage a residential property for owner occupancy. See "*Risk Factors – Certain Regulatory Considerations – Office of Fair Trading, Financial Services Authority and Other Regulatory Authorities*" for some particular investment considerations relating to the Loans.

When used in this Prospectus, "**Related Security**" means, in relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto which, as part of the Portfolio, form part of the Originator Trust Property pursuant to the Originator Trust Deed.

The Loans in the Portfolio will be deemed to be Eligible Loans or Ineligible Loans on the basis of compliance with (i) the Eligibility Criteria and (ii) the Loan Warranties. See further "*Summary of the Key Transaction Documents - Originator Trust Deed*" for a more detailed description.

As at the Cut-Off Date, the Initial Provisional Portfolio consists of 91,170 Loans with an aggregate outstanding principal balance of £8,966,873.060.

As at the Closing Date, the Loans in the Portfolio will comprise loans subject to the RBS managed rate "**RBS Managed Rate**", which is a variable rate that can be varied by the Originator with immediate effect. The RBS Managed Rate is not linked to any specific rate. The initial rate will have been stated in the offer letter by RBS to the borrower. RBS as Originator may change the rate with immediate effect and will inform customers of the change within 30 days of such change. When the Payment Services Directive comes into effect on 1st November 2009, current account mortgage customers will receive 60 days prior notice of any interest rate change that is not advantageous to them.

See "*The Loans — Characteristics of the Loans — Mortgage Loan Products*" for a full description of the Loans.

New Portfolio, Net Principal Increases and New Eligible Loans

The Issuer shall, to the extent funds are available, on or prior to the relevant Interest Payment Date, pay to the Originator an amount equal to (i) the New Portfolio Additional Trust Consideration in respect of New Loans or New Eligible Loans and/or, (ii) the Issuer Additional Trust Consideration in respect of any Net Principal Increases.

The New Portfolio Additional Trust Consideration and/or the Issuer Additional Trust Consideration (as applicable) will be funded (i) firstly, by Retained Principal Amounts (if any) and/or (ii) secondly, if there are insufficient Retained Principal Amounts, by way of a Further VFN Subscription (in respect of the portion of the New Portfolio Additional Trust Consideration and/or the Issuer Additional Trust Consideration (as applicable) which is insufficiently funded by Retained Principal Amounts). If the Issuer is unable to fund the New Portfolio Additional Trust Consideration and/or the Issuer Additional Trust Consideration (as applicable) through either the application of Retained Principal Amounts and/or by way of a Further VFN Subscription, such New Loans, New Eligible Loans, or Net Principal Increases (as applicable) will be deemed, subject in certain cases to the payment of a NPI Compensation Payment (as defined below), Unfunded Eligible Loans and will be funded by way of Unfunded Eligible Consideration until such time as the Issuer has sufficient Retained Principal Amounts and/or a Further VFN Subscription is made to pay the required New Portfolio Additional Trust Consideration and/or the Issuer Additional Trust Consideration (as applicable) in respect of the Unfunded Eligible Loans on or before any subsequent Interest Payment Date. Once the required New Portfolio Additional Trust Consideration and/or the Issuer Additional Trust Consideration (as applicable) is paid in respect of the Unfunded Eligible Loans, they shall be deemed to be Eligible Loans on such Interest Payment Date and any Investor Interest Amounts generated by these Loans will be paid to the Issuer and will be applied in accordance with the Issuer's Priorities of Payments.

New Loans which are deemed Ineligible Loans and Net Principal Increases in respect of Ineligible Loans will be funded by way of Ineligible Consideration.

See "*Summary of the Key Transaction Documents - Originator Trust Deed and Beneficiaries Deed*" below for a full description of New Portfolio, Net Principal Increases and Net Eligible Loans

Related Security

Any reference to the "**outstanding principal balance**" of the Loans includes capitalised expenses, fees, capitalised arrears, capitalised interest and, for the avoidance of doubt, any increase in the principal amount of a Loan due to any Net Principal Increase.

As at the Closing Date, the Loans to be included in the Portfolio each have an original repayment term of up to 52 years. No Loan in the Portfolio will have a final repayment date falling later than two years prior to the Final Maturity Date for the Notes.

All the Loans to be included in the Portfolio are secured by:

- (a) first ranking legal charges over freehold or leasehold properties located in England or Wales (an "**English Mortgage**"); or
- (b) first priority standard securities over heritable properties or properties held under long leases located in Scotland (a "**Scottish Mortgage**" and together, the "**Scottish Mortgages**" and, together with the English Mortgages, the "**Mortgages**" and each, a "**Mortgage**" and each property the subject of a Mortgage, a "**Mortgaged Property**" and together, the "**Mortgaged Properties**").

All of the Mortgages for the Loans constitute "all moneys charges" in that they stand as security for the Associated Debt as well as for Loans which do form part of the Originator Trust Property (each such Mortgage an "**All Moneys Mortgage**" and together, the "**All Moneys Mortgages**"). An All Moneys Mortgage will be enforceable on the occurrence of a default by a Borrower either under a Loan or any Associated Debt secured by the relevant All Moneys Mortgage (see "*Summary of the Key Transaction Documents — Originator Trust Deed and Beneficiaries Deed — All Moneys Mortgages*").

In relation to the Loans comprising the Initial Provisional Portfolio as at the Cut-Off Date, (a) the weighted average current loan-to-value of those Loans was 55.47 per cent., (b) the weighted average seasoning of those Loans was 4.3 years and (c) the Loans are secured by Mortgages over properties situated in England, Wales and Scotland.

Breach of Loan Warranties

The Issuer will have the benefit of certain representations and warranties (the "**Loan Warranties**") to be given by the Originator as at the Closing Date in relation to the Initial Loans and their Initial Related Security comprising the Initial Portfolio and to be given by the Originator as at the relevant Calculation Date in relation to the New Loans and their New Related Security comprising the relevant New Portfolio, including warranties in relation to the Lending Criteria applied in advancing the Initial Loans or, as the case may be, the New Loans, which may vary from time to time.

It should be noted that the Issuer may agree from time to time that any Loan Warranty in relation to any New Portfolio may be varied from time to time **provided that** the Issuer shall notify any such variations to the Rating Agencies and the Issuer has not received an objection to such variation from Moody's and S&P within 14 days of such notification or the consent of the Security Trustee in relation to such variations has been obtained.

If the Originator Trustee subsequently determines that any Loan Warranty made by the Originator in relation to an Eligible Loan (including any New Loan and for the avoidance of doubt, excluding any Unfunded Eligible Loans) forming part of the Originator Trust Property and/or its Related Security was materially breached or has proved to be materially untrue as at the Closing Date or any applicable Calculation Date (as the case may be) and that default has not been remedied within 20 London Business Days of the Originator Trustee making such determination (the "**Warranty Breach Date**"), then, subject to the payment of a Breach of Warranty Payment by the Originator pursuant to the Originator Trust Deed on or prior to the next following Calculation Date, the Originator Trustee shall deem the relevant Loan to be an Ineligible Loan from (and including) the first day of the immediately following Collection Period. Once a Loan becomes an Eligible Loan, it will not be re-tested against the Loan Warranties.

"Breach of Warranty Payment" shall mean an amount equal to 99 per cent. of the Current Balance plus Unpaid Interest of the relevant Loan as at the first day of the Collection Period commencing after the Warranty Breach Date.

Principal Deficiency Ledger

A Principal Deficiency Ledger will be established to record any Losses affecting the Loans in the Portfolio and the application of any Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to cover any Income Deficit as described in "*Credit Structure — Principal Deficiency Ledger*" below.

When used in this Prospectus, "**Losses**" means any realised loss on the Loans as determined by the Originator as administrator of the Originator Trust Property.

See "*Credit Structure — Principal Deficiency Ledger*", below.

Total Return Swap Agreement

Payments received by the Issuer in respect of the Investor Interest will be subject to variations in the RBS Managed Rate. To hedge, among other things, the potential variance between the RBS Managed Rate and One-Month Sterling LIBOR, the Issuer will enter into the Total Return Swap Transaction with the Total Return Swap Provider and the Security Trustee under the Total Return Swap Agreement. See "*Credit Structure – Total Return Swap Transaction*".

Subordinated Loan Agreement

The Issuer will enter into the Subordinated Loan Agreement on or about the Closing Date with the Subordinated Loan Provider, pursuant to which the Subordinated Loan Provider will make the Initial Subordinated Loan Advance to the Issuer on the Closing Date in the amount of £3,250,000 which will be used to meet certain of the Issuer's initial fees and expenses incurred in connection with the issue of the Notes. From time to time after the Closing Date, the Subordinated Loan Provider may make Further

Subordinated Loan Advances to the Issuer to fund (a) the General Reserve Fund, to the extent the balance of the General Reserve Fund is less than the General Reserve Fund Required Amount, in the amount of such shortfall and /or, (b) the Set-Off Reserve Fund, to the extent the balance of the Set-Off Reserve Fund is less than the Set-Off Reserve Required Amount, in the amount of such shortfall (as required).

Bank Account Agreement

The Issuer will enter into the Bank Account Agreement with the Account Bank on or about the Closing Date in respect of the GIC Account, the Transaction Account, the Euro Account and any additional accounts to be established pursuant to the Bank Account Agreement (collectively, the "**Bank Accounts**"). The Issuer may invest the amount standing in the GIC Account in Authorised Investments. The Liquidity Reserve Fund (if established) will be deposited in the GIC Account. On each Interest Payment Date, the Cash Manager will transfer moneys from the GIC Account (including all amounts of interest earned on the Authorised Investments in the GIC Account) to the Transaction Account and such monies will be applied from the Transaction Account in accordance with the relevant Priorities of Payments. If the New Portfolio Additional Trust Consideration and/or Issuer Additional Trust Consideration is to be funded by Retained Principal Amounts and/or by way of a Further VFN Subscription (in which case subscription monies from the Further VFN Subscription will be paid into the GIC Account), moneys representing Retained Principal Amounts and/or proceeds from the Further VFN Subscription will also be transferred from the GIC Account to pay any Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration (as applicable).

RISK FACTORS

The following sets out the principal risks associated with an investment in the Notes. These risk factors are material to an investment in the Notes and in the Issuer. Prospective Noteholders should carefully read and consider all the information contained in this Prospectus, including the risk factors set out in this section, prior to making any investment decision.

Liabilities Under the Notes

The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Originator, the Total Return Swap Provider, the Lead Manager, the Subscriber, the Cash Manager, the Account Bank, the Collection Account Bank, the Note Trustee, the Security Trustee, any company in the same group of companies as such entities, any other party to the Transaction Documents or by any person other than the Issuer.

Limited Source of Funds

The ability of the Issuer to meet its obligations to pay principal and interest on the Notes and its operating and administrative expenses will be dependent primarily on its interest in the Originator Trust, (which is dependent on the receipt of Loan Revenue Receipts and Loan Principal Receipts in respect of the Loans in the Portfolio, interest earned on the Authorised Investments in the Bank Accounts, and the receipts under the Total Return Swap Transaction and, in the case of the Class A Notes, amounts standing to the credit of the General Reserve Fund, the Liquidity Reserve Fund (if established) and the Set-Off Reserve Fund (if established) (the General Reserve Fund, the Set-Off Reserve Fund and the Liquidity Reserve Fund, together, the "**Reserve Funds**").

Considerations Relating to Yield, Prepayments and Mandatory Redemptions

The yield to maturity of the Notes of each sub-class will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans. Prepayments on the Loans may result from refinancings, sales of properties by Borrowers voluntarily or as a result of enforcement proceedings under the relevant Mortgages, as well as the receipt of proceeds under the insurance policies. In addition, payment of a Breach of Warranty Payment and/or a NPI Compensation Payment in respect of Loans required to be made under the Originator Trust Deed will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans.

The rate of prepayment of Loans is influenced by a wide variety of economic, social and other factors, including prevailing mortgage market interest rates, the availability of alternative financing programmes, local and regional economic conditions and homeowner mobility. Generally, when market interest rates increase, borrowers are less likely to prepay their mortgage loans, while conversely, when market interest rates decrease, borrowers are generally more likely to prepay their mortgage loans. For instance, borrowers may prepay mortgage loans when they refinance their loans or sell their properties (either voluntarily or as a result of enforcement action taken). In addition, if a Loan or Loans under a mortgage account and their Related Security do not comply with the Loan Warranties and becomes an Ineligible Loan, then the Breach of Warranty Payment received by the Issuer will have the same effect as a prepayment of all the Loans under that mortgage account. Because these and other relevant factors are not within the control of the Issuer, no assurance can be given as to the level of prepayments that the Portfolio will experience.

Payments and prepayments of principal on the Loans allocated to the Investor Interest will be applied to reduce the Principal Amount Outstanding of the Class AVFN Note, then the Class A Term Notes (on a sequential basis although ranking *pari passu* without any preference or priority among themselves) and then be applied to reduce the Class Z Notes on each Interest Payment Date in accordance with the Pre-Acceleration Principal Priority of Payments (see "*Cashflows*" below). During the Revolving Period, payments and repayments of principal on the Loans allocated to the Investor Interest will be credited to the Revolving Period Purchase Fund and, to the extent not released as Available Principal Receipts, will be available to the Issuer to pay the New Portfolio Additional Trust Consideration and/or the Issuer Additional Trust Consideration.

Following enforcement of the Security, there is no guarantee that the Issuer will have sufficient funds to redeem the Notes in full.

Notwithstanding the order of payment in the Pre-Acceleration Priority of Payments, you should note that Condition 7.3 allows the Issuer to redeem all or part of any sub-class of the Class A Notes and the Class Z Notes on any Interest Payment Date. This means that certain sub-classes of the Class A Notes and the Class Z Notes may be redeemed earlier than other sub-classes of Class A Notes and the Class Z Notes.

Declining Property Values

The security for the Notes consists primarily of the Issuer's interest in the Loans and Related Security forming part of the Originator Trust. The value of the Related Security may be affected by, among other things, a decline in the residential property values in the United Kingdom. No assurance can be given that the value of any Related Security has remained or will remain at the level at which it was on the date of origination of the related Loan. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security being significantly reduced and, in the event that the Related Security is required to be enforced, may result in losses on the Notes.

From 2007 to date, house prices have fallen under different monthly measurements as a result of a combination of subdued earnings growth, greater pressure on household finances and the effect of the continuing global market volatility that began in the summer of 2007. Should house prices continue to decline, Borrowers may have insufficient equity to refinance their mortgage loans with lenders or to repay their mortgages on disposal of the property. This could lead to higher delinquency rates and losses.

Default by Borrowers in paying amounts due on their Loans

Borrowers may default on their obligations due under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the general economic conditions affecting the United Kingdom real estate markets and consumer-owned real estate markets, such as: volatility in interest rates; lack of liquidity in wholesale funding markets in periods of stressed economic conditions, economic or political crisis; illiquidity and downward price pressure; commencement of recession and employment fluctuations; consumer perception as to the continuing availability of credit and price competition which may have an adverse impact on delinquency and repossession rates. Other factors in Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers. In addition, Loans which form part of the Originator Trust Property on the Closing Date will include (i) Loans which are in arrears or in excess of its facility limit (as the case may be) on the Closing Date and (ii) Loans, the Borrower under which have been subject to (a) a County Court Judgment (or its Scottish equivalent) which has been revealed by the credit reference search or (b) a bankruptcy order. All these factors could ultimately have an adverse impact on the ability of Borrowers to repay the Loans and as a result, affect the repayment on the Notes. See further "*Characteristics of the Portfolio*".

Geographic Concentration Risks

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

Subordination of Class Z Notes

The Class Z Notes are subordinated in right of payment of interest (in relation to both pre-acceleration payments of interest and post-acceleration payments of interest) and also principal (in relation to post-acceleration payments of principal) to the Class A Notes, as set out in "*Cashflows – Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice on the Issuer*", "*Cashflow – Application of Available Principal Receipts prior to the service of a Note Acceleration Notice on the Issuer*" and "*Cashflow – Distribution of Available Principal Receipts and Available Revenue Receipts following the Service of a Note Acceleration Notice on the Issuer*". There is no assurance that these subordination rules will protect the holders of Class A Notes from all risk of loss.

Deferral of Interest Payments

If, on any Interest Payment Date whilst any of the Class A Notes remains outstanding, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of the Class Z Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date or such earlier date as interest in respect of the Class Z Notes becomes immediately due and repayable in accordance with the Conditions. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled, under Condition 18 (*Subordination by Deferral*), to defer payments of interest in respect of the Class Z Notes.

Failure to pay interest on the Class A Notes (or the Class Z Notes outstanding where the Class A Notes have been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

Income and Principal Deficiency

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the Class A Notes and amounts ranking in priority thereto there is an Income Deficit, then subject to certain conditions set out in "*Cashflows – Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls*", the Issuer may apply first Principal Receipts (if any) and secondly amounts standing to the credit of the Liquidity Reserve Fund (if established) to make up the shortfall. In this event, the consequences set out in the following paragraph may result.

Application, as described above, of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit will be recorded on the Principal Deficiency Ledger until the balance of the Principal Deficiency Ledger is equal to the aggregate Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Class A Notes, principal deficiencies will be recouped from Available Revenue Receipts. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Acceleration Revenue Priority of Payments, to credit the Principal Deficiency Ledger.

If there are insufficient funds available as a result of such income or principal deficiencies, then one or more of the following consequences may ensue:

- (a) the interest and other net income of the Issuer may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and
- (b) there may be insufficient funds to repay the Notes in full on or prior to the Final Maturity Date of the Notes unless the other net income of the Issuer is sufficient, after making other payments to be made in priority thereto, to reduce to nil the balance on the Principal Deficiency Ledger.

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

The secondary mortgage markets are currently experiencing severe disruptions resulting from reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. As a result, the secondary market for mortgage-backed

securities is experiencing extremely limited liquidity. These conditions may continue or worsen in the future.

Limited liquidity in the secondary market for mortgage-backed securities has had a severe adverse effect on the market value of mortgage-backed securities. Limited liquidity in the secondary market may continue to have a severe adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the investment requirements of limited categories of investors. Consequently, you may not be able to sell your Notes readily. The market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to you.

In addition, the forced sale into the market of mortgage-backed securities held by structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties could adversely affect your ability to sell, and/or the price you receive for, your Notes in the secondary market.

Ratings of the Notes

The ratings address the likelihood of full and timely payment to the Class A Noteholders of all payments of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of each sub-class of Class A Notes. The Class Z Notes will not be rated by the Rating Agencies.

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

At any time any Rating Agency may revise its relevant rating methodology with the result that, among other things, any rating assigned to the Class A Notes may be revised.

Conflict of Interest between Secured Creditors (including the Noteholders)

The Deed of Charge contains provisions requiring the Security Trustee to have regard to the interest of each of the Secured Creditors as regards all of its powers, trusts, authorities, duties and discretions, but requiring the Security Trustee, in the event of a conflict between the interests of the Noteholders and any other Secured Creditors to have regard only (except where expressly provided otherwise) to the interests of the Noteholders. The Deed of Charge also contains provisions requiring the Security Trustee to have regard to the interest of the Total Return Swap Provider only if there is a conflict of interest between the Total Return Swap Provider and the other Secured Creditors.

Conflict Between Class A Noteholders and Class Z Noteholders

The Trust Deed and the Deed of Charge each contain provisions requiring the Note Trustee and the Security Trustee to have regard to the interests of the Class A Noteholders and the Class Z Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). If, in the opinion of the Note Trustee or the Security Trustee, however, there is or may be a conflict between the interests of (a) the Class A Term Noteholders (for so long as there are any Class A Term Notes outstanding) on one hand and the interests of the Class AVFN Noteholder on the other hand, then the Note Trustee or the Security Trustee (as applicable) is required to have regard only to the interests of the Class A Term Noteholders or (b) the Class A Noteholders (for so long as there are any Class A Notes outstanding) on one hand and the interests of the Class Z Noteholders on the other hand then the Note Trustee or the Security Trustee (as applicable) is required to have regard only to the interests of the Class A Noteholders.

RBS as Subscriber will purchase all of the Notes on the Closing Date (see "*Subscription and Sale*" below). While RBS remains the beneficial owner of any class of Notes, it will be entitled to vote in respect of them.

Meetings of Noteholders, Modification and Waivers

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders (but, in the case of the Security Trustee only, with the written consent of the Total Return Swap Provider in respect of any amendments to the Priorities of Payment or the Total Return Swap Agreement), to (i) any modification of, or the waiver or authorisation of any breach or proposed breach of, the Conditions or any of the Transaction Documents which is not, in the opinion of the Note Trustee, materially prejudicial to the interests of the Noteholders and, in the opinion of the Security Trustee, is not materially prejudicial to the interests of the Noteholders and any other Secured Creditor or (ii) any modification which, in the Note Trustee's or, as the case may be, the Security Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, proven. In the event of a conflict between the interests of the Noteholders and the interests of the other Secured Creditors the interests of the Noteholders will prevail.

Book-Entry Interests

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

Citibank Europe plc will be considered the registered holder of Class A Term Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Class A Term Notes under the Trust Deed while the Class A Term Notes are represented by the Global Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of Euroclear and Clearstream, Luxembourg and, if such person is not a participant in such entities, on the procedures of the participant through which such person owns its interest, to exercise any right of a Noteholder under the Trust Deed.

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

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

Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

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

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

Hedging Risks

The Loans in the Portfolio and forming part of the Originator Trust Property will be subject to variable rates of interest based on the RBS Managed Rate while the Issuer's liabilities under the Notes are based on One-Month Sterling LIBOR plus 1.25 per cent.

To hedge (among other things) its interest rate exposure to receipts in respect of the Investor Interest, the Issuer will (on or about the Closing Date) enter into the Total Return Swap Agreement (setting out the terms of the Total Return Swap Transaction) with the Total Return Swap Provider (see "*Credit Structure—Total Return Swap Agreement*" below).

The Issuer's obligation to make payments under the Total Return Swap Transaction is limited to an amount equal to the lesser of (A) the sum of certain Revenue Receipts which are Available Revenue Receipts actually received by the Issuer during the related mortgage collection period and (B) an amount calculated by reference to the product of (x) 99 per cent. of the aggregate Current Balance of the Eligible Loans (excluding any Unfunded Eligible Loans) (such balance to be determined as at the beginning of certain Collection Periods as further described in the Total Return Swap Transaction) (y) the relevant day count fraction and (z) One-Month LIBOR plus 1.50 per cent.

The Total Return Swap Provider will be obliged to make payments under the Total Return Swap Transaction only to the extent that the Issuer has complied with its obligations under the Total Return Swap Transaction.

A failure by the Total Return Swap Provider to make timely payments of amounts due under the Total Return Swap Agreement will constitute a default thereunder. In addition, the Total Return Swap Agreement will provide that, upon the occurrence of certain other events (including but not limited to certain tax events and events of default), the Total Return Swap Transaction may be terminated by the Issuer or the Total Return Swap Provider giving notice (or automatically if a Note Acceleration Notice is served on the Issuer by the Note Trustee) and, as a result of such termination, a swap termination payment (based, initially, on the cost of obtaining a replacement swap transaction) may be payable by either the Issuer or the Total Return Swap Provider.

To the extent that the Total Return Swap Provider defaults in its obligations to make payments to the Issuer in Sterling calculated by reference to One-Month Sterling LIBOR on any relevant payment date under the Total Return Swap Transaction (each of which corresponds to an Interest Payment Date) (and solely in relation to the Class A Notes, to the extent that there are insufficient Principal Receipts or funds standing to the credit of the Liquidity Reserve Fund (if established)), for that Interest Payment Date the Issuer may not have sufficient funds to meet the interest payments due under the Notes.

If the Total Return Swap Transaction terminates then: (a) to the extent that one or more comparable replacement swap transactions cannot be entered into, the Issuer will be exposed on a continuing basis to the possible variance between the variable rates payable on the Loans in the Portfolio and One-Month Sterling LIBOR; (b) the Issuer may be required to pay a swap termination payment to the Total Return Swap Provider; and (c) the Issuer may be required to pay additional amounts other than those that would have been payable but for such termination (including additional costs of entering into replacement swaps where such replacement swaps cannot be entered immediately on termination of the original Total Return

Swap Transaction). In the case of each of (a), (b) or (c) above the Issuer may have insufficient funds to make payments due on the Notes.

With the exception of any Total Return Swap Excluded Termination Amounts, all swap termination payments due by the Issuer in relation to the Total Return Swap Transaction will rank prior to payments in respect of all Classes of the Notes. If the Issuer is required to make such a payment to the Total Return Swap Provider then the Issuer may not have sufficient funds to make payments due in respect of the Notes. All swap termination payments (including a Total Return Swap Excluded Termination Amount) payable by the Issuer following termination of the Total Return Swap Transaction will rank prior to payments in respect of the Class Z Notes. If the Issuer is required to make such swap termination payments to the Total Return Swap Provider then the Issuer may not have sufficient funds to make payments due in respect of the Class Z Notes.

No assurance can be given as to the ability of the Issuer to enter into one or more replacement swap transactions on similar commercial terms, or if one or more replacement transactions are entered into, as to the credit rating of the swap provider(s) for the replacement transactions.

Tax Event in Relation to the Swap Transaction

If by reason of a change in tax law affecting the Total Return Swap Agreement becoming effective on or after the Closing Date, the Issuer would be required to make a withholding or deduction for or on account of tax from any payment it makes under the Total Return Swap Agreement and/or the Total Return Swap Provider would be required to make a withholding or deduction for or on account of tax from any payment it makes under the Total Return Swap Agreement and is obliged to gross up its payments to the Issuer under the Total Return Swap Agreement to account for such tax, then the Total Return Swap Provider shall, as a condition to its right to terminate the Total Return Swap Transaction, use all reasonable efforts to appoint a substitute Total Return Swap Provider (or act through another office of the Total Return Swap Provider) so that such deduction or gross up is no longer required. In circumstances where the Total Return Swap Provider is not able to make such a substitution, then the Total Return Swap Provider may be entitled to terminate the Total Return Swap Transaction, and, if it does so, there may be a swap termination payment to be made (or received) by the Issuer thus reducing (or increasing) the funds available to the Issuer to make payments in respect of the Notes. If the Issuer is required to make such payment to the Total Return Swap Provider then the Issuer may not have sufficient funds to make payments due in respect of the Notes and to the extent that one or more comparable replacement swap transactions cannot be entered into, the Issuer will be exposed on a continuing basis to the possible variance between the variable rates payable on the Loans in the Portfolio and One-Month Sterling LIBOR and the Issuer may have insufficient funds to make payments due on the Notes on an ongoing basis.

Issuer Reliance on Third Parties

The Issuer is also party to contracts with a number of other third parties who have agreed to perform services in relation to the Notes. In particular, but without limitation, the Corporate Services Provider will agree to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Account Bank will agree to provide the GIC Account and the Transaction Account to the Issuer pursuant to the Bank Account Agreement, the Originator will agree to administer the Portfolio in accordance with the terms of the Originator Trust Deed and the Principal Paying Agent, the Registrar, the Agent Bank and the VFN Registrar will all agree to provide services with respect to some or all of the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

Withholding Tax Under the Notes

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

As of the date of this Prospectus, no withholding or deduction for or on account of UK tax will be required on interest payments to any holders of the Class A Term Notes and/or the Class Z Notes

provided that such Notes carry a right to interest and are and continue to be listed on a recognised stock exchange. The London Stock Exchange is a recognised stock exchange for such purposes and the Notes (other than the Class AVFN Note) will be treated as listed on the London Stock Exchange if the Notes (other than the Class AVFN Note) are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange.

Searches, Investigations and Warranties in Relation to the Loans

The Originator will give certain warranties to each of the Issuer and the Security Trustee regarding the Initial Loans and their Initial Related Security forming the Originator Trust Property on the Closing Date and will give similar warranties to each of the Issuer and the Security Trustee regarding its respective New Loans and their New Related Security that will form part of the Originator Trust Property on any Additional Trust Date (see "*Summary of Key Transaction Documents — Originator Trust Deed*" below for a summary of these).

None of the Note Trustee, the Security Trustee or the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties to be given in the Originator Trust Deed by the Originator in respect of its respective Loans forming the Originator Trust Property. The primary remedy of the Issuer against the Originator if any of the warranties made by the Originator is materially breached or proves to be materially untrue as at the Closing Date, or, as if the case may be, any relevant Calculation Date and is not remedied within 20 London Business Days of the Originator Trustee making the determination that the Loan Warranty has been breached, shall be to require the Originator to make a Breach of Warranty Payment in respect of the relevant Loan and its Related Security. There can be no assurance that the Originator will have the financial resources to honour such obligations under the Originator Trust Deed. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Interest Only Loans

Each Loan to be included in the Portfolio and constituting the Originator Trust Property is repayable either on a capital repayment basis, an interest only basis or a combination capital repayment/interest only basis (see "*The Loans — Repayment Terms*" below). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to help ensure that funds will be available to repay the capital at the end of the term. However, the Originator does not require proof of any such repayment mechanism and do not take security over any investment policies taken out by Borrowers. The Originator also strongly recommends that a Borrower takes out a life insurance policy in relation to the Loan, but the Originator does not have the benefit of security over such life policies on Loans unless at the request of the Borrower or as a condition of sanction of a lending unit.

Borrowers may not have been making payment in full or on time of the premiums due on any relevant investment or life policy, which may therefore have lapsed and/or no further benefits may be accruing thereunder. In certain cases, the policy may have been surrendered but not necessarily in return for a cash payment and any cash received by the Borrower may not have been applied in paying amounts due under the Loan. Thus the ability of such a Borrower to repay an interest only loan at maturity frequently may depend on such Borrower's responsibility in ensuring that sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an interest only loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

Continued Relationship of RBS with Borrowers under Advances and Conflicts of Interest

RBS and its affiliates may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of personal banking transactions with, any existing or future Borrower. Various potential and actual conflicts of interest may arise from the activities of RBS and/or its affiliates in connection with the transactions contemplated by this Prospectus. It is noted that, under the terms of the Originator Trust Deed, the Originator will not take any action likely to impair the interests of the Issuer in

any of the Originator Trust Property or the value of any Loan and is required to administer the Loans in accordance with the Servicing Standard.

No Exclusive Interest

The Issuer will not have any exclusive interest in the Loans or their Related Security. The Issuer will have a fixed undivided interest in the Originator Trust Property (so far as relating to the Loans) which does not give it exclusive entitlement to any particular asset (or to any severable part of an asset) within the Originator Trust Property. The Issuer will not be entitled to have transferred to it legal title to the Loans and their Related Security which shall continue to be held by the Originator in its capacity as trustee of the Originator Trust. Moreover, notice of the trust will not be given to Borrowers unless certain events occur, as set out in the Beneficiaries Deed. In its capacity as trustee of the Originator Trust, the Originator Trustee will hold the Loans and their Related Security for the benefit of the Issuer and the Originator Beneficiary. None of the Issuer, the Security Trustee or the Note Trustee will have a direct contractual relationship with any Borrower. The beneficial entitlement of the Issuer under the Originator Trust does not constitute a purchase or other acquisition, assignment or transfer of any legal ownership in any Loan or its Related Security. The Originator will not grant the Issuer, the Security Trustee or the Note Trustee or any other entity any security interest over any Loan or Related Security.

In the event of default by Borrowers under the Loans or Related Security, the Issuer will have rights solely against the Originator Trustee and will have no rights against Borrowers. Only the Originator will be entitled to take any remedial action in respect of the Loans or Related Security or to exercise any votes permitted to be taken or given thereunder.

However, pursuant to the Originator Power of Attorney, the Issuer, may act in the name of the Originator (as lender of record) to take actions to enforce the Loans against the Borrowers and to collect the proceeds of the Originator Trust Property upon the occurrence of a Power of Attorney Event (see "*Summary of Key Transaction Documents — Originator Trust Deed –Originator Power of Attorney*"). The Issuer has received legal advice (subject to certain reservations) to the effect that the Issuer may exercise its powers under the Originator Power of Attorney following the occurrence of a Power of Attorney Event without the leave of the court under English insolvency laws. There can be no assurance, however, that a court would reach the same conclusion or that leave, if required, would be granted.

The holding of a beneficial interest (under a trust) has the following main legal consequences in England and Wales:

- (a) for so long as the Issuer holds only a beneficial interest in the Loans and their Related Security, the Issuer's interest in the Loans and their Related Security may become subject to interests of third parties (whether legal or equitable) created after the creation of the Issuer's beneficial interest. In addition, the holding of a beneficial interest does not enable the Issuer to prevent the Originator from modifying the terms of the Loans and their Related Security. Under the Originator Trust Deed, the Originator has agreed to certain restrictions on its ability to vary any of the terms of the Loans or the Related Security;
- (b) any legal proceedings taken against any Borrower must be taken in the name of the Originator only (see "*Originator Power of Attorney*"). In this regard, following a Power of Attorney Event, the Originator will undertake for the benefit of the Issuer that it will lend its name to and take such other steps as may reasonably be required by the Issuer, in relation to any legal proceedings in respect of any Loan or its Related Security;
- (c) any Borrower is not bound to make payment to anyone other than the person to whom he or she made such payments before the declaration of trust took place (being the Originator) and can obtain a valid discharge from such person; and
- (d) equitable or common law rights of set-off may accrue in favour of such Borrower against his or her obligation to make payments under the relevant Loans to the Originator, for example, in respect of other deposit accounts a Borrower may have with RBS or in respect of the Originator's obligation to fund any further amount to a Borrower if it was contractually obliged to do so. These rights may result in the Issuer receiving less money than anticipated from the Portfolios. Under the terms of the Originator Trust Deed, the Originator has warranted that, other than qualifications and exceptions that have been made in individual cases by the Originator acting as

reasonably prudent mortgage lender, there are no current rights of the Borrowers to reduce the amount payable in respect of any Loan by way of set-off or otherwise.

Grace Period for Mortgage Arrears

On 1 December 2008 RBS announced a six months grace period for customers with mortgage Arrears. Pursuant to the announcement RBS will not initiate repossession proceedings for a full six months after a customer first falls into Arrears. The commitment not to initiate enforcement proceedings will remain in place until at least the end of 2009. This may delay or impact the amounts of monies which would otherwise form Loan Principal Receipt and/or Loan Revenue Receipt if they had been recovered from repossession proceeding which are initiated immediately upon mortgage Arrears.

Insurance Policies

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

Denominations

The Notes (other than the Class AVFN Note) are issued in the denominations of £100,000 per Note. However, for so long as the Class A Term Notes are represented by Global Notes, and Euroclear and Clearstream, Luxembourg so permit, the Class A Term Notes shall be tradeable in minimum nominal amounts of £100,000 and integral multiples of £1,000 thereafter.

If Definitive Notes are required to be issued in respect of the Class A Term Notes represented by Global Notes, they will only be printed and issued in denominations of £100,000 and any amount in excess thereof in integral multiples of £10,000. Accordingly, if Definitive Notes are required to be issued in respect of the Global Notes, a Noteholder holding an interest in a Global Note of less than the minimum authorised denomination at the relevant time may not receive a Definitive Note in respect of such holding and may need to purchase a principal amount of the relevant class or sub-class of Listed Notes such that their holding amounts to the minimum authorised denomination. If Definitive Notes are issued in respect of the Global Notes, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination or for any amount in excess thereof in integral multiples of £10,000 may be illiquid and difficult to trade.

On the Closing Date, the Class AVFN Note will be in registered uncertificated form and no certificate evidencing entitlement to the Class AVFN Note will be issued.

Change of Law

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

Certain Regulatory Considerations

Office of Fair Trading, Financial Services Authority and Other Regulatory Authorities

In the United Kingdom, the Office of Fair Trading (the "OFT") is responsible for the issue of licences under, and the superintendence of the working and enforcement of, the Consumer Credit Act 1974 (the "CCA"), related consumer credit regulations and other consumer protection legislation. The OFT may review businesses and operations, provide guidelines to follow and take action when necessary with regard to the mortgage market in the United Kingdom (except to the extent that the market is regulated by the FSA under FSMA, as described below). The CCA regime is different from and in addition to the FSMA regime.

A credit agreement is regulated by the CCA where (a) the borrower is or includes an "individual" as defined in the CCA, (b) if the credit agreement was made before the financial limit was removed (as described below), the amount of "credit" as defined in the CCA does not exceed the financial limit of £25,000 for credit agreements made on or after 1 May 1998 or lower amounts for credit agreements made before that date and (c) the credit agreement is not an exempt agreement under the CCA (for example, in certain circumstances, a credit agreement to finance the purchase of land is an exempt agreement under the CCA).

Any credit agreement that is wholly or partly regulated by the CCA or treated as such has to comply with requirements under the CCA as to licensing of lenders and brokers, documentation and procedures of credit agreements and (in so far as applicable) pre-contract disclosure. If it does not comply with those requirements, then to the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable against the borrower (a) without an order of the OFT, if the lender or any broker does not hold the required licence at the relevant time, (b) totally, if the credit agreement was made before 6 April 2007 and if the form of such credit agreement was not properly signed or omits or mis-states a "prescribed term" or (c) without a court order in other cases and, in exercising its discretion whether to make the order, the court would take into account any prejudice suffered by the borrower and any culpability of the lender.

There is a risk that any credit agreement intended to be a Regulated Mortgage Contract under the FSMA or unregulated might instead be wholly or partly regulated by the CCA or treated as such because of technical rules on (a) determining whether any credit under the CCA arises or whether any applicable financial limit of the CCA is exceeded, (b) determining whether the credit agreement is an exempt agreement under the CCA and (c) changes to credit agreements.

A court order under Section 126 of the CCA is necessary to enforce a land mortgage (including in Scotland, a standard security) securing a credit agreement to the extent that the credit agreement is regulated by the CCA or treated as such. In dealing with such application, the court has the power, if it appears just to do so, to amend the loan, further advance or credit agreement or to impose conditions upon its performance or to make a time order (for example, giving extra time for arrears to be cleared).

Under Section 75 of the CCA in certain circumstances the lender is liable to the borrower in relation to misrepresentation and breach of contract by a supplier in a transaction financed by the lender, where the related credit agreement is or is treated as entered into under pre-existing arrangements, or in contemplation of future arrangements, between the lender and the supplier. The lender may also be entitled to be indemnified against such liability, subject to any agreement between the lender and the supplier. The borrower may set off the amount of the claim against the lender against the amount owing by the borrower under the loan or under any other loan agreement that the borrower has made with the lender (or exercise analogous rights in Scotland). Any such set-off may adversely affect the Issuer's ability to make payments on the Notes.

The Consumer Credit Act 2006 (the "**CCA 2006**"), which amends and updates the CCA, was enacted on 30 March 2006 and was fully implemented by 31 October 2008.

For example, the "extortionate credit" regime has been replaced by an "unfair relationship" test. The "unfair relationship" test applies to all existing and new credit agreements except Regulated Contracts under the FSMA. The new test explicitly imposes liability to repay amounts received from a borrower on both the originator and any assignee (such as the Issuer). In applying the "unfair relationship" test, the courts will be able to consider a wider range of circumstances surrounding the transaction, including the creditor's conduct before and after making the agreement. There is no statutory definition of the word "unfair" as the intention is for the test to be flexible and subject to judicial discretion.

The courts may, but are not obliged to, look solely to the CCA for guidance. The FSA "Principles for Businesses" may also be relevant and apply to the way contract terms are used in practice and not just the way they are drafted. Once the debtor alleges that an "unfair relationship" exists, the burden of proof is on the creditor to prove the contrary. However, the Issuer is not aware as at the date of this Prospectus of any court order on this point and it is unclear how the "unfair relationship" test will be interpreted by the courts.

An alternative dispute resolution scheme for consumer credit matters is run by the Ombudsman (as described below) and was established on 6 April 2007. The scheme is mandatory for all businesses

licensed under the CCA. The OFT is given far broader powers under the CCA 2006 from 6 April 2008. For example, it can apply civil penalties, has far greater powers of investigation and can issue indefinite standard licences. For appeals against such decisions by the OFT, the CCA 2006 introduced an independent Consumer Credit Appeals Tribunal whose functions are expected to be transferred to the General Regulatory Chamber in September 2009.

The financial limit of £25,000 for CCA regulation has been removed for credit agreements made on or after 6 April 2008, except for certain changes to credit agreements, and except for certain buy-to-let loans made before 31 October 2008. Buy-to-let loans made on or after 31 October 2008 are, irrespective of amount, exempt agreements under the CCA. Regulations define buy-to-let loans for these purposes as being credit agreements secured on land where less than 40 per cent. of the floor area of the secured property is used, or is intended to be used, as or in connection with a dwelling by the borrower or by a connected person. A court order under Section 126 of the CCA is however necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a buy-to-let loan to the extent that the credit agreement would, apart from this exemption, be regulated by the CCA or be treated as such.

To the extent that the credit agreement is regulated by the CCA or treated as such, it is unenforceable for any period when the lender fails to comply with requirements as to default notices. From 1 October 2008, (a) the credit agreement will also be unenforceable for any period when the lender fails to comply with further requirements as to annual statements and arrears notices, (b) the borrower will not be liable to pay interest or, in certain cases, default fees for any period when the lender fails to comply with further requirements as to post-contract disclosure and (c) interest upon default fees will be restricted to nil until the 29th day after the day on which a prescribed notice is given and then to simple interest. Charges payable for early repayment in full are restricted by a formula under the CCA, which applies to the extent that the credit agreement is regulated by the CCA or treated as such. A more restrictive formula applies to credit agreements made on or after 31 May 2005 and applies retrospectively to all existing credit agreements from 31 May 2007 or 31 May 2010, depending on their term.

These changes to the CCA may result in adverse effects on the Issuer's ability to make payment in full on the Notes when due.

The Originator has interpreted certain technical rules under the CCA in a way common with many other lenders in the mortgage market. If such interpretation were held to be incorrect by a court or other dispute resolution authority, then a credit agreement, to the extent that it is regulated by the CCA or treated as such, would be unenforceable as described above. If such interpretation were challenged by a significant number of Borrowers, then this could lead to significant disruption and shortfall in the income of the Issuer. Court decisions have been made on technical rules under the CCA against certain mortgage lenders, but such decisions are very few and are generally county court decisions which are not binding on other courts.

The Originator will give warranties to the Issuer in the Originator Trust Deed that, among other things, each relevant Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 20 London Business Days of the determination by the Originator Trustee that a Loan Warranty has been breached, then relevant Loans will become Ineligible Loans and the Originator will be required to pay a Breach of Warranty Payment in respect of the relevant Loans.

In the United Kingdom, regulation of residential mortgage business by the FSA including certain buy-to-let mortgage business under the FSMA came into force on 31 October 2004, the date known as "N(M)". Entering into, arranging or advising in respect of, and administering Regulated Mortgage Contracts, and agreeing to do any of these things, are (subject to applicable exemptions) regulated activities under the FSMA.

A credit agreement is a "**Regulated Mortgage Contract**" under the FSMA if, at the time it is entered into on or after N(M) (a) the borrower is an individual or trustee, (b) the contract provides for the obligation of the borrower to repay to be secured by a first legal mortgage (or the Scottish equivalent) on land (other than timeshare accommodation) in the UK and (c) at least 40 per cent. of that land is used, or is intended to be used, as or in connection with a dwelling by the borrower or (in case of credit provided to trustees) by an individual who is a beneficiary of the trust or by a related person.

The main effects are that, on and after N(M), unless an exclusion or exemption applies (a) each entity carrying on a regulated mortgage activity by way of business has to hold authorisation and permission from the FSA to carry on that activity and (b) each financial promotion in respect of an agreement relating to qualifying credit has to be issued or approved by a person holding authorisation and permission from the FSA. It should be noted that the definition of "qualifying credit" is broader than that of a Regulated Mortgage Contract and may include loans that are regulated by the CCA or treated as such or unregulated. If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract or (in the case of requirements as to approval and issue of advertisements) other secured credit agreement will be unenforceable against the borrower except with the approval of a court. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after N(M) may commit a criminal offence, but this will not render the contract unenforceable against the borrower.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the CCA or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of Regulated Mortgage Contract and (b) changes to credit agreements.

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

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

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts will not be regulated by the CCA. Regulations made in 2005 and 2008 under the FSMA are designed to clarify the position in this regard. This exemption only affects credit agreements made on or after N(M) and credit agreements made before N(M) but subsequently changed such that a new contract is entered into on or after N(M) and constitutes a separate Regulated Mortgage Contract. A court order under Section 126 of the CCA is, however, necessary to enforce a land mortgage (including, in Scotland, a standard security) securing a Regulated Mortgage Contract to the extent that the credit agreement would, apart from the exemption referred to above, be regulated by the CCA or be treated as such.

No assurance can be given that additional regulatory changes by the OFT, the FSA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Originator's particular sector in that market or specifically in relation to the Originator. Any such action or developments or compliance costs may have a material adverse effect on the Issuer, the Originator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

By virtue of the definition of Regulated Mortgage Contracts under the FSMA, buy-to-let loans would not normally be construed as Regulated Mortgage Contracts, subject to the risk of re-characterisation discussed above. Thus the Originator will give warranties to the Issuer in the Originator Trust Deed that, among other things, each relevant Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) is not cured within 20 London Business Days of the Originator Trustee making a determination that a Loan Warranty has been breached, then relevant Loans will become Ineligible Loans and the Originator will be required to pay the Breach of Warranty Payment to the Issuer in respect of the relevant Loan.

The Originator holds authorisation and permission to enter into and to administer and, where applicable, to advise in respect of Regulated Mortgage Contracts. Subject to any exemption, brokers will be required

to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under the FSMA.

Prior to N(M), in the United Kingdom, self-regulation of mortgage business existed under the Mortgage Code (the "**CML Code**") issued by the Council of Mortgage Lenders (the "**CML**"). The Originator subscribed to the CML Code and on and from N(M), as an authorised person, has been subject to the FSA requirements in MCOB. Membership of the CML and compliance with the CML Code were voluntary. The CML Code set out minimum standards of good mortgage business practice, from marketing to lending procedures and dealing with borrowers experiencing financial difficulties. Since 30 April 1998 lender-subscribers to the CML Code could not accept mortgage business introduced by intermediaries who were not registered with (before 1 November 2000) the Mortgage Code Register of Intermediaries or (on and after 1 November 2000 until 31 October 2004) the Mortgage Code Compliance Board. Complaints relating to breach of the CML Code were dealt with by the relevant scheme, such as the Banking Ombudsman Scheme or the Mortgage Code Arbitration Scheme.

In April 2008, the European Parliament and the Council adopted a second directive on consumer credit (the "**Consumer Credit Directive**"), which provides that, subject to exemptions, loans of at least €200 and not exceeding €75,000 will be regulated. This directive will repeal and replace the first consumer credit directive on 11 June 2010 and requires member states to implement the directive by measures coming into force by 11 June 2010.

Loans secured by a land mortgage (including, in Scotland, a standard security) are, however, exempted from the Consumer Credit Directive and from the first consumer credit directive. The European Commission published a White Paper on mortgage credit in December 2007, and has indicated that it is yet to determine whether a mortgage directive would be appropriate.

Until the final text of any initiatives resulting from the White Paper process are decided and the details of the United Kingdom implementation of the Consumer Credit Directive are published, it is not certain what effect the adoption and implementation of the Consumer Credit Directive or any initiatives implemented in respect of mortgages credit would have on the Issuer, the Originator and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Proposed Mortgage Credit Directive

In July 2005, the European Commission published a Green Paper on mortgage credit, in which it announced its intention that loans secured by a mortgage on land will be excluded from the then proposed Consumer Credit Directive but will be covered by any initiatives resulting from the Green Paper process in relation to mortgage credit.

The White Paper on the Integration of EU Mortgage Credit Markets was published on 18 December 2007. In the paper, the Commission has stated that it is yet to be determined as to whether legislation is the most appropriate way forward. The Commission undertook further assessments and cost-benefit analyses during 2008. The Commission has stated that no directive will be tabled if the costs of legislative measures outweigh their benefits.

On 14 March 2008, the European Commission published a notice, requesting tenders to undertake a nine month study on the costs and benefits of the different policy options for mortgage credit. No assurance can be given that any White Paper initiatives will not adversely affect the ability of the Issuer to make payments under the Notes.

Distance Marketing

The Financial Services (Distance Marketing) Regulations 2004 apply to, *inter alia*, credit agreements entered into on or after 31 October 2004 by means of distance communication (i.e. without any substantive simultaneous physical presence of the originator and the borrower). A Regulated Mortgage Contract under the FSMA, if originated by a UK lender from an establishment in the UK, will not be cancellable under these regulations. Certain other credit agreements may be cancellable under these regulations if the borrower does not receive prescribed information at the prescribed time, or in any event for certain unsecured lending. Where the credit agreement is cancellable under these regulations, the borrower may send notice of cancellation at any time before the end of the 14th day after the day on

which the cancellable agreement is made, where all the prescribed information has been received, or, if later, the borrower receives the last of the prescribed information.

If the borrower cancels the credit agreement under these regulations, then:

- (a) the borrower is liable to repay the principal and any other sums paid by the originator to the borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the borrower sending the notice of cancellation or, if later, the originator receiving notice of cancellation;
- (b) the borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the borrower received certain prescribed information at the prescribed time and if other conditions are met; and
- (c) any security provided in relation to the contract is to be treated as never having had effect.

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

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

In the United Kingdom, the Unfair Terms in Consumer Contracts Regulations 1999 as amended (the "**1999 Regulations**"), together with (in so far as applicable) the Unfair Terms in Consumer Contracts Regulations 1994 (together with the 1999 Regulations, the "**UTCCR**"), apply to agreements made on or after 1 July 1995 and affect all or almost all of the Loans. The UTCCR provides that:

- (a) a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term); and
- (b) the OFT and any "qualifying body" within the 1999 Regulations (such as the FSA) may seek to enjoin (or in Scotland interdict) a business from relying on unfair terms.

The UTCCR will not affect "core terms" which define the main subject matter of the contract, such as the borrower's obligation to repay the principal (**provided that** these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be core terms, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees.

For example, if a term permitting the lender to vary the interest rate (as the Originator is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee (such as the Issuer), to claim repayment of the extra interest amounts paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken (or exercise analogous rights in Scotland). Any such non-recovery, claim or set-off may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

In February 2000, the OFT issued a guidance note on what the OFT considers to be fair terms and unfair terms for interest variation in mortgage loan contracts. An interest variation term which provides for precise and immediate tracking of an external rate outside the lender's control (such as external bank base rates or LIBOR) is likely to be regarded as "fair". Other interest variation terms such as, if the Borrower is locked in, for example by an early repayment charge that is considered to be a penalty, are likely to be regarded as unfair under the UTCCR unless the lender (a) notifies the affected borrower in writing at least 30 days before the rate change and (b) permits the affected borrower to repay the whole loan during the next three months after the rate change, without paying an early repayment charge. The Originator has reviewed the guidance note and has concluded that its compliance with it will have no material adverse effect on the relevant Loans or its business. The guidance note has been withdrawn from the OFT website but may remain in effect as the OFT's view and as a factor that the FSA may take into account.

Under concordats agreed between the FSA and the OFT in 2001, 2006 and 2008, the division of responsibility for the enforcement of the UTCCR in mortgage loan agreements was agreed to be allocated

by them, generally, to the FSA in relation to Regulated Mortgage Contracts under the FSMA in respect of the activities of firms authorised by the FSA and to the OFT in relation to other mortgages. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In April 2006, in the context of the OFT's investigation into credit card default charges, the OFT publicly announced that the principles the OFT considers should be applied in assessing the fairness of credit card default charges shall apply (or are likely to apply) also to analogous default charges in other agreements, including those for mortgages.

In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the FSA's Unfair Contract Terms Regulatory Guide came into force. This guide is designed to explain the FSA's policy on how it will use its powers under the 1999 Regulations.

The broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any Loans which have been made or may be made to Borrowers covered by the UTCCR may contain unfair terms, which may result in the possible unenforceability of the terms of such Loans.

In August 2002, the Law Commission for England and Wales and the Scottish Law Commission published a joint consultation on proposals to rationalise the UK Unfair Contract Terms Act 1977 and the 1999 Regulations into a single piece of legislation and a final report, together with a draft bill on unfair terms, was published in February 2005. The Law Commissions have a duty under Section 3 of the UK's Law Commissions Act 1965 to keep the law under review for a number of purposes, including its simplification. The proposals are primarily to simplify the legislation on unfair terms. It is not proposed that there should be any significant increase in the extent of controls over terms in consumer contracts. Some changes are proposed, however, such as that (a) a consumer may also challenge a negotiated term in an agreement on the basis that it is "unfair" and "unreasonable" within the legislation and therefore not binding on the consumer and (b) in any challenge by a consumer (but not by the OFT or a qualifying body) of a standard term or a negotiated term, the burden of proof lies on the business to show that the term is fair and reasonable. It is too early to tell how the proposals, if enacted, would affect the Loans.

No assurance can be given that changes enacted in the 1999 Regulations, or any change adopted in guidance on interest variation terms or otherwise, would not have a material adverse effect on the Issuer, the Originator and their respective businesses and operations. This may adversely affect the ability of the Issuer to make payments in full on the Notes when due.

Financial Ombudsman Service

Under the FSMA, the Financial Ombudsman Service is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the CML Code occurring before N(M) may be dealt with by the Financial Ombudsman Service. Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman.

As the Financial Ombudsman Service is required to make decisions on the basis of, among other things, the principles of fairness, and may order a money award to the borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 ("**CPRs**"). The CPRs commenced 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPRs are not concerned solely with financial services, they do apply to the residential mortgage market. The OFT and FSA agreed a concordat commencing on 26 May 2008 to co-ordinate enforcement action and co-operate regarding the delivery of consumer protection in relation to the CPRs.

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

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

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

The effect (if any) of the CPRs on the Loans, the Originator or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPRs would initiate intervention by a regulator and /or an action for damages by borrowers who have suffered loss due to such activities. No assurance can be given that the CPRs will not adversely affect the ability of the Issuer to make payments to Noteholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Securitisation Company Tax Regime

The Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006. The TSC Regulations deal with the corporation tax position of securitisation companies such as the Issuer with effect for periods of account beginning on or after 1 January 2007. The TSC Regulations have been amended by, in particular, the Taxation of Securitisation Companies (Amendment) Regulations 2007, which came into force on 27 December 2007 (and have effect for periods beginning on or after 1 January 2007 and current on 3 December 2007).

If the TSC Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations.

Investors should note, however, that the TSC Regulations are in short-form and it is expected that advisors will rely significantly upon guidance from the UK tax authorities when advising on the scope and operation of the TSC Regulations including whether any particular company falls within the new regime.

Prospective Noteholders should note that if the Issuer did not fall to be taxed under the new regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to the Noteholders.

European Monetary Union

If the United Kingdom joins the European Monetary Union prior to the maturity of the Notes, this may adversely affect payments on the Notes.

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating member state in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom. In that event, (a) all amounts payable in respect of the Notes may become payable in Euro, (b) applicable provisions of law may allow or require the Issuer to redenominate the Notes into Euro and take additional measures in respect of such Notes and (c) the introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors. It cannot be said with certainty what effect, if any, adoption of the Euro by the United Kingdom will have on investors in the Notes.

English law security and insolvency considerations

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

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

- (a) in general, an administrator may not be appointed in respect of a company if an administrative receiver is in office. Amendments were made to the Insolvency Act 1986 in September 2003 which restrict the right of the holder of a floating charge to appoint an administrative receiver, unless an exception applies. Significantly, one of the exceptions allows for the appointment of an administrative receiver in relation to certain transactions in the capital market. While it is anticipated that the requirements of this exception will be met in respect of the Deed of Charge, it should be noted that the Secretary of State for Business, Enterprise and Regulatory Reform may by regulation modify the capital market exception and/or provide that the exception shall cease to have effect; and

- (b) under the Insolvency Act 1986 (as amended by the Insolvency Act 2002), certain "small" companies (which are defined by reference to certain financial and other tests) are entitled to seek protection from their creditors for a limited period for the purposes of putting together a company voluntary arrangement. The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be a small company. However, certain companies are excluded from the optional moratorium provisions, including a company which is party to certain transactions in the capital market and/or which has a liability in excess of a certain amount. While the Issuer should fall within the current exceptions, it should be noted that the Secretary of State for Business, Enterprise and Regulatory Reform may by regulation modify these exceptions.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Deed of Charge may be used to satisfy any claims of unsecured creditors. While certain of the covenants given by the Issuer in the Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Security.

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

Fixed charges may take effect under English law as floating charges

Whether a fixed security interest expressed to be created by the Deed of Charge will be upheld as a fixed security interest rather than floating security will depend, among other things, on whether the Security Trustee has the requisite degree of control under the Transaction Documents over the Issuer's ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the Security Trustee in practice. In particular, it is likely that the Security Trustee does not exert sufficient control over the accounts of the Issuer for the charges over those accounts to take effect as fixed charges. In addition, any assignment, charge or security granted over an asset which is expressed to be a fixed charge may be characterised as a floating charge if the proceeds thereof are paid into a bank account over which the Security Trustee is not deemed to have sufficient control as may be the case in this transaction.

Unlike the fixed charges, the floating charge does not attach to specific assets but instead "floats" over a class of assets which may change from time to time, allowing the Issuer to deal with those assets and to give third parties title to those assets free from any encumbrance in the event of sale, discharge or modification, provided those dealings and transfers of title are in the ordinary course of the Issuer's business. Any assets acquired by the Issuer after the Closing Date (including assets acquired as a result of the disposition of any other assets of the Issuer) will also be subject to the floating charge unless they are subject to the fixed charges mentioned in this section.

The floating charge created by the Deed of Charge allows the Security Trustee to appoint an administrative receiver of the Issuer and thereby prevent the appointment of an administrator of the Issuer by one of the Issuer's other creditors. An appointment of an administrative receiver by the Security Trustee under the Deed of Charge will not be prohibited by Section 72A of the Insolvency Act 1986 as the appointment will fall within the exception set out under Section 72B of the Insolvency Act 1986 (First Exception: Capital Markets). Therefore, in the event that enforcement proceedings are commenced in respect of amounts due and owing by the Issuer, the Security Trustee will be entitled to control those proceedings in the best interests of the Noteholders. However, see "*Risk factors — Change of law*" relating to the appointment of administrative receivers.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 176A of the Insolvency Act provides that any receiver (including an

administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisation less any amounts payable to preferential creditors or in respect of the expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, **provided that** such amount may not exceed £600,000 in aggregate. This means that the expenses of any liquidation or administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to the Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

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

Liquidation expenses

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result, it is now the case that the costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008.

Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

The Banking Act 2009

Under the Banking Act 2009 (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the UK Financial Services Authority (the "**FSA**" and, together with HM Treasury and the Bank of England, the "**Authorities**") as part of a special resolution regime (the "**SRR**"). These powers enable the Authorities to deal with a UK bank, building society or other UK institution with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 ("**FSMA**") (each a "**relevant entity**") in circumstances in which the Authorities consider its failure has become highly likely and a threat is posed to the public interest. The SRR consists of three stabilisation options and two insolvency and administration procedures applicable to UK banks which may be commenced by the Authorities. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity or its UK-incorporated holding company. In each case, the Authorities have been granted wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public

interest concerns. Accordingly, the stabilisation options may only be exercised if (a) the FSA is satisfied that a relevant entity (such as RBS) is failing, or is likely to fail, to satisfy the threshold conditions within the meaning of section 41 of the FSMA (which are the conditions that a relevant entity must satisfy in order to retain its authorisation to accept deposits), (b) following consultation with the other Authorities, the FSA determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions, and (c) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial systems, public confidence in the UK banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated. If RBS were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities) in respect of RBS. Any action taken in respect of RBS under the SRR may affect various aspects of the transaction, including resulting in modifications to the Transaction Documents and affecting the ability of the relevant entities thereto to perform their obligations under the Transaction Documents. As a result, if RBS were made subject to the SRR, this may affect the ability of the Issuer to meet its obligations under the Notes.

As at the date of this Prospectus, the Authorities have not made an instrument or order under the Banking Act in respect of RBS and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Noteholders will not be adversely affected by any such order or instrument if made.

Basel II

Implementation of Basel II risk-weighted asset framework may result in changes to the risk-weighting of the Notes. Following the issue of proposals from the Basel Committee on Banking Supervision for reform of the 1988 Capital Accord, a framework has been developed by the Basel Committee on Banking Supervision which places enhanced emphasis on market discipline and sensitivity to risk. A comprehensive version of the text of the framework was published in June 2006 under the title "International Convergence of Capital Measurement and Capital Standards: A Revised Framework (Comprehensive Version)" (the "**Framework**"). The Framework is being implemented in stages (partly from year-end 2006 and the most advanced from year-end 2007). However, the Framework is not self-implementing and, accordingly, implementation dates in participating countries are dependant on the relevant national implementation process in those countries. The Basel Committee announced in April 2008 its intention to take steps to strengthen certain aspects of the Framework. Following on from this the Basel Committee has published proposals for significant changes and there have been calls from various regulators for further revisions. It is not clear whether the proposed changes will be accepted. It should also be noted that, in May 2009, separate amendments to the Capital Requirements Directive were approved by the European Parliament. The amendments include a number of items which may be relevant to certain ABS investors including investment restrictions in respect of certain ABS and investment due diligence requirements (including penalties involving higher capital charges in the case of non-compliance with the latter). Further changes to the Directive (following on in part from the Basel Committee proposals) are also under discussion. As and when implemented, the Framework (and any relevant approved changes to it or to relevant implementing measures) may affect the risk-weighting of the Notes for investors who are subject to capital adequacy requirements that follow the Framework. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the application of the Framework and the relevant implementing measures. No predictions can be made as to the precise effects of the Framework (and any relevant approved changes to it or to relevant implementing measures) on any investor or otherwise.

Overdraft Charges on the Loans

In September 2006, the OFT announced that it had decided to undertake a fact find on current account unauthorised overdraft fees. The fact find was completed in March 2007 and on 26 April 2007, the OFT announced its decision to conduct a market study of personal current accounts in the United Kingdom which it will conduct alongside a formal investigation into the fairness of charges for unauthorised overdrafts and returned items. In addition, on 15 November 2007, the OFT announced that the findings of the market study would not be published in advance of the test case (in relation to which see below). When these findings are published, there will be a consultation with stakeholders before the final recommendations are published.

Like other UK financial services institutions, the Group faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the UTCCR or are unenforceable penalties or both.

In July 2007, by agreement with all parties, the OFT commenced proceedings against seven banks and one building society, including the Group, to resolve the matter by way of a "test case" process (the "test case"). A preliminary issues hearing took place in January and February 2008. The Judge found in favour of the banks on the issue of the penalty doctrine, and in favour of the OFT on the issue of the applicability of the UTCCR. On 26 February 2009, the Court of Appeal issued its judgment on the first stage of the test case process and ruled that the banks' terms can be assessed for fairness under the UTCCR. An appeal hearing was held in the House of Lords in June 2009, however a judgment has not yet been passed.

Pending resolution of the test case process, existing and new claims in the County Courts remain stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions.

No assurances can be given as to the eventual final outcome of either the test case or the market study and whether these will have any adverse effect on the Group's ability to charge fees on the current accounts in respect of the Loans.

No assurance can be given that additional regulations from the OFT, the FSA or any other regulatory authority will not arise with regard to the mortgage market in the United Kingdom generally, the Group's particular sector in that market or specifically in relation to the Group (including, without limitation, in the ability to charge, or the level of, different types of fees and charges payable in respect of its current accounts and mortgage loans). Any such action or developments or compliance costs may have a material adverse effect on the Loans, the Group and its business and operation, which may in turn adversely affect the Issuer's ability to make payments in relation to the Notes when due.

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Originator Trust Deed and Beneficiaries Deed

Pursuant to the Originator Trust Deed to be entered into between the Originator, the Originator Trustee, the Originator Beneficiary and the Issuer on the Closing Date, RBS as Originator will declare a trust over the Originator Trust Property in favour of the Issuer and the Originator Beneficiary and will act as the Originator Trustee in respect of the Originator Trust.

The beneficial interest of the Issuer under the Originator Trust is referred to as the "**Investor Interest**" and is an undivided share of 99 per cent. in the Originator Trust Property. The beneficial interest of RBS as Originator Beneficiary under the Originator Trust is referred to as the "**Originator Interest**" and is a undivided share of 1 per cent. interest in the Originator Trust Property.

The Investor Interest will entitle the Issuer to an amount equal to 99 per cent. of the amounts received by the Originator Trustee in respect of the Portfolio comprising the Originator Trust Property. The Originator Interest will entitle the Originator Beneficiary to an amount equal to 1 per cent. of the amounts received by the Originator Trustee in respect of Portfolio comprising the Originator Trust Property.

All Moneys Mortgages

All of the Mortgages for the Loans constitute All Moneys Mortgages. An All Moneys Mortgage will be enforceable on the occurrence of a default by a Borrower either under a Loan or any Associated Debt secured by the relevant All Moneys Mortgage.

As the Originator Trust is declared over the whole of the Related Security, the proceeds of enforcement of any All Moneys Mortgage will form part of the Originator Trust Property of the Originator Trust. However, the Excess AMM Consideration will be paid directly by the Issuer to the Originator outside the Issuer's Priorities of Payment in accordance with the Originator Trust Deed.

Consideration

In consideration for the Investor Interest, the Issuer will: (i) pay to the Originator on the Closing Date an amount equal to 99 per cent. of the aggregate of the outstanding Current Balance plus Unpaid Interest of each Eligible Loan in the Portfolio at the close of business on the London Business Day immediately preceding the Closing Date (the "**Issuer Initial Trust Consideration**"); (ii) agree to pay to the Originator amounts representing any Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration on or before certain Interest Payment Dates following the Closing Date; (iii) agree to pay to the Originator on certain Interest Payment Dates following the Closing Date the Excess Consideration, (iv) agree to pay to the Originator the Unfunded Eligible Consideration and the Ineligible Consideration from time to time under the Originator Trust Deed; and (v) agree to pay to the Originator the Excess AMM Consideration from time to time under the Originator Trust Deed

"**Current Balance**" means, in relation to any Loan as at any given date, the aggregate (which, for the avoidance of doubt, shall at no time be an amount which is less than zero) of:

- (a) the original principal amount advanced to the relevant Borrower and any Net Principal Increases on or before the given date to the relevant Borrower secured or intended to be secured by any relevant mortgage;
- (b) any interest, disbursement, legal expense, fee, charge, rent, service charge, premium or payment which has been properly capitalised in accordance with the relevant loan conditions or with the relevant Borrower's consent and added to the amounts owed by the Borrower under such Loan; and
- (c) any other amount not included in (a) or (b) above (other than Unpaid Interest) which is due or has accrued (whether or not due) and which has not been paid by the relevant Borrower and has not been capitalised in accordance with any relevant Loan Agreement or with the relevant Borrower's consent but which is owed by the Borrower under such Loan,

as at the end of the London Business Day immediately preceding that given date, less any repayment or payment of any of the foregoing made on or before the end of the London Business Day immediately

preceding that given date and excluding any Net Principal Increase committed to be made but not made by the end of the date immediately preceding the London Business Day.

"Unpaid Interest" means, in relation to any Loan as at any given date, the amount of interest which is due or accrued (whether or not due) as at (and which has not been paid by the relevant Borrower and which has not been capitalised in accordance with the relevant Loan Agreement or with the relevant Borrower's consent in each case on or before) the end of the London Business Day immediately preceding that given date.

The Issuer and the Originator Beneficiary, in their capacities as beneficiaries of the Originator Trust will enter into a deed (the **"Beneficiaries Deed"**) on or around the Closing Date that sets out the contractual arrangements amongst them in respect of certain commercial decisions made from time to time.

The Originator, will identify, calculate and transfer on a daily basis all Loan Revenue Receipts and Loan Principal Receipts, which are (in each case) referable to the Originator Trust and the Originator Trustee will identify and calculate the Investor Interest Amount, the Originator Interest Amount, the Unfunded Eligible Consideration and the Ineligible Consideration in respect of the same.

Following such identification and calculation, an amount equal to the Investor Interest Amount will be transferred from the RBS Collection Accounts to the GIC Account in accordance with the Originator Trust Deed, on the same London Business Day as receipt by the Originator of such amounts (if received at or prior to 3.00 p.m.) or on the following London Business Day (if received after 3.00 p.m.).

An amount equal to the Originator Interest Amount will remain in the relevant RBS Collection Account(s) and be retained by the Originator.

The Issuer shall pay any applicable Unfunded Eligible Consideration and/or Ineligible Consideration and/or Excess AMM Consideration (as the case may be) on the same London Business Day as receipt by it of Investor Interest Amounts referable to respectively an Unfunded Eligible Loan or, as applicable, an Ineligible Loan to the Originator (if the Investor Interest Amount is received at or prior to 3.00 p.m. or on the following London Business Day if the Investor Interest Amount is received after 3.00 p.m.).

The Originator and the Originator Trustee shall provide the Issuer and the Security Trustee with a monthly statement within 3 Business Days following each Calculation Date specifying, inter alia, details of any Eligible Loans and Ineligible Loans during the immediately preceding Collection Period.

"Loan Principal Receipt" means amounts equal to payments received by or on behalf of the Originator Trustee representing:

- (a) principal repayments under the Loans (including capitalised interest, capitalised expenses and capitalised arrears but excluding accrued interest and arrears of interest);
- (b) recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Mortgaged Property); and
- (c) any payment pursuant to an insurance policy (in respect of which the Issuer has a beneficial interest) in respect of a Mortgaged Property (whether or not such Mortgaged Property has been sold following enforcement proceedings) in connection with a Loan in the relevant Portfolio.

"Loan Revenue Receipt" means amounts equal to payments received by or on behalf of the Originator Trustee representing:

- (a) payments of interest on the Loans (including arrears of interest and accrued interest but excluding any capitalised interest, capitalised expenses and capitalised arrears) and other amounts received by or on behalf of the Originator Trustee in respect of the Loans other than the Principal Receipts;
- (b) recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) from defaulting Borrowers under Loans being enforced; and
- (c) recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) and/or principal from defaulting Borrowers under Loans in respect

of which enforcement procedures have been completed received after such enforcement procedures have been completed.

RBS performs the administration and reporting obligations arising from loans made by other companies in the Group and RBS will also perform its own administration and reporting obligations. This will include identifying amounts received in respect of the Loans allocating such amounts between the Originator Interest and the Investor Interest.

"**Calculation Date**" means the date falling 5 London Business Days prior to each Interest Payment Date; and

In addition to providing for the declaration of trust over the Portfolios, the Originator Trust Deed also sets out the following:

- (a) the representations and warranties to be given by the Originator in relation to the Loans and the Related Security;
- (b) the right of the Originator Trust Beneficiaries to surrender their beneficial interest in Loans together with the Related Security and the obligation of the Originator to reacquire such beneficial interest (subject to noting that the provisions for effecting reacquisitions of the Loans by the Originator are partly contained in the other Transaction Documents); and
- (c) the Eligibility Criteria to be tested on a monthly basis on each Calculation Date in relation to the Ineligible Loans and the Related Security (other than Revolving Period End Date Ineligible Loans) as at the Collection Period End Date immediately preceding the Calculation Date; and
- (d) the mechanics in respect of Net Principal Increases under the Loans forming part of the Originator Trust Property.

Originator Trust Property

Under the Originator Trust, RBS (as Originator Trustee) will hold on trust for itself (as the Originator Beneficiary) and the Issuer (both of whom shall be absolutely entitled as against the Originator Trustee) the following property (the "**Originator Trust Property**"):

- (a) all of the Originator's Benefit in, to and under all Loans;
- (b) all of the Originator's Benefit in, to and under all monies due or to become due in payment of such Loans, comprising accrued and unpaid Loan Revenue Receipts, Loan Principal Receipts and Reacquisition Amounts (not including Unpaid Interest, charges or other fees payable as at the date of inclusion in the Originator Trust of such Loan);
- (c) all of the Originator's Benefit in, to and under all monies relating to such Loan Revenue Receipts, Loan Principal Receipts and Reacquisition Amounts (whether on deposit in the RBS Collection Accounts, any Replacement Collection Account or otherwise) and income, if any, earned on such monies (not including Unpaid Interest, charges or other fees payable as at the date of inclusion in the Originator Trust of such Loan);
- (d) all of the Originator's Benefit in and to all Related Security;
- (e) all of the Originator's Benefit in, to and under the Loans to the extent related to the Loans and capable of being the subject of the Originator Trust (including, without limitation, rights in respect of any insurance, guarantee, security, or collateral in relation thereto);
- (f) if applicable, all of the Originator's Benefit in, to and under the Issuer Trust Property; and
- (g) all proceeds of enforcement of All Moneys Mortgages which secure any Loan (including any such proceeds which relate to Associated Debt).

The Initial Portfolio will comprise the Initial Loans and their Related Security.

"**Ancillary Rights**" means in relation to a Right, all ancillary rights, accretions and supplements to such Right, including, without limitation, any guarantees or indemnities in respect of such Right;

"Benefit" means in respect of any asset, agreement, property or right (each a **"Right"** for the purpose of this definition) held, assigned, conveyed, transferred, charged, sold or disposed of by any person shall be construed so as to include:

- (a) all right, title, interest and benefit, present and future, actual and contingent (and interests arising in respect thereof) of such person in, to, under and in respect of such Right and all Ancillary Rights in respect of such Right;
- (b) all monies and proceeds payable or to become payable under, in respect of, or pursuant to such Right or its Ancillary Rights and the right to receive payment of such monies and proceeds and all payments made including, in respect of any bank account, all sums of money which may at any time be credited to such bank account together with all interest accruing from time to time on such money and the debts represented by such bank account;
- (c) the benefit of all covenants, undertakings, representations, warranties and indemnities in favour of such person contained in or relating to such Right or its Ancillary Rights;
- (d) the benefit of all powers of and remedies for enforcing or protecting such person's right, title, interest and benefit in, to, under and in respect of such Right or its Ancillary Rights, including the right to demand, sue for, recover, receive and give receipts for proceeds of and amounts due under or in respect of or relating to such Right or its Ancillary Rights; and
- (e) all items expressed to be held on trust for such person under or comprised in any such Right or its Ancillary Rights, all rights to deliver notices and/or take such steps as are required to cause payment to become due and payable in respect of such Right and its Ancillary Rights, all rights of action in respect of any breach of or in connection with any such Right and its Ancillary Rights and all rights to receive damages or obtain other relief in respect of such breach.

Reacquisition of beneficial interest in Loans by the Originator

The Beneficiaries Deed provides that the Originator Trust Beneficiaries may at any time surrender their beneficial interest in any Loan and its Related Security and thereby cause the whole of the beneficial interest in the relevant Loan to be removed from the Originator Trust Property of the Originator Trust and to vest once again exclusively in the Originator (including any Unpaid Interest as at the date of completion of such reacquisition) by the Originator Beneficiary notifying the Issuer that some or all of the Loans should no longer be subject to the Originator Trust in order to effect a full or partial redemption of the Notes together with its Related Security. Under the Beneficiaries Deed, if the Originator Beneficiary requests that the Issuer shall surrender its undivided interest in the relevant Loan or Loans, the Issuer shall do so.

In relation to the relevant Loans, the Originator shall pay the Reacquisition Amount to the Originator Trustee for such repurchase on the next London Business Day following the reacquisition to the Originator Trustee.

The Originator Trust Beneficiaries have directed the Originator Trustee to accept a surrender of their respective beneficial entitlements to any Loan and its Related Security whenever required in order to effect a reacquisition. The price payable to reacquire the Issuer's and the Originator Beneficiary's respective undivided shares of the beneficial interest in any Loan and its Related Security is an amount (not less than zero) equal to the aggregate of the Current Balance of such Loan at the close of business on the Business Day preceding the date of completion of such reacquisition plus Unpaid Interest plus expenses payable thereon to the date of reacquisition (the **"Reacquisition Amount"**). An amount equal to 99 per cent. of any Reacquisition Amount received by the Originator Trustee shall be paid to the Issuer by the Originator Trustee in consideration of the surrender by the Issuer (as referred to above) of its beneficial interest in the relevant Loan (the amount in question being the **"Issuer Surrender Payment"** with respect to that Loan). An amount equal to 1 per cent. of any Reacquisition Amount received by the Originator Trustee shall be paid to the Originator Beneficiary by the Originator Trustee in consideration of the surrender by the Originator Beneficiary (as referred to above) of its beneficial interest in the relevant Loan (the amount in question being the **"Originator Beneficiary Surrender Payment"** with respect to that Loan). The principal component of any Issuer Surrender Payment Amount shall be treated as Principal Receipts and the balance shall be treated as Revenue Receipts.

Following payment by the Originator to the Originator Trustee of the Reacquisition Amount and payment of the Issuer Surrender Payment by the Originator Trustee to the Issuer and the Originator Beneficiary Surrender Amount by the Originator Trustee to the Originator Beneficiary the whole of the beneficial interests in the relevant Loan and its Related Security will be surrendered to the Originator and such Loan and its Related Security will thereupon be released from all of the terms of the Originator Trust. The relevant Loan and its Related Security will then once again be solely legally and beneficially owned by the Originator will no longer held on trust as Originator Trust Property and will be electronically identified by the Originator as no longer comprising Originator Trust Property.

The provisions described above relating to the reacquisition of the whole of the beneficial interest in Loans (where applicable) represents the combined effect of various provisions contained in the Originator Trust Deed, the Beneficiaries Deed and the Deed of Charge.

Eligible Loans and Ineligible Loans

The Loans in the Portfolio will be deemed to be Eligible Loans or Ineligible Loans on the basis of compliance with (i) the Eligibility Criteria and (ii) the Loan Warranties.

Any Loan which complies with both the Eligibility Criteria and the Loan Warranties on the applicable date on which it is tested will be deemed an "**Eligible Loan**" and shall remain an Eligible Loan for the remaining term of the Originator Trust (**provided that** such Eligible Loan may become an Unfunded Eligible Loan if any Net Principal Increase in respect of such Eligible Loan cannot be funded out of Retained Principal Amounts and/or by way of Further VFN Subscription). All Eligible Loans will have been funded by the Issuer by way of the Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration (other than Unfunded Eligible Loans, which are funded by way of Unfunded Eligible Consideration).

Any Loan which does not comply with the Eligibility Criteria and any of the Loan Warranties or either of them on the applicable date on which it is tested will be deemed an "**Ineligible Loan**".

All Loans in the Initial Portfolio will be tested for compliance with the Eligibility Criteria and the Loan Warranties on the Closing Date and be deemed Eligible Loans or Ineligible Loans accordingly.

All Loans (other than Eligible Loans in the Originator Trust as at the Closing Date) will be deemed to be Ineligible Loans on the date of their inclusion in the Originator Trust until they are tested for compliance, and comply with the Eligibility Criteria and the Loan Warranties.

During the Revolving Period, each New Loan shall be tested for compliance with the Eligibility Criteria and the Loan Warranties on the Calculation Date immediately following the Collection Period during which such New Loan formed part of the Originator Trust Property. The relevant New Loan will be tested as of the Collection Period End Date preceding the Calculation Date, and, subject to compliance with the Eligibility Criteria and the Loan Warranties, such New Loan will be deemed to be an Eligible Loan from the first day of the Collection Period in which the Calculation Date falls.

During the Revolving Period, Ineligible Loans will also be tested for compliance with the Eligibility Criteria and the Loan Warranties on each Calculation Date. Each Ineligible Loan will be tested as of the Collection Period End Date preceding the Calculation Date, and, subject to compliance with the Eligibility Criteria and the Loan Warranties, such Ineligible Loan will be deemed to be an Eligible Loan for the remaining term of the Originator Trust from the first day of the Collection Period in which the Calculation Date falls (**provided that** it may become an Unfunded Eligible Loan). Such Loans will be "**New Eligible Loans**". The Issuer will pay to the Originator an amount equal to New Portfolio Additional Trust Consideration in respect of any New Eligible Loans.

Any New Loan that becomes part of the Originator Trust Property and any Loan which becomes a New Eligible Loan after the Revolving Period End Date (regardless of whether it complies with the Eligibility Criteria and the Loan Warranties) (a "**Revolving Period End Date Ineligible Loan**") will be deemed to be Ineligible Loans for the remaining term of the Originator Trust.

If any Net Principal Increase is made after the Revolving Period End Date, the Net Principal Increase and the related Loans will be deemed to be Ineligible Loans for the remaining term of the Originator Trust.

All Ineligible Loans and/or Net Principal Increases in respect of Ineligible Loans (as applicable) will be funded by way of Ineligible Consideration. Cashflows from Ineligible Loans will form part of the Originator Trust Property but such amounts as distributed to the Issuer will form "**Ineligible Consideration**", and will be paid by the Issuer directly to the Originator outside of the priorities of payment.

Any amounts paid by the Issuer to the Originator as Ineligible Consideration in relation to a New Loan which becomes an Eligible Loan on a relevant Calculation Date shall, with respect to amounts received by the Originator in relation to such Loan from the Collection Period End Date preceding the relevant Calculation Date on which any such Loan becomes an Eligible Loan to and including such relevant Calculation Date, be paid to the Issuer as an "**Issuer Adjustment Amount**" on any Business Day between the relevant Calculation Date and the Collection Period End Date in which such Calculation Date falls.

Any Investor Interest Amount in relation to an Eligible Loan which becomes an Unfunded Eligible Loan on a relevant Interest Payment Date shall, with respect to amounts received in relation to such Loans from the Collection Period End Date preceding the relevant Interest Payment Date on which any such Loan becomes an Unfunded Eligible Loan to and including such relevant Interest Payment Date, be paid to the Originator as an "**Originator Adjustment Amount**" on or prior to the Interest Payment Date following the relevant Calculation Date.

"**Revolving Period**" means the period commencing on (and including) the Closing Date and ending on (but excluding) the last day of the Collection Period ending in July 2012 (the "**Revolving Period End Date**") or any earlier date that either (i) an Event of Default has occurred or (ii) a Power of Attorney Event has occurred (regardless of whether it complies with the Eligibility Criteria and the Loan Warranties).

During the Revolving Period, (i) the Loans in the Initial Portfolios will be tested on the Closing Date; (ii) the New Loans in the Portfolio will be tested on the Calculation Date immediately following the Collection Period during which such New Loan formed part of the Originator Trust Property in respect of the previous Collection Period; and (iii) the Ineligible Loans will be tested on a monthly basis on each Calculation Date in respect of the previous Collection Period End Date against the following criteria, **provided that** the Loans in the Initial Portfolios will not be tested against item (d), item (j) and item (l) below on the Closing Date (the "**Eligibility Criteria**"):

- (a) the Loan is not subject to repossession proceedings;
- (b) the Loan has a debit balance greater than or equal to £1.00;
- (c) the FTV ratio in respect of the Loan does not exceed 100 per cent;
- (d) any New Loan is not in arrears or in excess of its facility limit (as the case may be) as at the relevant Additional Trust Date;
- (e) the Loan will not result in the weighted average current FTV value of the Eligible Loans in the Portfolio as at the Collection Period End Date (calculated by dividing, on a weighted average basis, the current facility limit of the Eligible Loans by the value of the properties upon which such Eligible Loans are secured as at that date) (the "**Current FTV**") as at the date of the most recent valuation of such Loan to exceed the Current FTV of the Eligible Loans in the Portfolio as at the Closing Date plus 3 per cent.
- (f) the Loan will not result in the aggregate outstanding principal balance of the Eligible Loans in the Portfolio as at the Collection Period End Date with a current LTV in excess of 80 per cent. as at the Collection Period End Date to exceed the aggregate outstanding principal balance of Eligible Loans with a current LTV in excess of 80 per cent. as at the Closing Date plus 5 per cent;
- (g) the Loan will not result in the weighted average current LTV value of the Eligible Loans in the Portfolio as at the Collection Period End Date (calculated by dividing, on a weighted average basis, the current balance of the Eligible Loans by the value of the properties upon which such Eligible Loans are secured as at that date) (the "**Current LTV**") as at the date of the most recent valuation of such Loan to exceed the Current LTV of the Eligible Loans in the Portfolio as at the Closing Date plus 0.25 per cent.;

- (h) any New Loans forming part of the New Portfolio on any Additional Trust Date do not have a product of the weighted average foreclosure frequency (the "**WAFF**") and the weighted average loss severity (the "**WALS**") for the aggregate of the New Loans, as calculated on such Collection Period End Date (or as agreed by the S&P from time to time) with respect to such New Loans' respective facility limits (assuming for the avoidance of doubt, that all such New Loans are fully drawn to their respective facility limits), exceeding by more than 0.25 per cent. the product of the WAFF and WALS calculated for the Eligible Loans comprising the Initial Portfolio on the Closing Date;
- (i) no Borrower in respect of any New Loan forming part of the New Portfolio has been subject to (i) a County Court Judgment (or its Scottish equivalent) which has been revealed by the credit reference search or (ii) a bankruptcy order;
- (j) any debit balance on the Principal Deficiency Ledger on the immediately preceding Collection Period End Date was nil (or will be reduced to nil on the immediately following Interest Payment Date);
- (k) the balance of the General Reserve Fund is not less than the General Reserve Required Amount; and
- (l) in respect of any New Loan only, the long-term unsecured, unsubordinated and unguaranteed debt rating of RBS is not less than Baa2 by Moody's, provided that where such rating is less than A3 by Moody's, RBS has provided to Moody's a solvency certificate in a form reasonably acceptable to Moody's.

See the section "*Summary of Key Transaction Documents - Originator Trust Deed and Beneficiaries Deed - Funding for New Portfolio and Net Principal Increases*" below.

Representations and Warranties

Except as stated otherwise, the Originator will represent and warrant in the Originator Trust Deed, with respect to itself, the Loans originated by it and their Related Security comprising the Initial Portfolio or any New Portfolio, to the Issuer to the effect that, as at the Closing Date or the relevant Additional Trust Date (as applicable) *inter alia*:

- (a) each Loan was originated by RBS and/or any of its subsidiaries and is denominated in Sterling;
- (b) RBS or its Affiliates have full legal and beneficial title to each Loan;
- (c) no Loan has a facility limit greater than £2.5 million;
- (d) each Loan in the Portfolio matures for repayment not later than two years prior to the latest Final Maturity Date for the Notes;
- (e) in relation to a FMO Loan, each Borrower has made at least one monthly payment;
- (f) other than with respect to monthly payments, no Borrower is, or has been, since the date of the relevant Mortgage, in material breach of any obligation owed in respect of the relevant Loan or under the Related Security and accordingly no steps have been taken by it to enforce any Related Security and it is not aware of any fraud in relation to any Loan or Related Security;
- (g) the outstanding principal balance on each Loan and its Related Security constitutes a valid debt due to it from the relevant Borrower and the terms of each Loan and its Related Security constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their terms and each Loan and its Related Security is non-cancellable (except that the Originator makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or its right to unilaterally revoke its consent to letting);
- (h) the Originator has a right to set the RBS Managed Rate, in relation to any of its Loans in relation to any of its Loans in respect of which interest is calculated by reference to the RBS Managed Rate, at any time and from time to time and such RBS Managed Rate is and will be binding on

and enforceable against the relevant Borrower pursuant to the terms and conditions applicable to the relevant Loan and/or the Mortgage;

- (i) no agreement for any Loan gives rise (whether on its own or taken together with any related agreement) to an unfair relationship under Sections 140A to 140D of the CCA;
- (j) the whole of the outstanding Current Balance on each Loan and all Net Principal Increases made prior to the Closing Date and interest, fees, costs, expenses and any other amounts payable under or in respect of such Loan are secured by a Mortgage over a residential property;
- (k) each Mortgage constitutes a valid and subsisting first ranking charge by way of legal mortgage (in relation to the English Loans) or first priority standard security (in relation to the Scottish Loans) over the relevant Mortgaged Property;
- (l) each Mortgage has first priority for the whole of the outstanding principal balance of the Loan and interest on such outstanding principal balance and all fees, costs, expenses and other amounts payable under or in respect of such Loan or Mortgage;
- (m) all of the Mortgaged Properties are residential properties situated in England, Wales or Scotland;
- (n) not more than 12 months prior to the granting of each Mortgage (or two years in the case of a remortgage or further advance made prior to the Closing Date), it received a valuation report from a valuer on the relevant property (or such other form of valuation as would be acceptable to a reasonable, prudent mortgage lender), the contents of which were such as would be acceptable to a reasonable, prudent mortgage lender (save that in relation to newly built properties, where no such valuation was received, it received confirmation of the purchase price of the relevant property from the solicitor responsible for registering the Mortgages in relation to such property);
- (o) prior to the inception of each Mortgage, it:
 - (i) instructed its solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Mortgaged Property and to undertake such other searches, investigation, enquiries and other actions on its behalf as are set out in the instructions which it issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out, in the case of English Loans, in the CML's Lenders' Handbook for England and Wales and, in the case of Scottish Loans, the CML's Lenders' Handbook for Scotland (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would have been acceptable to a reasonable, prudent mortgage lender at the relevant time; and
 - (ii) received a report on the title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer referred to in paragraph (i) above, relating to such Mortgaged Property the contents of which were such as would have been acceptable to a reasonable, prudent mortgage lender at that time;
- (p) the benefit of all valuation reports, any other valuations referred to in paragraph (o) and all reports on the title can be validly assigned to the Issuer without obtaining the consent of the relevant valuer, solicitor, licensed conveyancer or qualified conveyancer;
- (q) each Mortgaged Property was at the time of inception of the Mortgage insured under:
 - (i) a buildings insurance policy arranged by the Borrower in accordance with the relevant terms and conditions applicable to the relevant Loan and/or Mortgage (the "**Mortgage Conditions**"); or
 - (ii) a buildings insurance policy arranged by it; or
 - (iii) with respect to leasehold Mortgaged Properties, a buildings insurance policy arranged by the relevant landlord,

and in all cases: (A) against risks usually covered by a comprehensive buildings insurance policy; (B) with its interest noted thereon with effect from the origination of the relevant Loan in the event that it exceeds £500,000; and (C) it has received no notice from the Borrower that any Mortgaged Property has ceased to be insured at all;

- (r) it has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold and/or assigned by it to the Issuer free and clear of all security interests, claims and equities (including, without limitation, rights of set-off or counterclaim) and, other than pursuant to the Originator Trust Deed, it has not charged or dealt with the benefit of any Loans or their Related Security, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold or assigned to the Issuer nor is it in breach of any covenant or warrandice implied by reason of its selling any of the Loans in the Portfolio with full title guarantee or absolute warrandice or as beneficial owner (or which would be implied if the registered transfers, unregistered transfers, as applicable, were completed);
- (s) there are no authorisations, approvals, licences or consents required as appropriate for it to enter into or perform its obligations under the Originator Trust Deed to render the Originator Trust Deed legal, valid, binding, enforceable and admissible in evidence;
- (t) none of the terms in any of its Loans or its Related Security is binding by virtue of it being unfair within the meaning of the UTCCR (except that the Originator makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or its right to unilaterally revoke its consent to letting);
- (u) no Loan is a buy to let or right to buy Loan;
- (v) all Loans were originated in accordance with the Originator's lending criteria applicable as at such time;
- (w) the borrowers are individuals (or couples in respect of joint accounts); and
- (x) no Loan will be a self-certified Loan (together, the "**Loan Warranties**").

If the Originator Trustee subsequently determines that any Loan Warranty made by the Originator in relation to an Eligible Loan (including any New Loan and for the avoidance of doubt, excluding any Unfunded Eligible Loans) forming part of the Originator Trust Property and/or its Related Security was materially breached or has proved to be materially untrue as at the Closing Date or any applicable Calculation Date (as the case may be) and that default has not been remedied within 20 London Business Days of the Warranty Breach Date, then, subject to the payment of a Breach of Warranty Payment pursuant to the Originator Trust Deed on or prior to the next following Calculation Date, the Originator Trustee shall deem the relevant Loan to be an Ineligible Loan from (and including) the first day of the immediately following Collection Period. Once a Loan becomes an Eligible Loan, it will not be re-tested against the Loan Warranties.

The Originator must notify the Issuer and the Security Trustee of any breach of Loan Warranty as soon as it becomes aware of such breach.

Originator Power of Attorney

RBS will, in connection with the creation of the Originator Trust, grant to the Issuer a power of attorney (the "**Originator Power of Attorney**") to permit the Issuer (as applicable), upon the occurrence of certain Power of Attorney Events described below, to take certain actions in the name of the Originator Trustee to ensure the performance by the Originator Trustee of its obligations under the Originator Trust Deed, including its covenants to enforce rights under the Loans and to collect repayments in respect of Loans in the ordinary course of its business and to remit the proceeds relating to the Investor Interest to the Issuer.

Upon the occurrence of the short term unsecured, unsubordinated and unguaranteed debt obligations of the Originator ceasing to be rated at least of P-1 by Moody's, the Originator shall immediately notify the Cash Manager of such occurrence and Cash Manager shall open a replacement collection account in the name of the Issuer ("**Replacement Collection Account**") within 30 London Business Days in accordance with the terms of the Bank Account Agreement.

Upon the occurrence of a Power of Attorney Event triggered by any of paragraphs (a), (b) or (c) of the definition of the Power of Attorney Event, pursuant to the Originator Trust Deed, the Originator shall direct the Borrowers to make payments in relation to their Loans to such Replacement Collection Account and the Originator shall take all such actions that a reasonable prudent mortgage lender would take to procure that each Borrower makes all payments in relation to their Loans to such Replacement Collection Account once directed to do so by the Originator.

Pursuant to the Bank Account Agreement, the Issuer agrees that upon any Replacement Collection Account being opened, it shall hold all monies and funds standing to the credit of such Replacement Collection Account at any time and from time to time together with all interest accrued thereon (the "**Issuer Trust Property**") on trust in favour of the Originator.

A "**Power of Attorney Event**" means:

- (a) if (i) RBS consents or takes any corporate action in relation to the appointment of a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of it, relating to all or substantially all of its revenues and assets unless the Originator has obtained written confirmation from Moody's that such consent or action will not adversely affect the then current ratings of the Notes and the Originator has notified S&P in writing of such consent or action and no objection has been received by S&P within 14 days of such notification; or (ii) an order of the court is made or an effective resolution is passed for the sequestration, winding up, dissolution, administration or insolvent re-organisation of RBS or (iii) a receiver, administrator, administrative receiver, provisional liquidator, liquidator, trustee in sequestration, judicial factor or similar officer of RBS, relating to all or substantially all of its revenues and assets is appointed;
- (b) a member of the board of directors of RBS shall admit in writing that RBS is unable to pay its debts as they fall due or RBS makes a general assignment, assignation or trust for the benefit of a scheme, arrangement or composition with its creditors or voluntarily suspends payment of its obligations with a view to the general readjustment or rescheduling of its indebtedness;
- (c) RBS defaults in the payment of any amount due in excess of £10,000 under or in respect of its servicing obligations pursuant to the Originator Trust Deed and, if such breach is capable of remedy, fails to remedy such default within 7 days after the earlier of becoming aware of the default and receiving written notice from the Issuer or the Trustee requiring the same to be remedied;
- (d) RBS is in breach of its obligations to enforce the terms of any Loan pursuant to the Originator Trust Deed, **provided that** (a) if such breach is capable of remedy, such breach has continued unremedied for 30 days after the earlier of becoming aware of the breach and the date on which written notice from the Issuer or Trustee of such breach, requiring the same to be remedied, shall have been given to the Originator Trustee and (b) the Trustee certifies to the Originator Trustee that it is satisfied that such breach continues to be materially prejudicial to the Noteholders;
- (e) RBS is in breach of any other servicing obligation pursuant to the Originator Trust Deed (other than as set out in (c) or (d) above) or Clause 16 (*Calculation and Allocation of Investor Interests and Originator Interests*) of the Originator Trust Deed (such obligations being required to be performed in accordance with the Servicing Standard) and, if such breach is capable of remedy, fails to remedy such breach within 60 days after the earlier of becoming aware of the breach and receiving written notice from the Issuer or the Trustee requiring the same to be remedied, but only if in the opinion of the Trustee, the breach is materially prejudicial to the Noteholders; or
- (f) RBS is no longer able to perform any of its material servicing obligations pursuant to the Originator Trust Deed, except where no other person could lawfully perform such obligations.

There will be three areas of action covered by the Originator Power of Attorney:

- (a) actions enforcing a change of the collection account arrangements in relation to Borrowers following a Power of Attorney Event and the Issuer will be required to conduct such actions and shall not be required to seek any further consent or authorisation from RBS (in any capacity).

- (b) taking actions against Borrowers in the name of the Originator Trustee following a Power of Attorney Event. The Issuer may take action against the relevant Borrower under the Originator Power of Attorney to collect any payments due under the relevant Loan whether by enforcement of the terms of the Loan or otherwise or to set the interest rates payable by the Borrowers on the Loans. The Issuer may, if it considers it to be within the interests of the Noteholders to do so and without any further consent or authorisation from RBS (in any capacity), take such course of action as the Issuer considers to be desirable in relation to the collection, sale or analogous action in relation to such Loan, Related Security or Borrower (including, without limitation, notification of any relevant insurer).
- (c) actions which involve matters fundamental to the constitution of the Originator Trust or allocation of Originator Trust Property, where the Issuer may take such actions as are required to protect and preserve the Investor Interest and to ensure the Issuer receives its allocation of Principal Receipts and Revenue Receipts, provided any such actions are not materially prejudicial to the interests of the Originator Beneficiary. The Issuer shall be entitled to determine, in its own opinion, that the matter will not be materially prejudicial to the interests of the Originator Beneficiary and, in making such determination, shall be entitled to take into account, without enquiry or verification any other things it may, in its absolute discretion, consider necessary and/or appropriate. The Issuer shall notify Moody's and S&P in writing of such action or proposed action.

The Originator Power of Attorney will expressly provide that, notwithstanding any of its other provisions, none of its terms are intended to affect the beneficial entitlements of the Investor Beneficiary and the Originator Beneficiary respectively under the terms of the Originator Trust as such entitlements would exist had there been no Originator Power of Attorney.

Net Principal Increases

The Originator will be solely responsible for funding any Net Principal Increase. Net Principal Increases made to a Borrower will be subject to the terms of the Originator Trust Deed and become part of the Originator Trust Property on the date of such net principal increase (such date, an "**Additional Trust Date**").

Pursuant to the terms of the Originator Trust Deed, each of the Issuer and the Originator Beneficiary shall acquire a beneficial interest in any Net Principal Increases in relation to the Loans forming part of the Originator Trust Property on the Additional Trust Date.

New Portfolios

Under the Originator Trust Deed, each of the Issuer and the Originator Beneficiary has agreed that further portfolios (each a "**New Portfolio**") of loans (each a "**New Loan**") and its related security (the "**New Related Security**" and together with the Initial Related Security, the "**Related Security**") may be added to the Originator Trust Property on any date. Any Revolving Period End Date Ineligible Loan will be deemed to an Ineligible Loan for the remaining term of the Originator Trust.

Funding Net Principal Increases, New Loans and New Eligible Loans

In respect of Net Principal Increases relating to Eligible Loans during the Revolving Period, to the extent funds are available, the Issuer will pay to the Originator on or before the next following Interest Payment Date falling after the Collection Period in which a Net Principal Increase was made, an amount equal to the Issuer Additional Trust Consideration.

"**Issuer Additional Trust Consideration**" means the amount to be paid by the Issuer to the Originator in order to acquire an interest under the Originator Trust in a Net Principal Increase relating to an Eligible Loan, being:

- (a) 99 per cent. of the Net Principal Increase as at the relevant Additional Trust Date, **provided that** the Issuer has Retained Principal Amounts at such Additional Trust Date or Retained Principal Amounts and/or Further VFN Subscription as at the Interest Payment Date immediately following the Calculation Date which immediately follows such Additional Trust Date equal to or greater than such amount; or

- (b) if the Issuer was unable to pay the amount calculated pursuant to paragraph (a) above, on or before the Interest Payment Date immediately following the Calculation Date which immediately follows the relevant Additional Trust Date, 99 per cent. of the Current Balance plus Unpaid Interest of the relevant Loan (including the relevant Net Principal Increase) as at the first day of the Collection Period in which the London Business Day falls when such amount is equal to the Retained Principal Amounts and/or Further VFN Subscription which are available to the Issuer.

During the Revolving Period, in respect of New Loans which are deemed to be Eligible Loans or New Eligible Loans, the Issuer will, to the extent funds are available, pay to the Originator on or before the next following Interest Payment Date falling after the Collection Period in which a New Loan formed part of the Originator Trust Property or an Ineligible Loan became a New Eligible Loan, an amount equal to the New Portfolio Additional Trust Consideration.

"New Portfolio Additional Trust Consideration" means an amount paid by the Issuer to the Originator in respect of each Loan which is deemed to be an Eligible Loan by way of compliance with the Eligibility Criteria pursuant to Clause 4.3.3 of the Originator Trust Deed, equal to 99 per cent. of the aggregate Current Balance plus Unpaid Interest of such Loan:

- (a) as at the first day of the Collection Period in which the Calculation Date on which such Loan was deemed to be an Eligible Loan falls, **provided that** on such Calculation Date or the immediately following Interest Payment Date, the Issuer has Retained Principal Amounts and/or Further VFN Subscriptions equal to or greater than such amount; or
- (b) if the Issuer was unable to pay the amount calculated pursuant to paragraph (a) above, as at the first day of the Collection Period in which the London Business Day falls when such amount is equal to the Retained Principal Amounts and/or Further VFN Subscription which are available to the Issuer.

The Issuer will firstly use any Retained Principal Amounts (if any) to pay an amount equal to the Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration (as applicable) to the Originator on or prior to the next following Interest Payment Date falling after the Collection Period in which a Net Principal Increase was made and/or the New Loan formed part of the Originator Trust Property and/or the Ineligible Loan was deemed a New Eligible Loan.

To the extent that there are insufficient Retained Principal Amounts standing to the credit of the Revolving Period Purchase Fund to pay the Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration (as applicable), on any date prior to the VFN Commitment Termination Date, the Issuer will request that the Class AVFN Noteholder make a further subscription of the Class AVFN Note (the **"Further VFN Subscription"**) on the following Interest Payment Date by an amount equal to the portion of the Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration (as applicable) which has not been sufficiently funded by the Retained Principal Amounts. Provided that certain conditions (as set out in the Conditions) are met, the Class AVFN Noteholder shall pay to the Issuer an amount equal to an amount specified under the Notice of Increase and shall be paid by the Issuer to the Originator on the Interest Payment Date following the relevant Additional Trust Date.

If the Issuer is unable to fund the Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration (as applicable) through either the application of Retained Principal Amounts or by way of a Further VFN Subscription by the Class AVFN Noteholder, the relevant Loan (including the Net Principal Increase) shall remain an Eligible Loan and be deemed an **"Unfunded Eligible Loan"** and, any Investor Interest Amount received by the Issuer in respect of such Unfunded Eligible Loan shall form the **"Unfunded Eligible Consideration"** (as calculated in accordance with the terms of the Originator Trust Deed) and be paid by the Issuer to the Originator outside the Issuer's Priorities of Payments.

Loans (including New Loans) which are deemed Ineligible Loans and/or Net Principal Increases in respect of Ineligible Loans (as applicable) will be funded by way of Ineligible Consideration. Cashflows from Ineligible Loans will form part of the Originator Trust Property but such amounts as distributed by the Originator Trustee to the Issuer will form **"Ineligible Consideration"** (as calculated in accordance with the terms of the Originator Trust Deed), that will be paid by the Issuer directly to the Originator outside the Issuer's Priorities of Payment so long as any prior direction provided by the Issuer to the Originator Trustee has not been revoked.

Any amounts paid by the Issuer to the Originator as Ineligible Consideration in relation to a New Loan which becomes an Eligible Loan on a relevant Calculation Date or a New Eligible Loan shall, with respect to amounts received by the Originator in relation to such Loan from the end of the Collection Period preceding the relevant Calculation Date on which any such Loan becomes an Eligible Loan to and including such relevant Calculation Date, be paid to the Issuer as an "**Issuer Adjustment Amount**" on any Business Day between the relevant Calculation Date and the end of the Collection Period in which such Calculation Date falls.

If a Net Principal Increase in respect of an Eligible Loan cannot be funded out of Retained Principal Amounts and/or by way of VFN Subscription on or prior to the next following Interest Payment Date falling after the Collection Period in which a Net Principal Increase was made, such Eligible Loan (together with any related Net Principal Increase) shall (subject to the payment of the NPI Compensation Payment (as defined below)) become an Unfunded Eligible Loan. If (a) on any Interest Payment Date, an Eligible Loan is deemed to have been an Unfunded Eligible Loan from and including the first day of the Collection Period in which the Interest Payment Date falls due to the Issuer failing to pay the Issuer Additional Trust Consideration as described in this paragraph; or (b) on the first day of any Collection Period, an Eligible Loan is deemed to be an Ineligible Loan because a Net Principal Increase has been made after the Revolving Period End Date, the Originator shall pay to the Issuer the NPI Compensation Payment. The "**NPI Compensation Payment**" shall mean an amount equal to 99 per cent. of the Current Balance plus Unpaid Interest of the relevant Loan as at (i) the first day of the Collection Period in which that Interest Payment falls in respect of (a) above; or (ii) the first day of the Collection Period commencing after the Additional Trust Date on which the relevant Net Principal Increase was made, in respect of (b) above.

Any Investor Interest Amount in relation to an Eligible Loan which becomes an Unfunded Eligible Loan on a relevant Interest Payment Date shall, with respect to amounts received in relation to such Loans from the end of the Collection Period preceding the relevant Interest Payment Date on which any such Loan becomes an Unfunded Eligible Loan to and including such relevant Interest Payment Date, be paid to the Originator as an "**Originator Adjustment Amount**" on or prior to the Interest Payment Date following the relevant Calculation Date.

Pursuant to the Originator Trust Deed, on each Business Day taking into account any Issuer Additional Trust Consideration, New Portfolio Additional Trust Consideration, Excess Consideration, Unfunded Eligible Consideration, Ineligible Consideration and Originator Adjustment Amounts payable by the Issuer to the Originator on such Business Day and any Issuer Adjustment Amounts and NPI Compensation Payments payable by the Originator to the Issuer on such Business Day the Originator Trustee will calculate whether a net payment requires to be made by the Issuer to the Originator or vice versa. If the Originator must pay an amount to the Issuer such amount will be carried over and taken into account by the Originator Trustee when it performs the above calculation on the next following Business Day. If the Issuer must pay an amount to the Originator pursuant to a revocable direction letter to be signed on or about the Closing Date, the Issuer shall direct the Originator Trustee to deduct such amount from any Investor Interest Amounts that it would otherwise transfer to the GIC Account and to transfer such amount to such bank account of the Originator as the Originator may direct from time to time in satisfaction of the Issuer's obligation to make such balancing payment. The remainder of the Investor Interest Amount on such Business Day shall be transferred to the GIC Account in the usual way. If on any Business Day the balancing amount the Issuer is required to pay is greater than the Investor Interest Amounts that would otherwise be transferred to the GIC Account on such Business Day all the Investor Interest Amount shall be paid to the Originator and the remainder of the balancing payment which is still due to the Originator shall be carried over and taken into account by the Originator Trustee when it performs the above calculation on the next following Business Day.

Governing Law

The Originator Trust Deed and Beneficiaries Deed will be governed by English law.

Deed of Charge

On or about the Closing Date, the Issuer will enter into a deed of charge (the "**Deed of Charge**") with, *inter alios*, the Security Trustee.

Security

Under the terms of the Deed of Charge, the Issuer will provide the Security Trustee with the benefit of, *inter alia*, the following security (the "**Security**"):

- (a) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit in, to and under the Investor Interest;
- (b) an assignment by way of security of (and, to the extent not assigned, a charge by way of first fixed charge (which may take effect as a floating charge) over) the Issuer's right, title, interest and benefit in and to the Transaction Documents (other than the Trust Deed and the Deed of Charge);
- (c) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in its bank accounts maintained with the Account Bank and any sums standing to the credit thereof;
- (d) a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in all Authorised Investments permitted to be made by the Issuer; and
- (e) a floating charge over all other assets of the Issuer not otherwise subject to a fixed charge (or in the case of assets situated in Scotland, or governed by Scots law, whether or not subject to a fixed charge).

"**Authorised Investments**" means:

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

provided that in all cases either such investments (i) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date or (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date, and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least A-1 by S&P and P-1 by Moody's and (iii) have a yield equal to or exceeding the interest rate on the GIC Account.

"**Transaction Documents**" means the Agency Agreement, the Bank Account Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Total Return Swap Agreement, the Holdings Declaration of Trust, the Issuer Nominee Declaration of Trust, the Issuer Power of Attorney, the Master Definitions and Construction Schedule, the Originator Trust Deed, the Beneficiaries Deed, the Originator Power of Attorney, the Subordinated Loan Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.

"**Secured Creditors**" means the Security Trustee, the Note Trustee, the Noteholders, the Originator, the Originator Trustee, the Cash Manager, the Total Return Swap Provider, the Account Bank, the Subordinated Loan Provider, the Corporate Services Provider, the Principal Paying Agent, the Registrar, the Agent Bank, the VFN Registrar and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured creditor.

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

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

Post-Acceleration Priority of Payments

After the Note Trustee has served a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee or the Cash Manager on its behalf shall apply the moneys available in accordance with the Post-Acceleration Priority of Payments defined in "*Cashflows — Distribution of Available Principal Receipts and Available Revenue Receipts following the service of a Note Acceleration Notice on the Issuer*" below.

The Security will become enforceable following the service of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Events of Default*) of the Notes **provided that**, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Class A Notes, the Security Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority of payment below) or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the order of priority below).

Governing Law

The Deed of Charge will be governed by English law.

Cash Management Agreement

On or about the Closing Date, the Cash Manager, the Issuer, and the Security Trustee will enter into the Cash Management Agreement.

Cash Management Services to be provided to the Issuer

Pursuant to the Cash Management Agreement, the Cash Manager will agree to provide certain cash management and other services to the Issuer. The Cash Manager's principal function will be effecting payments to and from the GIC Account, the Transaction Account and the Euro Account. In particular, the Cash Manager will:

- (a) apply, or cause to be applied Available Revenue Receipts (together with amounts referred to in paragraph (h) of the definition of Available Principal Receipts) in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the applicable Pre-Acceleration Principal Priority of Payments;
- (b) make withdrawals from the General Reserve Fund, the Revolving Period Purchase Fund, the Set-Off Reserve Fund (if established) and/or the Liquidity Reserve Fund (if established) as and when required;
- (c) make payments of the Issuer Additional Trust Consideration and/or the New Portfolio Additional Trust Consideration (as applicable) to the Originator; and
- (d) on behalf of the Issuer, serve a Notice of Increase to the Class AVFN Noteholder in respect of Further VFN Subscription.

In addition, the Cash Manager will:

- (a) maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:
 - (i) the "**Principal Ledger**", which records, *inter alia*, all Principal Receipts and amounts in respect of Further VFN Subscriptions received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable), the amount of any Ineligible Consideration and/or Unfunded Eligible Consideration and/or Originator Adjustment Amount which is of a principal nature, any New Portfolio Additional Trust

Consideration and/or Issuer Additional Trust Consideration funded by Further VFN Subscription, any amounts credited to the Liquidity Reserve Fund (if established);

- (ii) the "**Revenue Ledger**", which records, *inter alia*, all Revenue Receipts received by the Issuer and distribution of the Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable) and the amount of any Ineligible Consideration and/or Unfunded Eligible Consideration and/or Originator Adjustment Amount which is of a revenue nature;
 - (iii) the "**General Reserve Ledger**", which records amounts credited to the General Reserve Fund from the proceeds of issue of the Class Z Notes and Further Class Z Notes, from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payment and from Further Subordinated Loan Advances and withdrawals from the General Reserve Fund on each Interest Payment Date (see "*Credit Structure — General Reserve Fund*" below);
 - (iv) the "**Set-Off Reserve Ledger**", which records amounts credited to the Set-Off Reserve Fund from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payment and from Further Subordinated Loan Advances (see "*Credit Structure — Set-Off Reserve Fund*" below);
 - (v) the "**Revolving Period Purchase Fund Ledger**", which records amounts credited to the Revolving Period Purchase Fund from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments on each Interest Payment Date during the Revolving Period and withdrawals from the Revolving Period Purchase Fund on any Additional Trust Date, during the Revolving Period or on each Interest Payment Date during the Revolving Period that amounts have been standing to the credit thereof for six consecutive Interest Periods (see "*Credit Structure — Revolving Period Purchase Fund*" and "*Cashflows — Definition of Available Principal Receipts*" below);
 - (vi) the "**Liquidity Reserve Ledger**", which (if the Liquidity Reserve Fund is required to be established) records amounts credited to the Liquidity Reserve Fund in accordance with the Pre-Acceleration Principal Priority of Payments and amounts debited from the Liquidity Reserve Fund with respect to Income Deficits (see "*Credit Structure — Liquidity Reserve Fund*" below);
 - (vii) the "**Principal Deficiency Ledger**", which records deficiencies arising from Losses on the Portfolio or the application of Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to cover Income Deficits as described in "*Credit Structure — Principal Deficiency Ledger*" below. The Principal Deficiency Ledger will record as a credit Available Revenue Receipts applied pursuant to item (f) of the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon become Available Principal Receipts);
 - (viii) the "**Initial Subordinated Loan Ledger**", which records the principal amount of all drawings under the Initial Subordinated Loan Advance (as a credit) and the principal amount of all repayments under the Initial Subordinated Loan Advance (as a debit);
 - (ix) the "**Further Subordinated Loan Ledger**", which records the principal amount of all drawings of any Further Subordinated Loan Advances (as a credit) and the principal amount of all repayments under Further Subordinated Loan Advances (as a debit); and
 - (x) the "**Issuer Profit Ledger**", which records all amounts retained by the Issuer as profit pursuant to item (j) of the Pre-Acceleration Revenue Priority of Payments or item (i) of the Post-Acceleration Priority of Payments.
- (b) calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Interest Payment Date;
- (c) provide the Issuer, the Originator, the Security Trustee and the Rating Agencies with monthly reports in relation to the Portfolio; and

- (d) invest moneys standing from time to time to the credit of a Bank Account in Authorised Investments as determined by the Issuer or by the Originator, subject to the following provisions:
 - (i) any such Authorised Investment shall be made in the name of the Issuer;
 - (ii) any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer; and
 - (iii) all income and other distributions arising on, or proceeds following the disposal or maturity of, Authorised Investments shall be credited to the relevant Bank Account.

Remuneration of Cash Manager

The Cash Manager shall be paid fees (inclusive of any VAT) for its cash management services under the Cash Management Agreement in arrear on each Interest Payment Date to the extent that the Issuer has sufficient funds in accordance with the Pre-Acceleration Revenue Priority of Payments to pay them. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Interest Payment Date falling in July 2066 or on any earlier date on which a Note Acceleration Notice is served by the Note Trustee on the Issuer.

Termination of Appointment of Cash Manager

If the Cash Manager defaults in the performance of its obligations under the Cash Management Agreement and such default remains unremedied (if capable of remedy) for a specified period thereafter or a Cash Manager Insolvency Event occurs in relation to the Cash Manager or (while the Cash Manager is RBS) a Liquidity Reserve Fund Downgrade Event occurs, then the Issuer (with the written consent of the Security Trustee) or, following an Event of Default, the Security Trustee may at once or at any time thereafter if the default is continuing, by notice in writing to the Cash Manager, terminate the appointment of the Cash Manager.

"Cash Manager Insolvency Event" means:

- (a) the Cash Manager, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (b) below, ceases or, through an authorised action of the board of directors of that Cash Manager, threatens to cease to carry on all or substantially all of its business or its mortgage administration business or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act 1986 (on the basis that the reference in such section to £750 was read as a reference to £10 million), Section 123(1)(b), (d) and (e), 123(1)(c) (on the basis that the words "for a sum exceeding £10 million" were inserted after the words "extract registered bond" and "extract registered protest") or 123(2) of the Insolvency Act 1986 (as that Section may be amended); or
- (b) an order is made or an effective resolution is passed for the winding-up of the Cash Manager, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction (a) with or by RBSG or any of its subsidiaries or (b) the terms of which have previously been approved by the Trustee in writing or by an Extraordinary Resolution of all the Noteholders; or
- (c) proceedings shall be initiated against the Cash Manager under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation (other than a reorganisation where the Cash Manager is solvent) or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the Cash Manager, or in relation to the whole or any substantial part of the undertaking or assets of the Cash Manager, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Cash Manager, 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 Cash Manager and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 30 days of its commencement, or the Cash Manager (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, bankruptcy, composition, reorganisation or other similar laws or makes a conveyance or assignment or assignation for the benefit of its creditors generally or take steps with a view to obtaining a moratorium in respect of any indebtedness.

The Cash Manager may resign its appointment as Cash Manager on giving 12 months' written notice thereof to the Security Trustee and the Issuer if, *inter alia*:

- (a) a substitute cash manager has been appointed and a new cash management agreement is entered into on terms satisfactory to the Security Trustee and the Issuer (and the Cash Manager shall not be released from its appointment under the Cash Management Agreement until such an appointment has been made and such new agreement has been entered into); and
- (b) Moody's and S&P have been notified of the Cash Manager's intended resignation and has acknowledged receipt of such notification, unless the Class A Noteholders otherwise agree by an Extraordinary Resolution.

Liability of the Cash Manager

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

Governing Law

The Cash Management Agreement will be governed by English law.

Other Agreements

For a description of the Total Return Swap Agreement and the Subordinated Loan Agreement, see "*Credit Structure*" below.

CREDIT STRUCTURE

The Notes are obligations of the Issuer only. The Notes are not obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes are not obligations of, or the responsibility of, or guaranteed by, the Originator, the Originator Trustee, the Originator Beneficiary, the Total Return Swap Provider, the Lead Manager, the Cash Manager, the Account Bank, the Collection Account Bank, the Note Trustee, the Security Trustee, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by the Originator, the Originator Trustee, the Originator Beneficiary, the Total Return Swap Provider, the Lead Manager, the Cash Manager, the Account Bank, the Collection Account Bank, the Note Trustee, the Security Trustee or by any other person other than the Issuer.

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

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

It is anticipated that, during the life of the Class A Notes, the interest payable by Borrowers on the Loans referable to the Issuer Interest will, assuming that all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be sufficient to pay the amounts payable under items (a) to (e) of the Pre-Acceleration Revenue Priority of Payments. The actual amount of any excess will vary during the life of the Notes. A key factor determining such variation is the performance of the Portfolio.

Performance of the Portfolio

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio or the application of Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to cover previous Income Deficits.

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

2. **Income Deficiency**

On each Calculation Date, the Cash Manager, pursuant to the terms of the Cash Management Agreement, will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of the items described in (a) to (e) of the Pre-Acceleration Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose (the amount of any deficit being an "**Income Deficit**"), the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Income Deficit subject to the conditions set out in "*Cashflows — Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls*" by applying firstly, Principal Receipts and secondly, amounts standing to the credit of the Liquidity Reserve Fund (if established), and the Cash Manager shall make a corresponding entry in the Principal Deficiency Ledger as described in paragraph 6 below.

3. **General Reserve Fund**

On the Closing Date, the Issuer will establish a fund called the "**General Reserve Fund**". The General Reserve Fund will be funded on the Closing Date by the proceeds of issue of the Class Z Notes in the sum of £2,541,700,000 (being an amount equal to 29.41 per cent. of the aggregate Principal Amount Outstanding of the Class A Term Notes and the Class AVFN Note as at the Closing Date (the "**Initial Reserve Amount**")). The General Reserve Fund will be credited to the GIC Account (with a corresponding credit to the General Reserve Ledger). The Issuer (or the Cash Manager on its behalf) may invest the amounts standing to the credit of the GIC Account in Authorised Investments.

The Cash Manager will maintain a ledger pursuant to the Cash Management Agreement to record the balance from time to time of the General Reserve Fund (the "**General Reserve Ledger**").

On each Calculation Date, the amount of the General Reserve Fund as at the immediately preceding Collection Period End Date (excluding any amounts standing to the credit of the General Reserve Fund in excess of the General Reserve Required Amount (the "**General Reserve Fund Excess**") which will be used to repay the Class Z Noteholders) will be added to the other income of the Issuer to determine the amount of Available Revenue Receipts (see "*Cashflows — Definition of Available Revenue Receipts*", below).

After the Closing Date, the General Reserve Fund will be funded up to the General Reserve Required Amount. Should the General Reserve Required Amount exceed the Initial Reserve Amount, the General Reserve Fund will be funded from Available Revenue Receipts or Additional Amounts and will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments. The Issuer will from time to time use the Additional Amounts to increase the General Reserve Fund to the General Reserve Required Amount should this exceed the Initial Reserve Amount.

The "**General Reserve Required Amount**" will be either (a) the Initial Reserve Amount or (b) the General Amount, where the General Amount is greater than the Initial Reserve Amount.

The "**General Amount**" will be an amount equal to 21.5 per cent. of the aggregate Principal Amount Outstanding of the Class A Term Notes and the Class AVFN Note as at each Interest Payment Date **provided that** on the Interest Payment Date on which X (expressed as a percentage) is greater than or equal to two times 21.5 per cent. of the then aggregate Principal Amount Outstanding of the Class A Notes where:

X = the General Amount on the immediately preceding Collection Period End Date, divided by the aggregate Class A Notes as at the immediately preceding Collection Period End Date and:

- (i) the balance recorded on the Principal Deficiency Ledger on such Interest Payment Date is zero;
- (ii) the aggregate balance of all Loans in the Portfolio as at the immediately preceding Collection Period End Date which are 90 days or more in arrears does not exceed 3.0 per cent. of the total balance of all the Loans in the Portfolio as at such Collection Period End Date;
- (iii) the aggregate balance of all Losses on the Portfolio as at the immediately preceding Collection Period End Date does not exceed 0.35 per cent. of the original outstanding principal balance of the Loans as at the Closing Date;
- (iv) the aggregate balance of the Loans foreclosed in the Portfolio as at the immediately preceding Collection Period End Date does not exceed 1.5 per cent. of the original outstanding principal balance of the Loans as at the Closing Date; and
- (v) the amount in the General Reserve Fund on the immediately preceding Interest Payment Date is not less than the General Reserve Required Amount as of such Interest Payment Date,

then the General Amount will be reduced on such Interest Payment Date and each Interest Payment Date thereafter to an amount equal to 43 per cent. of the then aggregate Principal Amount Outstanding of the Class A Notes on such Interest Payment Date, **provided however that** for so long as there are any Class A Notes outstanding, the General Reserve Required Amount shall at no time be less than an amount equal to 0.5 per cent. of the aggregate of (i) the Principal Amount Outstanding of the Class A Notes as at the Closing Date and (ii) the Maximum AVFN Amount on any Interest Payment Date.

"**Additional Amounts**" means the aggregate amount of the proceeds of issue of any Further Class Z Notes or Further Subordinated Loan Advances under the Subordinated Loan.

After a reduction to the General Amount (and accordingly the General Reserve Required Amount), the General Reserve Fund Excess will be applied on the immediately following Interest Payment Date to repay the Class Z Noteholders only until such Class Z Noteholders have been repaid in full. For the avoidance of doubt, once the Class Z Noteholders have been repaid in full, any General Reserve Fund Excess will form part of Available Revenue Receipts on that Interest Payment Date.

On any Interest Payment Date on which the Class A Notes are redeemed in full, the General Reserve Fund will be applied to redeem the Class Z Notes; if there are still amounts held in the General Reserve Fund once the Class Z Notes have been redeemed in full and, if the Class Z Notes are redeemed in full, any remaining General Reserve Fund Excess will then form part of Available Revenue Receipts on that Interest Payment Date.

4. **Liquidity Reserve Fund**

The Issuer will be required to establish a liquidity reserve fund (the "**Liquidity Reserve Fund**") if (a) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of RBS cease to be rated at least A3 by Moody's, or if the short-term, unsecured, unsubordinated and unguaranteed debt obligations of RBS cease to be rated at least P-1 by Moody's or such other long term Ratings that Moody's may subsequently agree to in order to maintain the then current Ratings of the Class A Notes (the "**Liquidity Reserve Fund Downgrade Event**") (b) if RBSG ceases to be the ultimate parent company of the Originator.

Prior to service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Liquidity Reserve Fund may be applied as part of Available Principal Receipts or used to meet any Income Deficit as described in paragraph 2 (*Income Deficiency*) above. Use of amounts for the Liquidity Reserve Fund to cover Income Deficits is subject to the conditions set out in "*Cashflows — Application of Principal Receipts and Liquidity Reserve Fund amounts to cover shortfalls*".

The Liquidity Reserve Fund, if established, will be initially funded from the Available Principal Receipts. The Liquidity Reserve Fund will be funded up to the "**Liquidity Reserve Required Amount**", being an amount as at any Interest Payment Date equal to 3 per cent. of the aggregate Principal Amount Outstanding of the Class A Notes on that Interest Payment Date (taking into account any principal payments to be made by the Issuer on that Interest Payment Date).

The Liquidity Reserve Fund will be deposited in the GIC Account. The Cash Manager will maintain a separate Liquidity Reserve Ledger to record the balance from time to time of the Liquidity Reserve Fund.

Once it has been initially funded, the Liquidity Reserve Fund will be replenished from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

5. **Set-Off Reserve Fund**

The Issuer will be required to establish a fund called the "**Set-Off Reserve Fund**" up to the Set-Off Reserve Required Amount within 30 days of the occurrence of

- (i) the short-term (or if applicable, long-term) unsecured, unsubordinated and unguaranteed debt obligations of RBS ceasing to be rated at least A-1 by S&P, or other short term or long term ratings as agreed with S&P; or
- (ii) the short-term (or if applicable, long-term) unsecured, unsubordinated and unguaranteed debt obligations of RBS ceasing to be rated at least P-1 by Moody's, or other short term or long term ratings as agreed with Moody's,

(the "**Set-Off Reserve Fund Downgrade Event**").

The "**Set-Off Reserve Required Amount**" means, on any Calculation Date:

- (i) if the short-term (or if applicable, long-term) unsecured, unsubordinated and unguaranteed debt obligations of RBS are rated at least (a) A-1 by S&P or other short term or long term ratings as agreed with S&P, or (b) A-2 by S&P or other short term or

long term ratings as agreed with S&P and the Set-Off Reserve Percentage is less than or equal to 10 per cent., zero; or

- (ii) the short-term (or if applicable, long-term) unsecured, unsubordinated and unguaranteed debt obligations of RBS are rated at least P-1 by Moody's or other short term or long term ratings as agreed with Moody's, zero; or
- (iii) at any other time when paragraph (i) or (ii) above is not applicable, the product of (x) the Outstanding Principal Balance of all Funded Eligible Loans on the immediately preceding Calculation Date and (y) the Set-Off Reserve Percentage.

"Set-Off Reserve Percentage" means on any Calculation Date:

- (i) 3 multiplied by 8% multiplied by an amount equal to the aggregate undrawn element of all funded Eligible Loans on the immediately preceding Calculation Date divided by the Outstanding Principal Balance of all funded Eligible Loans); and
- (ii) the total amount of (a) Loans where the relevant Borrower is an employee or officer of the Originator and/or (b) amounts standing to the credit of other bank accounts held by the Borrower with the Originator (c) divided by the Outstanding Principal Balance of all funded Eligible Loans.

The Issuer will fund the Set-Off Reserve Required Amount either (a) by making a drawing under the Subordinated Loan Agreement or (b) from Available Revenue Receipts in accordance with the Pre-Enforcement Revenue Priority of Payments. Once established, the Set-Off Reserve Fund will be replenished from Available Revenue Receipts up to the Set-Off Reserve Required Amount in accordance with the Pre-Acceleration Revenue Priority of Payments.

To the extent that the amount standing to the credit of the Set-Off Reserve Fund on any Calculation Date exceeds the Set-Off Reserve Fund Required Amount (such excess, the **"Set-Off Reserve Fund Excess"**), this excess amount will form part of Available Revenue Receipts.

On any Interest Payment Date on which the Class A Notes are redeemed in full, any amounts standing to the credit of the Set-Off Reserve Fund will be applied to redeem the Class Z Notes. Once the Class Z Notes have been redeemed in full, any amounts standing to the credit of the Set-Off Reserve Fund will form part of Available Revenue Receipts on that Interest Payment Date.

6. **Revolving Period Purchase Fund**

The Issuer will establish a fund called the **"Revolving Period Purchase Fund"**. The Revolving Period Purchase Fund will be funded on the first Interest Payment Date with Available Principal Receipts for the first Collection Period. The Revolving Period Purchase Fund will be funded on each subsequent Interest Payment Date during the Revolving Period with Available Principal Receipts for the immediately preceding Collection Period after crediting the Liquidity Reserve Fund (if established). The Revolving Period Purchase Fund will be credited to the GIC Account (with a corresponding credit to the Revolving Period Purchase Fund Ledger).

The Cash Manager will maintain the Revolving Period Purchase Fund Ledger pursuant to the Cash Management Agreement to record the balance from time to time of the Revolving Period Purchase Fund.

During the Revolving Period, amounts standing to the credit of the Revolving Period Purchase Fund (**"Retained Principal Amounts"**) may be applied by the Issuer during the immediately following six consecutive Interest Periods after such credit was made to pay the Issuer Additional Trust Consideration and/or the New Portfolio Additional Trust Consideration (as applicable) payable to the Originator in respect of, firstly, any Net Principal Increases and secondly, any New Portfolio (forming part of the Originator Trust Property during such period) or any New Eligible Loans (and for this purpose, any amounts standing to the credit of the Revolving Period Purchase Fund will be applied in the order in which such amounts were credited to the Revolving Period Purchase Fund). If not so applied, any such amounts that remain standing to the credit of the Revolving Period Purchase Fund on the Interest Payment Date immediately following the end

of such six consecutive Interest Periods will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer (after crediting (if established) the Liquidity Reserve Fund) to redeem the Notes in accordance with items (b) to (e) of the Pre Acceleration Principal Priority of Payments on such Interest Payment Date.

7. **Principal Deficiency Ledger**

A principal deficiency ledger (the "**Principal Deficiency Ledger**"), will be established on the Closing Date in order to record any Losses on the Portfolio and the application of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit as described in paragraph 2 above (*Income Deficiency*) above and paragraph 4 (*Liquidity Reserve Fund*) above.

The application of any Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit will be recorded on the Principal Deficiency Ledger until the balance of the Principal Deficiency Ledger is equal to the then aggregate Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, Available Revenue Receipts shall, after making the payments or provisions required to be met in priority to item (f) of the Pre-Acceleration Revenue Priority of Payments, be applied in an amount necessary to reduce to nil the balance on the Principal Deficiency Ledger.

8. **Available Funds**

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Calculation Date, they shall be paid on the immediately following Interest Payment Date to the persons entitled thereto (or a relevant provision made) in accordance with the Pre-Acceleration Priority of Payments. It is not intended that any surplus will be accumulated in the Issuer (other than amounts standing to the credit of the Reserve Funds).

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts (and insufficient Principal Receipts), to pay the interest otherwise due on the Class Z Notes, then the Issuer will be entitled under Condition 18 (*Subordination by Deferral*) to defer payment of that amount (to the extent of the insufficiency) until the following Interest Payment Date. This will not constitute an Event of Default. If there are no Class A Notes then outstanding, the Issuer will not be entitled to defer payments of interest in respect of the Class Z Notes.

Failure to pay interest on the Class A Notes (or the Class Z Notes where the Class A Notes have been redeemed in full) shall constitute an Event of Default under the Notes which may result in the Security Trustee enforcing the Security.

9. **GIC Account**

Pursuant to the Bank Account Agreement, the Issuer may invest amounts standing to the credit of the GIC Account in Authorised Investments which will earn interest at a guaranteed rate of LIBOR for One-Month Sterling deposits.

If, at any time short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below a rating of P-1 by Moody's or A-1 by S&P, or such other rating as required by the Rating Agency from time to time, the Issuer will be required (within 30 days) to transfer (at its own cost) the GIC Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement, in order to maintain the ratings of the Notes at their then current ratings.

10. **Subordinated Loan**

The Subordinated Loan Provider will make a subordinated loan facility available to the Issuer on the Closing Date pursuant to the Subordinated Loan Agreement in an amount up to £3,250,000 (the "**Commitment**"). On the Closing Date the Subordinated Loan Provider will make an advance of £3,250,000 (the "**Initial Subordinated Loan Advance**") to the Issuer to be used to

meet the costs and expenses of the Issuer arising in connection with the issue of the Notes. From time to time after the Closing Date, the Issuer may request that the Subordinated Loan Provider make further advances (each a "**Further Subordinated Loan Advance**" and together with the Initial Subordinated Loan Advance the "**Subordinated Loan**") to the Issuer to fund (a) the General Reserve Fund, to the extent that the balance of the General Reserve Fund is less than the General Reserve Fund Required Amount, in an amount equal to such shortfall and/or (b) the Set-Off Reserve Fund, to the extent that the balance of the Set-Off Reserve Fund is less than the Set-Off Reserve Fund Required Amount, in an amount equal to such shortfall (as required).

The Subordinated Loan Provider will not be obliged to make a Further Subordinated Loan if, as a result of that Further Subordinated Loan, the advance then outstanding would exceed the Commitment.

The Subordinated Loan Provider will have the right to assign or novate its rights and/or obligations under the Subordinated Loan to a third party at any time.

The Subordinated Loan Agreement will be governed by English law.

11. **Total Return Swap**

The interest rates on some of the Loans in the Portfolio are payable by reference to bases other than One-Month Sterling LIBOR and are determined on different dates.

However, the interest rates payable by the Issuer with respect to the Notes are calculated by reference to One-Month Sterling LIBOR set on an Interest Determination Date.

To hedge against the possible variance between:

- (i) the variable rates of interest payable on the Loans in the Portfolio and the dates on which those rates are set; and
- (ii) One-Month Sterling LIBOR, set on the relevant Interest Determination Date,

the Issuer, on or about the Closing Date, will enter into the Total Return Swap Agreement with the Total Return Swap Provider and the Security Trustee.

The Total Return Swap Agreement will govern the terms of the swap transaction (the "**Total Return Swap Transaction**") which shall be documented under a swap confirmation.

The Total Return Swap Transaction

Under the Total Return Swap Transaction, on each Interest Payment Date:

- (i) the Total Return Swap Provider shall have an obligation to pay an amount calculated by reference to the product of (a) 99 per cent. of the aggregate Current Balance of the Eligible Loans (excluding any Unfunded Eligible Loans) (such balance to be determined as at the beginning of certain Collection Periods as further described in the Total Return Swap Transaction) (b) the relevant day count fraction and (c) One-Month LIBOR plus 1.25 per cent (the "**Swap Provider Amount**"); and
- (ii) the Issuer shall have an obligation to pay an amount equal to the lesser of (a) the sum of certain Revenue Receipts which are Available Revenue Receipts actually received by the Issuer during the related mortgage collection period and (b) an amount calculated by reference to the product of (x) 99 per cent. of the aggregate Current Balance of the Eligible Loans (excluding any Unfunded Eligible Loans) (such balance to be determined as at the beginning of certain Collection Periods as further described in the Total Return Swap Transaction) (y) the relevant day count fraction and (z) One-Month LIBOR plus 1.50 per cent (the "**Issuer Swap Amount**").

On each Interest Payment Date, the Swap Provider Amount will be netted off against the Issuer Swap Amount to give the "**Net Swap Amount**".

Where, on an Interest Payment Date, the Swap Provider Amount is greater than the Issuer Swap Amount, the Net Swap Amount will be due to the Issuer from the Total Return Swap Provider. In such a case the Net Swap Amount will be included in the Available Revenue Receipts and will be applied on the relevant Interest Payment Date according to the applicable Priority of Payments.

Where, on an Interest Payment Date, the Issuer Swap Amount is greater than the Swap Provider Amount, the Net Swap Amount will be due to the Total Return Swap Provider from the Issuer according to the applicable Priority of Payments.

Under the terms of the Total Return Swap Agreement, in the event that the relevant ratings of the long-term or short-term debt of the Total Return Swap Provider are downgraded by a Rating Agency below the Required Swap Rating, the Total Return Swap Provider will, at its own cost, in accordance with the terms of the Total Return Swap Agreement, be required to elect to take certain remedial measures within the time frame stipulated in the Total Return Swap Agreement, which may include providing collateral for its obligations under the Total Return Swap Agreement, arranging for its obligations under the Total Return Swap Agreement to be transferred to an entity with the Required Swap Rating, procuring another entity with the Required Swap Rating to become co-obligor or guarantor, as applicable, in respect of its obligations under the Total Return Swap Agreement or, where the relevant Rating Agency is S&P, taking such other action that would result in the relevant Rating Agency continuing the then current rating of the Notes. The remedial measures available and any cure periods may be more limited following further rating downgrades of the Total Return Swap Provider below the Required Swap Rating.

The Total Return Swap Transaction may (and in the case of (v) below, shall) be terminated by the Total Return Swap Provider in certain circumstances including, but not limited to, the following:

- (i) if there is a failure by the Issuer to pay amounts due under the Total Return Swap Agreement in circumstances where the Issuer has Revenue Receipts available to pay such amounts in accordance with the Transaction Documents and any applicable grace period has expired;
- (ii) if certain insolvency events occur with respect to the Issuer;
- (iii) if a change of law results in it becoming unlawful for one of the parties to perform one or more of its obligations under the Total Return Swap Agreement;
- (iv) if, in certain circumstances, a deduction or withholding for or on account of taxes is imposed either (a) on payment of the Swap Provider Amount which results in the Total Return Swap Provider being obliged to gross up its payments under the terms of the Total Return Swap Transaction, or (b) on payment of the Issuer Swap Amount; and
- (v) if the Note Trustee serves a Note Acceleration Notice on the Issuer pursuant to Condition 10 (Events Of Default) of the Notes.

The Total Return Swap Transaction may be terminated by the Issuer in certain circumstances, including but not limited to, the following:

- (i) if there is a failure by the Total Return Swap Provider to pay amounts due under the Total Return Swap Agreement and any applicable grace period has expired;
- (ii) if certain insolvency events occur with respect to a the Total Return Swap Provider;
- (iii) if a breach of a provision of the Total Return Swap Agreement by the Total Return Swap Provider is not remedied within the applicable grace period;
- (iv) if a change of law results in it becoming unlawful for one of the parties to perform one or more of its obligations under the Total Return Swap Agreement; and

- (v) if the Total Return Swap Provider is downgraded by a Rating Agency and fails to comply with the requirements of the downgrade provisions contained in the Total Return Swap Agreement.

Upon an early termination of the Total Return Swap Transaction, the Issuer or the Total Return Swap Provider may be liable to make a swap termination payment to the other.

Such swap termination payment will be calculated and paid in Sterling.

The amount of any such swap termination payment will initially be based on the market value of the Total Return Swap Transaction which is being terminated as determined on the basis of quotations sought from leading dealers as to the payment required to be made (or premium to be received) in order to enter into a transaction that would have the effect of preserving the economic equivalent of the respective payment obligations of the parties (or based upon a good faith determination of one of the party's total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination.

If the Issuer is required to make such payment to the Total Return Swap Provider then the Issuer may not have sufficient funds to make payments due in respect of the Notes and to the extent that one or more comparable replacement swap transactions cannot be entered into, the Issuer will be exposed on a continuing basis to the possible variance between the variable rates payable on the Loans in the Portfolio and One-Month Sterling LIBOR and the Issuer may have insufficient funds to make payments due on the Notes on an ongoing basis.

The Total Return Swap Provider may, subject to certain conditions specified in the Total Return Swap Agreement, transfer its obligations under the Total Return Swap Agreement to another entity provided that such entity has the Required Swap Rating.

The Total Return Swap Provider will be obliged to gross up payments made by it to the Issuer under the Total Return Swap Transaction if withholding taxes are imposed on such payments, although in such circumstances the Total Return Swap Provider may terminate the Total Return Swap Transaction early. The Issuer will not be obliged to gross up payments made by it to the Total Return Swap Provider under the Total Return Swap Transaction if withholding taxes are imposed on such payments, however the Total Return Swap Provider may have the right to terminate such Total Return Swap Transaction in such circumstances. If either the Total Return Swap Provider or the Issuer terminates the Total Return Swap Transaction then the Issuer may be required to pay (or entitled to receive) a swap termination payment. In such case, payment by the Issuer of such swap termination payment may affect amounts available to the Issuer to pay interest and principal on the Notes.

For the purposes of the above provisions, "**Required Swap Rating**" means that the unsecured and unsubordinated debt obligations of the relevant entity are rated no lower than:

- (i) "A2" by Moody's (long term) and "P-1" by Moody's (short-term) (or if the relevant entity has no short term Moody's rating, "A1" by Moody's (long-term)) or such other long-term or short-term rating as is otherwise acceptable to the Rating Agencies; and
- (ii) "A-1" by S&P (short term) (or if such relevant entity has no short term S&P rating, "A+" by S&P (long term)) or such other long-term or short-term rating as is otherwise acceptable to the Rating Agencies.

On or around the Closing Date, the Total Return Swap Provider and the Issuer will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) (the "**Swap Agreement Credit Support Document**") in support of the obligations of the Total Return Swap Provider under the Total Return Swap Agreement. Pursuant to the terms of such Swap Agreement Credit Support Document, if at any time the Total Return Swap Provider is required to provide collateral in respect of any of its obligations under the Total Return Swap Agreement, the Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the Swap Agreement Credit Support Document and the Total Return Swap Agreement, the

Total Return Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the Total Return Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Agreement Credit Support Document.

The Issuer will keep any collateral received from the Total Return Swap Provider pursuant to the Swap Agreement Credit Support Document in separate cash and/or securities accounts (the "**Swap Collateral Accounts**"). The Issuer may only make payments or transfers utilising any monies and securities held in the Swap Collateral Accounts if such payments and transfers are made in accordance with the terms of the Swap Agreement Credit Support Document. Amounts standing to the credit of the Swap Collateral Accounts will not, upon enforcement of the Security, be available to the Secured Creditors generally and may only be applied in satisfaction of amounts owing by the Total Return Swap Provider, or to be repaid to the Total Return Swap Provider, in accordance with the terms of the Total Return Swap Agreement and the Swap Agreement Credit Support Document. There may be circumstances where no amount is owing by the Total Return Swap Provider. In such circumstances the transferred collateral must be returned to the Total Return Swap Provider.

The Total Return Swap Agreement will be governed by English Law.

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Definition of Revenue Receipts

"**Revenue Receipts**" means payments received by the Issuer directly (except for amounts standing to the credit of any Replacement Collection Account if opened) or from the Originator Trustee representing:

- (a) Loan Revenue Receipts;
- (b) the Issuer Surrender Payment to the extent that the related Reacquisition Amount is proportionally attributable to accrued interest, arrears of interest and other interest amounts in respect of the Loans (excluding, for the avoidance of doubt, capitalised interest, capitalised expenses and capitalised arrears) as at the relevant repurchase date;
- (c) any Closing Date Adjustment Amounts (in respect of such amounts that represent revenue) together with accrued and unpaid interest thereon (such interest to be calculated at the rate of interest applicable to the relevant Bank Account into which any such Closing Date Adjustment Amount is to be paid); and
- (d) any NPI Compensation Payment made by the Originator to the Issuer which relate to accrued interest, arrears of interest and other interest amounts in respect of the Loans other than the Outstanding Principal Balance of the Loans;
- (e) any Issuer Adjustment Amounts which relate to accrued interest, arrears of interest and other interest amounts in respect of the Loans other than the Outstanding Principal Balance of the Loans; and
- (f) any Breach of Warranty Payment from the Originator to the Issuer in respect of any breach of the Loans Warranties which relate to accrued interest, arrears of interest and other interest amounts in respect of the Loans other than the Outstanding Principal Balance of the Loans;

but not including any applicable fees or charges and for the avoidance of doubt, such amounts are to be calculated prior to any netting calculations to be made in accordance with the provisions of Schedule 8 (*Calculations, Allocations and Payments*) of the Originator Trust Deed.

"**Closing Date Adjustment Amounts**" means any excess amounts in respect of any cash amount paid by the Issuer to the Originator on the Closing Date in excess of the Issuer Initial Trust Consideration.

Definition of Available Revenue Receipts

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

- (a) Revenue Receipts received during the immediately preceding Collection Period, less (i) the aggregate of the amounts referable to (a) to (e) below in respect of Ineligible Loans and Unfunded Ineligible Loans which are of a revenue nature and for the avoidance of doubt, any Excess AMM Consideration (the "**Ineligible Revenue Receipts**"); (ii) amounts in relation to Originator Adjustment Amounts of a revenue nature and (iii) any amounts applied during such Collection Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):
 - (i) payments of certain insurance premiums;
 - (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account; and
 - (iii) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Originator,

(items within paragraphs (i), (ii) and (iii) being collectively referred to herein as "**Third Party Amounts**"), which amounts may be deducted by the Cash Manager on a daily basis from the GIC Account to make payment to the persons entitled thereto;

- (b) interest payable to the Issuer on the Bank Accounts (if any) and income and interest from any Authorised Investments in each case received during the immediately preceding Collection Period;
- (c) amounts received by the Issuer under the Total Return Swap Agreement (other than (i) any early termination amount received by the Issuer under the Total Return Swap Agreement which is to be applied in acquiring a replacement swap, (ii) any collateral transferred to the Issuer pursuant to the terms of Total Return Swap Agreement and (iii) any Replacement Swap Premium but only to the extent applied to pay any termination payment due and payable by the Issuer to the outgoing swap provider) on such Interest Payment Date;
- (d) the amounts standing to the credit of the General Reserve Fund as at the immediately preceding Collection Period End Date (excluding any General Reserve Fund Excess);
- (e) the Set-Off Reserve Fund Excess; and
- (f) other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts and any amount retained in the Issuer Profit Ledger.

Application of Principal Receipts and Liquidity Reserve Fund Amounts to Cover Shortfalls

On each Calculation Date, the Cash Manager shall calculate whether the Available Revenue Receipts (as calculated above) will be sufficient to pay on the relevant Interest Payment Date items (a) to (e) of the Pre-Acceleration Revenue Priority of Payments.

If the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Income Deficit by applying Principal Receipts (if any) and, thereafter, amounts standing to the credit of the Liquidity Reserve Fund (if established), and the Cash Manager shall make a corresponding entry on the relevant Principal Deficiency Ledger as described in "*Credit Structure — Principal Deficiency Ledger*" above.

Application of Moneys Released from the General Reserve Fund

If the General Amount (and accordingly the General Reserve Required Amount) is reduced or cancelled at any time (see "*Credit Structure — General Reserve Fund*" for a description of when the General Reserve Required Amount may be reduced), then the General Reserve Fund Excess shall be applied to repay the Class Z Noteholders only and shall not form part of the Available Revenue Receipts. Once the Class Z Noteholders have been repaid in full, any General Reserve Fund Excess will form part of Available Revenue Receipts.

Application of Available Revenue Receipts prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer

Except for any termination payment payable to the Total Return Swap Provider, as the case may be, which shall be payable when due pursuant to the Total Return Swap Agreement (as applicable) to the extent such termination payment is paid using any Replacement Swap Premium, on each Interest Payment Date prior to the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for the Available Revenue Receipts together with any amounts referred to in paragraph (h) of the definition of Available Principal Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Acceleration Revenue Priority of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (ii) any costs, charges, liabilities, expenses and all other amounts then due and payable or to become due and payable in the immediately succeeding Interest Period to the Note Trustee or any Appointee under the provisions of the Trust Deed and the other Transaction Documents together with (if payable) value added tax ("**VAT**") thereon as provided therein;

- (iii) any costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Interest Period to the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Principal Paying Agent and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;
 - (ii) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer for corporation tax on any income or chargeable gain of the Issuer (which cannot be met out of amounts retained previously by the Issuer as profit under item (i) below); and
 - (iii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable or to become due and payable in the immediately succeeding Interest Period to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
- (i) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager or any such amount to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (ii) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank or any such amount to become due and payable to the Account Bank in the immediately succeeding Interest Period under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
- (d) *fourth*, to pay amounts due to the Total Return Swap Provider in respect of the Total Return Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Total Return Swap Excluded Termination Amount to the extent it is not satisfied by the payment by the Issuer to the Total Return Swap Provider of any Replacement Swap Premium);
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:
- (i) interest due and payable on the Class AVFN Note;
 - (ii) interest due and payable on the Class A1 Notes;
 - (iii) interest due and payable on the Class A2 Notes;
 - (iv) interest due and payable on the Class A3 Notes;
 - (v) interest due and payable on the Class A4 Notes; and

- (vi) interest due and payable on the Class A5 Notes;
- (f) *sixth*, to credit the Principal Deficiency Ledger in an amount sufficient to eliminate any debit thereon;
- (g) *seventh*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Required Amount;
- (h) *eighth*, (so long as the Class A Notes will remain outstanding following such Interest Payment Date) to credit the Set-Off Reserve Ledger up to the Set-Off Reserve Required Amount;
- (i) *ninth*, to pay the Total Return Swap Provider in respect of a Total Return Swap Excluded Termination Amount (to the extent not satisfied by payment to it by the Issuer of any Replacement Swap Premium);
- (j) *tenth*, an amount as decided by the directors of the Issuer which shall be equal to £1,250 on each Interest Payment Date up to and including the Interest Payment Date falling in December 2010, and £100 on each Interest Payment Date thereafter in each case to be credited to the Transaction Account and to be retained by the Issuer as profit in respect of the business of the Issuer;
- (k) *eleventh*, to pay interest due and payable on the Class Z Notes;
- (l) *twelfth*, to pay principal amounts due and payable on the Class Z Notes;
- (m) *thirteenth*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (n) *fourteenth*, to pay the principal amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and
- (o) *fifteenth*, to pay any Excess Consideration due and payable under the Originator Trust Deed to the Originator.

As used in this Prospectus:

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

"**Collection Period End Date**" means the last day of a Collection Period

"**Collection Period**" means each calendar month (or in the case of the first Collection Period, from (and including) the Closing Date to (and including) the last day in that calendar month immediately preceding the first Calculation Date).

"**Excess Consideration**" means the consideration due and payable on any Interest Payment Date to the Originator pursuant to the Originator Trust Deed in respect of the contribution to the Originator Trust of the Initial Portfolio, which shall be an amount equal to the amount remaining after making payment of (as applicable):

- (a) the items described in (a) to (n) (inclusive) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;
- (b) the items described in (a) to (d) (inclusive) of the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date; or
- (c) the items described in (a) to (i) (inclusive) of the Post-Acceleration Priority of Payments.

"**Total Return Swap Excluded Termination Amount**" means, in relation to the Total Return Swap Agreement, the amount of any termination payment due and payable to the Total Return Swap Provider as a result of a termination of the Total Return Swap Transaction resulting from a Total Return Swap Provider Default or Total Return Swap Provider Downgrade Event;

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

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

"Replacement Swap Premium" means an amount received by the Issuer from a replacement swap provider upon entry by the Issuer into an agreement with such replacement swap provider to replace the Total Return Swap Provider.

Definition of Principal Receipts

"Principal Receipts" means payments received by the Issuer directly (except for amounts standing to the credit of any Replacement Collection Account if opened) or from the Originator Trustee representing:

- (a) Loan Principal Receipts;
- (b) the Issuer Surrender Payment (excluding amounts attributable to Revenue Receipts);
- (c) any Closing Date Adjustment Amounts (in respect of such amounts that represent principal) together with accrued and unpaid interest thereon (such interest to be calculated at the rate of interest applicable to the Transaction Account into which any such Closing Date Adjustment Amount is to be paid);
- (d) any Breach of Warranty Payment (in respect of such amounts that represent principal) from the Originator to the Issuer in respect of any breach of the Loan Warranties;
- (e) any NPI Compensation Payment (in respect of such amounts that represent principal) made by the Originator to the Issuer; and
- (f) any Issuer Adjustment Amounts (in respect of such amounts that represent principal); and

and for the avoidance of doubt, such amounts are to be calculated prior to any netting calculations to be made in accordance with the provisions of Schedule 8 (*Calculations, Allocations and Payments*) of the Originator Trust Deed..

Definition of Available Principal Receipts

"Available Principal Receipts" means for any Interest Payment Date:

- (a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period;
- (b) if established, all amounts standing to the credit of the Liquidity Reserve Fund (as recorded on the Liquidity Reserve Ledger) on the immediately preceding Collection Period End Date;
- (c) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to item (f) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;
- (d) (in respect of each Interest Payment Date during the Revolving Period) amounts standing to the credit of the Revolving Period Purchase Fund for six consecutive Interest Periods after the credit is made (and for this purpose, any amounts standing to the credit of the Revolving Period Purchase Fund will be applied towards any Issuer Additional Trust Consideration and/or New Portfolio Additional Trust Consideration in accordance with the terms of the Transaction Documents in the order in which such amounts were credited to the Revolving Period Purchase Fund); and
- (e) (in respect of each Interest Payment Date immediately following the end of the Revolving Period only) all amounts standing to the credit of the Revolving Period Purchase Fund;

less:

- (f) the aggregate of the amounts referable to (a) to (e) above in respect of Ineligible Loans and Unfunded Eligible Loans (the "**Ineligible Principal Receipts**");
- (g) any (i) amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period or, (ii) amounts standing to the credit of the Liquidity Reserve Fund, which are to be applied to cover Income Deficits on such Interest Payment Date; and
- (h) amounts in relation to Originator Adjustment Amounts to the extent that the same relates to payments representing Principal Receipts received by the Issuer in respect of Loans which are deemed Ineligible Loans or Unfunded Eligible Loans in accordance with Clauses 4.6.2(a) and 4.6.2(b) of the Originator Trust Deed.

The Issuer shall pay or provide for amounts due under the Pre-Acceleration Revenue Priority of Payments before paying amounts due under the Pre-Acceleration Principal Priority of Payments.

Application of Available Principal Receipts prior to service of a Note Acceleration Notice by the Note Trustee on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer by the Note Trustee, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Interest Payment Date in the following order of priority (the "**Pre-Acceleration Principal Priority of Payments**"):

- (a) *first*, if the Liquidity Reserve Fund is required to be established, and the balance of the Liquidity Reserve Fund is less than the Liquidity Reserve Required Amount, towards a credit to the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount;
- (b) *second*, to pay any principal amounts outstanding on the Class AVFN Note;
- (c) *third*, during the Revolving Period, towards a credit to the Revolving Period Purchase Fund in an amount equal to such Available Principal Receipts less the sum of (a) such amount thereof as comprises paragraph (d) of Available Principal Receipts and (b) the amount credited to the Liquidity Reserve Fund in accordance with item (a) above (if applicable);
- (d) *fourth*, to pay in the following order of priority:
 - (i) any principal amounts outstanding on the Class A1 Notes;
 - (ii) any principal amounts outstanding on the Class A2 Notes;
 - (iii) any principal amounts outstanding on the Class A3 Notes;
 - (iv) any principal amounts outstanding on the Class A4 Notes;
 - (v) any principal amounts outstanding on the Class A5 Notes; and
- (e) *fifth*, to pay any Excess Consideration due and payable under the Originator Trust Deed to the Originator.

Distribution of Ineligible Principal Receipts and Ineligible Revenue Receipts

Amounts in respect of Ineligible Principal Receipts and Ineligible Revenue Receipts will be paid by RBS as Cash Manager to the Originator on each London Business Day by way of Ineligible Consideration.

Distribution of Principal Receipts and Revenue Receipts in respect of Unfunded Eligible Loans

Amounts in respect of Principal Receipts and Revenue Receipts in relation to Unfunded Eligible Loans will be paid by RBS as Cash Manager to the Originator on each London Business Day by way of Unfunded Eligible Consideration.

Distribution of Available Principal Receipts and Available Revenue Receipts Following the service

of a Note Acceleration Notice by the Note Trustee on the Issuer

Following the service of a Note Acceleration Notice by the Note Trustee on the Issuer, the Security Trustee (or the Cash Manager on its behalf) will apply amounts (other than amounts representing (a) any excess swap collateral equivalent amounts of which shall be transferred directly to the Total Return Swap Provider under the Total Return Swap Agreement (b) in respect of the Total Return Swap Provider, prior to the designation of an early termination date under the Total Return Swap Agreement and the resulting application of the collateral by way of netting or set off, an amount equal to the value of all collateral (other than excess swap collateral) provided by the Total Return Swap Provider to the Issuer pursuant to the Total Return Swap Agreement and any interest or distributions in respect thereof and (c) any Replacement Swap Premium, to the extent that it is due to be paid to an outgoing swap provider) received or recovered following the service of a Note Acceleration Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) in the following order of priority (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the "**Priorities of Payments**"):

- (a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee or any Appointee, under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and
 - (ii) any costs, charges, liabilities, expenses and all other amounts then due and payable to the Security Trustee, any Receiver appointed by the Security Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;
- (b) *second*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any remuneration then due and payable to the Agent Bank, the Registrar and the Principal Paying Agent and any costs, charges, liabilities and expenses then due and payable to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein; and
 - (ii) any amounts then due and payable to the Corporate Services Provider and any costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;
- (c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:
 - (i) any amounts then due and payable to the Cash Manager and any costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and
 - (ii) any amounts then due and payable to the Account Bank and any costs, charges, liabilities and expenses then due and payable to the Account Bank under the provisions of the Bank Account Agreement, together with (if payable) VAT thereon as provided therein;
- (d) *fourth*, to pay amounts due and payable to the Total Return Swap Provider in respect of the Total Return Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Total Return Swap Excluded Termination Amount);
- (e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:
 - (i) interest and principal due and payable on the Class AVFN Note;
 - (ii) interest and principal due and payable on the Class A1 Notes;

- (iii) interest and principal due and payable on the Class A2 Notes;
- (iv) interest and principal due and payable on the Class A3 Notes;
- (v) interest and principal due and payable on the Class A4 Notes; and
- (vi) interest and principal due and payable on the Class A5 Notes;
- (f) *sixth*, to pay the Total Return Swap Provider in respect of any Total Return Swap Excluded Termination Amount;
- (g) *seventh*, to pay interest and principal due and payable on the Class Z Notes;
- (h) *eighth*, to pay all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement;
- (i) *ninth*, an amount as decided by the directors of the Issuer which shall be equal to £1,250 on each Interest Payment Date up to and including the Interest Payment Date falling in December 2010, and £100 on each Interest Payment Date thereafter in each case to be credited to the Transaction Account and to be retained by the Issuer as profit in respect of the business of the Issuer; and
- (j) *tenth*, to pay any Excess Consideration due and payable under the Originator Trust Deed to the Originator.

DESCRIPTION OF THE GLOBAL NOTES AND THE CLASS AVFN NOTE

General

Each sub-class of the Class A Term Notes and the Class Z Note, as at the Closing Date, will be represented by a Global Note. The Class A Term Notes will be deposited on or about the Closing Date with the Common Depositary as the depositary for both Euroclear and Clearstream, Luxembourg and the Class Z Notes will be deposited on or about the Closing Date with Citibank N.A., London Branch. The Class A Term Notes will be registered in the name of Citibank Europe plc as the nominee for the Common Depositary. The Registrar will maintain a register in which Citibank Europe plc is registered as the owner of the Class A Term Notes and the Class Z Noteholder as the owner of the Class Z Notes.

Upon confirmation by the Common Depositary that it has custody of the Class A Term Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the Class A Term Notes attributable thereto.

Book-Entry Interests in respect of Class A Term Notes are recorded in denominations of £100,000 and integral multiples of £1,000 in excess thereof (an "**Authorised Denomination**"). Ownership of Book-Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Lead Manager. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

So long as Citibank Europe plc is the registered holder of the Class A Term Notes underlying the Book-Entry Interests, Citibank Europe plc will be considered the sole Noteholder of the Class A Term Notes for all purposes under the Trust Deed. Except as set forth under "*Issuance of Definitive Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See — "*Action in Respect of the Global Notes and the Book-Entry Interests*", below.

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

In the case of the Class A Term Notes, unless and until Book-Entry Interests are exchanged for Definitive Notes, the Class A Term Notes held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

Purchasers of Book-Entry Interests in a Class A Term Note will hold Book-Entry Interests in the Class A Term Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Class A Term Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Class A Term Note on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

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

Payments on Global Notes

Payment of principal and interest on, and any other amount due in respect of, the Global Notes will be made in Sterling by or to the order of Citibank N.A., London Branch, as principal paying agent (the "**Principal Paying Agent**") on behalf of the Issuer to (i) the Common Depository or its nominee as the registered holder thereof with respect to the Class A Term Notes and (ii) the Class Z Noteholder with respect to the Class Z Notes. Each holder of Book-Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the Common Depository or its nominee in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depository, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Lead Manager, the Note Trustee or the Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in

several countries through established depository and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

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

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

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Security Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed or the Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book-Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depository and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Issuer for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Class A Term Note (or portion thereof) relating thereto. For any redemptions of a Class A Term Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

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

Transfers and Transfer Restrictions

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

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Class A Term Note will be entitled to receive Definitive Notes in registered form ("**Registered Definitive Notes**") in exchange for their respective holdings of Book-Entry Interests if (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date,

the Issuer or the Principal Paying Agent is 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. Any Registered Definitive Notes issued in exchange for Book-Entry Interests in a Class A Term Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Holders of Registered Definitive Notes issued in exchange for Book-Entry Interests in Class A Term Notes will not be entitled to exchange such Registered Definitive Note for Book-Entry Interests in a Class A Term Note. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above and **provided that** no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Notes will not be issued in a denomination that is not an integral multiple of the minimum authorised denomination or for any amount in excess thereof, in integral multiples of £10,000 (See "*Risk Factors – Denominations*" above).

Action in Respect of the Global Notes and the Book-Entry Interests

Not later than 10 days after receipt by the Issuer of any notices in respect of the Class A Term Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Class A Term Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Class A Term Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Class A Term Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "*General*" above, with respect to soliciting instructions from their respective Participants. The Registrar will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Class A Term Notes.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Class A Term Notes or the Book-Entry Interests. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the Financial Times); **provided that** if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee, publication in the Financial Times shall not be required with respect to such information so long as the rules of the London Stock Exchange allow. See also Condition 17 of the Notes.

Class AVFN Note

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

TERMS AND CONDITIONS OF THE NOTES

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

1. GENERAL

The £1,382,900,000 class A1 asset backed floating rate Notes due July 2066 (the "**Class A1 Notes**"), the £1,382,900,000 class A2 asset backed floating rate Notes due July 2066 (the "**Class A2 Notes**"), the £1,382,900,000 class A3 asset backed floating rate Notes due July 2066 (the "**Class A3 Notes**"), the £1,382,900,000 class A4 asset backed floating rate Notes due July 2066 (the "**Class A4 Notes**"), the £1,382,900,000 class A5 asset backed floating rate Notes due July 2066 (the "**Class A5 Notes**" and, together with the Class A1 Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes, the "**Class A Term Notes**"), the £10,000,000,000 Class AVFN asset backed floating rate variable funding Note due July 2066 (the "**Class AVFN Note**" and the Class AVFN Note together with the Class A Term Notes, the "**Class A Notes**"), and the £2,541,700,000 Class Z asset backed floating rate Notes due July 2066 (the "**Class Z Notes**" and, together with the Class A Notes, the "**Notes**") in each case of Greenock Funding No. 5 plc (the "**Issuer**") are constituted by a trust deed (the "**Trust Deed**") dated on or about 22 July 2009 (the "**Closing Date**") and made between the Issuer and Citicorp Trustee Company Limited as trustee for the Noteholders (in such capacity, the "**Note Trustee**"). Any reference in these terms and conditions (the "**Conditions**") to a "**class**" of Notes or of Noteholders shall be a reference to the Class A Notes or the Class Z Notes, as the case may be, or to the respective holders thereof and to a "**sub-class**" of Notes or of Noteholders shall be a reference to any class of such class of Notes (the Class A1 Notes, the Class A2 Notes, the Class A3 Notes, the Class A4 Notes, the Class A5 Notes and the Class AVFN Note all being sub-classes of the Class A Notes), as the case may be, or to the respective holders thereof. Any reference in these Conditions to the Noteholders means the registered holders for the time being of the Notes, or if preceded by a particular Class or sub-class designation of Notes, the registered holders for the time being of such class or sub-class of Notes.

The security for the Notes is constituted by a deed of charge and assignment (the "**Deed of Charge**") dated on or about the Closing Date and made between, among others, the Issuer and Citicorp Trustee Company Limited as trustee for the secured creditors (in such capacity, the "**Security Trustee**").

Pursuant to an agency agreement (the "**Agency Agreement**") dated on or about the Closing Date and made between the Issuer, the Security Trustee, the Note Trustee, Citibank N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", Citibank N.A., London Branch (in such capacity, the "**Registrar**") and Citibank N.A., London Branch as agent bank (in such capacity, the "**Agent Bank**") and The Royal Bank of Scotland plc as registrar in respect of the Class AVFN Note (in such capacity, the "**VFN Registrar**"), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes.

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

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

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

2. **FORM, DENOMINATION AND TITLE**

2.1 ***Form and Denomination***

Each sub-class of Notes will be offered and sold outside the United States to non US persons pursuant to Regulation S ("**Reg S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") and the Class A Term Notes and the Class Z Notes (together the "**Listed Notes**") will initially be represented by a separate global note in registered form for each such sub-class (each a "**Global Note**"). The Class AVFN Note will be in dematerialised registered form.

For so long as any Class A Term Notes are represented by a Global Note, transfers and exchanges of beneficial interests in Global Notes and entitlement to payments thereunder will be effected subject to and in accordance with the rules and procedures from time to time of Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), as appropriate.

For so long as the Class A Term Notes are represented by a Global Note and Euroclear and Clearstream, Luxembourg so permit, the Class A Term Notes shall be tradeable only in minimum nominal amounts of £100,000 and integral multiples of £10,000 thereafter.

A Global Note will be exchanged for Listed Notes of the relevant sub-class of Class A Term Notes (such exchanged Global Notes the "**Definitive Notes**") only if any of the following applies:

- (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Note Trustee is available; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority or a court or in the application of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or the Principal Paying Agent is or will be required to make any deduction or withholding for or on account of tax from any payment in respect of the Notes which would not be required were the Notes in definitive registered form.

If Definitive Notes are issued in respect of the Listed Notes originally represented by the Global Notes, the beneficial interests represented by the Global Note of each sub-class shall be exchanged by the Issuer for the Listed Notes of such sub-classes in definitive registered form. The aggregate principal amount of the Definitive Notes of each sub-class of the Listed Notes shall be equal to the Principal Amount Outstanding at the date on which notice of exchange is given of the Global Note of the corresponding sub-class of the Listed Notes, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note.

Definitive Notes of each sub-class of the Class A Term Notes and of the Class Z Notes (which, if issued, will be in the denominations set out below) will be serially numbered and will be issued in registered form only.

The minimum denominations of the following Notes will be as follows:

- (1) Class A1 Notes, £100,000;
- (2) Class A2 Notes, £100,000;
- (3) Class A3 Notes, £100,000;
- (4) Class A4 Notes, £100,000;
- (5) Class A5 Notes, £100,000; and

(6) Class Z Notes, £100,000.

and, for so long as Euroclear and Clearstream, Luxembourg so permit (in respect of the Class A Term Notes), any amount in excess thereof in integral multiples of £1,000 and in such other denominations as the Note Trustee shall determine (which must be higher than £100,000) and notify to the relevant Noteholders. Notes in definitive form, if issued, will be printed and issued in minimum denominations of £100,000 and any amount in excess thereof in integral multiples of £10,000.

The Class AVFN Note will be issued on the Closing Date with a nominal principal amount of £10,000,000,000 and a Principal Amount Outstanding of £1,728,944,456 will be subscribed for on the Closing Date. If a Further VFN Subscription is made in respect of any of the Class AVFN Note the VFN Registrar shall record such increase in the Principal Amount Outstanding of the Class AVFN Note in the Register.

References to "**Notes**" in these Conditions shall include the Class AVFN Note, the Global Notes and the Definitive Notes.

2.2 **Title**

Title to the Global Notes shall pass by and upon registration in the register (the "**Register**") which the Issuer shall procure to be kept by the Registrar. The registered holder of any Global Note may (to the fullest extent permitted by applicable laws) 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 Global Note regardless of any notice of ownership, theft or loss or any trust or other interest therein or of any writing thereon (other than the endorsed form of transfer).

Title to a Definitive Note or a Class AVFN Note shall only pass by and upon registration in the Register or the VFN Register (as applicable) provided that no transferee shall be registered as a new Class AVFN Noteholder unless such transferee has certified to the VFN Registrar that it is (i) a person falling within paragraph 3 of Schedule 2A to the Insolvency Act 1986, (ii) independent of the Issuer within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006 and (iii) a Qualifying Noteholder. The Definitive Notes may be transferred in whole (but not in part) upon the surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. All transfers of such Definitive Notes are subject to any restrictions on transfer set forth on such Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

"**Qualifying Noteholder**" means:

- (a) a person which is beneficially entitled to interest in respect of the Class AVFN Note and is:
 - (i) a company resident in the United Kingdom for United Kingdom tax purposes;
 - (ii) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account payments of interest in respect of the Notes in computing the chargeable profits (for the purposes of Chapter 2 of Part 2 of the Corporation Tax Act 2009 (the "**CTA**") of that company; or
 - (iii) a partnership each member of which is:
 - (A) a company resident in the United Kingdom; or
 - (B) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which will bring into account in computing its chargeable profits (for the purposes of Chapter 2 of Part 2 of the CTA) the whole of any share of a payment of interest in respect of the Notes that falls to it by reason of sections 1259 to 1266 (inclusive) of the CTA; or

- (b) a person which falls within any of the other descriptions in section 935 or 936 of the Income Tax Act 2007 ("**ITA 2007**") and satisfies any conditions set out therein in order for the interest to be an excepted payment for the purposes of section 930 ITA 2007.

Each new Definitive Note to be issued upon transfer of such Definitive Note will, within five London Business Days of receipt and surrender of such Definitive Note (duly completed and executed) for transfer, be available for delivery at the specified office of the Registrar or be mailed at the risk of the transferee entitled to such Definitive Note to such address as may be specified in the relevant form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by the Registrar, but subject to payment of (or the giving of such indemnity as the Registrar may require for) any tax, stamp duty or other government charges which may be imposed in relation to it.

The Notes are not issuable in bearer form.

3. **STATUS AND RELATIONSHIP BETWEEN THE NOTES AND SECURITY**

3.1 *Status and relationship between the Notes*

- (a) The Class A Notes constitute direct, secured and unconditional obligations of the Issuer. Each class of the Class A Notes rank *pari passu* without preference or priority among themselves.
- (b) The Class Z Notes constitute direct, secured and, subject as provided in Condition 17 (*Subordination by Deferral*), unconditional obligations of the Issuer. The Class Z Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes as provided in these Conditions and the Transaction Documents.
- (c) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee and the Security Trustee, respectively, to have regard to the interests of the Class A Noteholders and the Class Z Noteholders equally as regards all rights, 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, as the case may be, the Security Trustee's opinion, there is a conflict between the interests of (A) the holder of the Class A Term Notes (the "**Class A Term Noteholder**") and (B) the holder of the Class AVFN Note (the "**Class AVFN Noteholder**") and/or the holder of the Class Z Notes (the "**Class Z Noteholder**"), the Trustee shall give priority to the interests of the Class A Term Noteholders (to the extent that the Class A Term Notes are then outstanding) whose interests shall prevail and if, in the Note Trustee's or, as the case may be, the Security Trustee's opinion or, there is a conflict between the interests of (A) the Class A Noteholders; and (B) the Class Z Noteholders, the Trustee shall give priority to the interests of the Class A Noteholders (to the extent that the Class A Notes are then outstanding) whose interests shall prevail.
- (d) The Trust Deed and the Deed of Charge contain provisions limiting the powers of the Class Z Noteholders to request or direct the Note Trustee or the Security Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders and other Secured Creditors.

Except in certain circumstances set out in the Trust Deed and the Deed of Charge, there is no such limitation on the powers of the Class A Noteholders, the exercise of which will be binding on the Class Z Noteholders.

The Deed of Charge contains provisions requiring the Security Trustee to have regard to the interests of only the Secured Creditors as regards the exercise and performance of all powers, rights, trusts, authorities, duties and discretions of the Security Trustee in respect of the Charged Property, under the Deed of Charge or any other Transaction Document or the rights or benefits in respect of which are comprised in the Charged Property (except where specifically provided otherwise), provided that in the event of any conflict between the interests of the Noteholders and

the other Secured Creditors the Security Trustee will have regard to the interests of the Noteholders only.

3.2 *Security*

- (a) The security constituted by or pursuant to the Deed of Charge is granted to the Security Trustee, on trust for the Noteholders and the other Secured Creditors, upon and subject to the terms and conditions of the Deed of Charge.
- (b) The Noteholders and the other Secured Creditors will share in the benefit of the security constituted by or pursuant to the Deed of Charge, upon and subject to the terms and conditions of the Deed of Charge.

4. COVENANTS

Save with the prior written consent of the Note Trustee or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

- (a) **Negative pledge:** create or permit to subsist any encumbrance (unless arising by operation of law) or other security interest whatsoever over any of its assets or undertaking;
- (b) **Restrictions on activities:** (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities of which the Transaction Documents provide or envisage that the Issuer will engage or (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985 and the Companies Act 2006 (as applicable)) or any employees (but shall procure that, at all times, it shall retain at least one independent director) or premises;
- (c) **Disposal of assets:** transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (d) **Equitable Interest:** permit any person, other than itself and the Security Trustee, to have any equitable or beneficial interest in any of its assets or undertakings or any interest, estate, right, title or benefit therein;
- (e) **Dividends or distributions:** pay any dividend or make any other distribution to its shareholders except out of the amount of profit retained by the Issuer in accordance with the Issuer's Priorities of Payments which are available for distribution in accordance with the Issuer's Memorandum and Articles of Association and with the applicable laws or issue any further shares;
- (f) **Indebtedness:** incur any financial indebtedness or give any guarantee in respect of any financial indebtedness or of any other obligation of any person;
- (g) **Merger:** consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (h) **No modification or waiver:** permit any of the Transaction Documents to which it is a party to become invalid or ineffective or permit the priority of the security interests created or evidenced thereby or pursuant thereto to be varied or agree to any modification of, or grant any consent, approval, authorisation or waiver pursuant to, or in connection with, any of the Transaction Documents to which it is a party or permit any party to any of the Transaction Documents to which it is a party to be released from its obligations or exercise any right to terminate any of the Transaction Documents to which it is a party;
- (i) **Bank accounts:** have an interest in any bank account other than the Bank Accounts, unless such account or interest therein is charged to the Security Trustee on terms acceptable to the Security Trustee; or

- (j) **US activities:** engage in any activities in the United States (directly or through agents), or derive any income from United States sources as determined under United States income tax principles, or hold any property if doing so would cause it to be engaged in a trade or business within the United States as determined under United States income tax principles.

5. **INTEREST**

5.1 *Interest Accrual*

Each Note bears interest on its Principal Amount Outstanding from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from and including the due date for redemption unless, upon due presentation in accordance with Condition 6 (*Payments*), payment of the principal in respect of the Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.2 *Interest Payment Dates*

Interest on the Notes is payable in arrear on the 13th day of each month in each year (or, if such day is not a Business Day, the next succeeding Business Day) (each such day an "**Interest Payment Date**").

The first Interest Payment Date will be the Interest Payment Date falling on 14 September 2009.

In these Conditions, "**Interest Period**" shall mean in respect of interest payments made in respect of the Notes, the period from (and including) an Interest Payment Date (or, in respect of the first Interest Period, the Closing Date) to (but excluding) the next following (or first) Interest Payment Date.

5.3 *Rate of Interest*

The rate of interest payable from time to time in respect of each sub-class of the Notes (each a "**Rate of Interest**" and together the "**Rates of Interest**") will be determined on the basis of the following provisions:

- (a) the rate of interest payable shall be a floating rate of interest calculated in accordance with paragraphs (i), (ii) and (iii) below:
 - (i) on the initial Interest Determination Date, the Agent Bank will determine the Initial Relevant Screen Rate in respect of each sub-class of the Notes as at or about 12 noon (London time) on that date. If the Initial Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for 1-month and 2-month Sterling deposits of £10,000,000 in the London interbank market as at or about 12 noon (London time) on such initial Interest Determination Date and the Rates of Interest for the first Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the Initial Relevant Screen Rate in respect of the Notes, or, if the Initial Relevant Screen Rate in respect of the Notes is unavailable, the linear interpolation of the arithmetic mean of such offered quotations for 1-month Sterling deposits (rounded upwards, if necessary, to five decimal places);
 - (ii) on each subsequent Interest Determination Date, the Agent Bank will determine the Relevant Screen Rate in respect of the Notes as at or about 12 noon (London time) on the Interest Determination Date in question. If the Relevant Screen Rate is unavailable, the Agent Bank will request the principal London office of each of the Reference Banks to provide the Agent Bank with its offered quotation to leading banks for One-Month Sterling deposits of £10,000,000 in the London interbank market as at or about 12 noon (London time) on the relevant Interest Determination Date and the Rates of Interest for the relevant Interest Period shall be the aggregate of (A) the Relevant Margin and (B) the

Relevant Screen Rate in respect of the Notes or, if the Relevant Screen Rate in respect of the Notes is unavailable, the arithmetic mean of such offered quotations for One-Month Sterling deposits (rounded upwards, if necessary, to five decimal places); and

- (iii) if, on any Interest Determination Date, the Relevant Screen Rate in respect of the Notes is unavailable and only two or three of the Reference Banks provide offered quotations, the Rates of Interest for the relevant Interest Period shall be determined in accordance with the provisions of subparagraphs (i) and (ii) above on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Note Trustee, acting in its absolute discretion, suitable for such purpose) and the Rates of Interest for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the Rates of Interest for the relevant Interest Period shall be the Rates of Interest in effect for the last preceding Interest Period to which subparagraph (i) or (ii), as the case may be, shall have applied but, taking account of any change in the Relevant Margin.

(b) There will be no minimum or maximum Rate of Interest.

(c) In these Conditions (except where otherwise defined), the expression:

- (i) "**Business Day**" means a day (other than a Saturday or a Sunday) on which banks are generally open for business in London;
- (ii) "**Initial Relevant Screen Rate**" means
 - (A) the linear interpolation of the arithmetic mean of the offered quotations to leading banks for 1-month Sterling deposits and the arithmetic mean of the offered quotations to leading banks for 2-month Sterling deposits (in each case) (rounded upwards, if necessary, to five decimal places), displayed on the Reuters Screen page LIBOR01 (or such replacement page on that service which displays the information) or, if that service ceases to display the information, such other screen service as may be determined by the Issuer with the approval of the Note Trustee;
- (iii) "**Interest Determination Date**" means the first day of the Interest Period for which the rate will apply;
- (iv) "**Relevant Margin**" means in respect of each sub-class of the Notes the following per cent. per annum:

Class	Margin (%)
Class AVFN Note.....	0.10
Class A1 Notes	0.10
Class A2 Notes	0.10
Class A3 Notes	0.10
Class A4 Notes	0.10
Class A5 Notes	0.10
Class Z Notes	1.00

- (v) **"Relevant Screen Rate"** means:
 - (A) in respect of the first Interest Period, the Initial Relevant Screen Rate, if any; and
 - (B) in respect of each subsequent Interest Period in respect of the Notes, the arithmetic mean of offered quotations for One-Month Sterling deposits in the London interbank market displayed on the Reuters Screen page LIBOR01.
- (vi) **"Reference Banks"** means in respect of the Notes, the principal London office of each of five major banks engaged in the London interbank market, selected by the Agent Bank with the approval of the Issuer, **provided that**, once a Reference Bank has been selected by the Agent Bank, that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such.

5.4 ***Determination of Rate of Interest and Interest Amounts***

The Agent Bank shall, as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date but in no event later than the third Business Day thereafter, determine the amount (the **"Interest Amounts"**) payable in respect of interest on the Principal Amount Outstanding of each sub-class of the Notes for the relevant Interest Period. The Interest Amounts shall be determined by applying the relevant Rate of Interest to such Principal Amount Outstanding, multiplying the sum by the actual number of days in the Interest Period concerned divided by 365 or, in the case of an Interest Period ending in a leap year, 366 and rounding the resulting figure downwards to the nearest penny.

5.5 ***Publication of Rate of Interest and Interest Amounts***

The Agent Bank shall cause the Rates of Interest and the Interest Amounts for each Interest Period and each Interest Payment Date to be notified to the Issuer, the Cash Manager, the Note Trustee, the Registrar, the VFN Registrar, and the Principal Paying Agent (as applicable) and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 16 (*Notice to Noteholders*) as soon as possible after their determination and in no event later than the second Business Day thereafter. The Interest Amounts and Interest Payment Date may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

5.6 ***Determination by the Note Trustee***

The Note Trustee may, without liability therefor, if the Agent Bank defaults at any time in its obligation to determine the Rates of Interest and Interest Amounts in accordance with the above provisions, determine the Rates of Interest and Interest Amounts, the former at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described above, it shall deem fair and reasonable in all the circumstances and the latter in the manner provided in Condition 5.4 (*Determination of Rate of Interest and Interest Amounts*)) (or, in each case, the Note Trustee may, at the expense of the Issuer, employ an expert to do so) and any such determination shall be deemed to be determinations made by the Agent Bank.

5.7 ***Notifications, etc. to be Final***

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Reference Banks (or any of them), the Agent Bank, the Cash Manager or the Note Trustee, will (in the absence of wilful default, gross negligence, bad faith and manifest error) be binding on the Issuer, the Cash Manager, the Note Trustee, the Agent Bank, the Registrar, the VFN Registrar, the Principal Paying Agent and all Noteholders and (in the absence of wilful default, gross negligence, bad faith and manifest error) no liability to the Issuer or the Noteholders shall attach to the Reference Banks (or any of them), the Agent Bank, the Cash Manager or, if applicable, the Note Trustee in connection with the exercise or non-exercise by any of them of their powers, duties and discretions under this Condition 5.

5.8 *Agent Bank*

The Issuer shall procure that, so long as any of the Notes remains outstanding, there is at all times an Agent Bank for the purposes of the Notes and the Issuer may, subject to the prior written approval of the Note Trustee, terminate the appointment of the Agent Bank. In the event of the appointed office of any bank being unable or unwilling to continue to act as the Agent Bank or failing duly to determine the Rates of Interest and the Interest Amounts for any Interest Period, the Issuer shall, subject to the prior written approval of the Note Trustee, appoint another major bank engaged in the relevant interbank market to act in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed.

6. PAYMENTS

6.1 *Payment of Interest and Principal*

Payments of principal and interest shall be made by Sterling cheque or upon application by the relevant Noteholder to the specified office of the Principal Paying Agent (or the VFN Registrar in respect of the Class AVFN Note) not later than the fifteenth day before the due date for any such payment (the "**Record Date**"), by transfer to a Sterling account maintained by the payee with a bank in London and (in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Global Notes or Definitive Notes (as the case may be) at the specified office of the Principal Paying Agent.

6.2 *Laws and Regulations*

Payments of principal and interest in respect of the Notes are subject, in all cases, to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on payments.

6.3 *Payment of Interest following a Failure to pay Principal*

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5.1 (*Interest Accrual*) will be paid, in respect of a Global Note, as described in Condition 6.1 (*Payment of Interest and Principal*) above and, in respect of any Definitive Note, in accordance with this Condition 6.

6.4 *Change of Principal Paying Agent*

The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the VFN Registrar and to appoint additional or other Agents **provided that**:

- (a) there will at all times be a person appointed to perform the obligations of the Principal Paying Agent, the Registrar or the VFN Registrar with a specified office in London; and
- (b) the Issuer undertakes that it will ensure that it maintains a Principal Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive.

Except where otherwise provided in the Trust Deed, the Issuer will cause at least 30 days' notice of any change in or addition to the Principal Paying Agent, the Registrar or the VFN Registrar or their specified offices to be given in accordance with Condition 16 (*Notice to Noteholders*) and will notify the Rating Agencies of such change or addition.

6.5 *No Payment on non-Business Day*

If the date for payment of any amount in respect of a Note is not a Business Day, Noteholders shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

6.6 ***Partial Payment***

If the Principal Paying Agent or the VFN Registrar (in respect of the Class AVFN Note) (as applicable) makes a partial payment in respect of any Note, the Registrar and/or VFN Registrar (as applicable) will, in respect of the relevant Note, annotate the Register and/or VFN Register (as applicable), indicating the amount and date of such payment.

6.7 ***Payment of Interest***

If interest is not paid in respect of a Note of any sub-class on the date when due and payable (other than because the due date is not a Business Day (as defined in Condition 6.5 (*No Payment on non-Business Day*)) or by reason of non-compliance with Condition 6.1 (*Payment of Interest and Principal*)), then such unpaid interest shall itself bear interest at the Rate of Interest applicable from time to time to such Note until such interest and interest thereon are available for payment and notice thereof has been duly given in accordance with Condition 16 (*Notice to Noteholders*).

7. **REDEMPTION**

7.1 ***Redemption at Maturity***

Unless previously redeemed in full or in part or purchased and cancelled as provided below, the Issuer will redeem the Notes at their respective Principal Amounts Outstanding on the Interest Payment Date falling in July 2066 (the "**Final Maturity Date**").

7.2 ***Mandatory Redemption***

- (a) Subject to Condition 7.3 (*Optional Redemption in Full or in Part*) and 7.4 (*Optional Redemption for Taxation or Other Reasons*) to the extent not applied as a credit to the Revolving Period Purchase Fund, the Class A Notes shall be repaid on each Interest Payment Date to the extent of Available Principal Receipts, after payment, or provision for, amounts ranking in priority to the Class A Notes in accordance with the terms of the Cash Management Agreement or the Deed of Charge (as applicable), applied sequentially in the following order of priority:
- (i) *first*, the Class AVFN Note until the Principal Amount Outstanding of each has been reduced to zero;
 - (ii) *second, pro rata and pari passu* the Class A1 Notes until they have been redeemed in full;
 - (iii) *third, pro rata and pari passu* the Class A2 Notes until they have been redeemed in full;
 - (iv) *fourth, pro rata and pari passu* the Class A3 Notes until they have been redeemed in full;
 - (v) *fifth, pro rata and pari passu* the Class A4 Notes until they have been redeemed in full; and
 - (vi) *sixth, pro rata and pari passu* the Class A5 Notes until they have been redeemed in full.
- (b) Subject to Condition 7.3 (*Optional Redemption in Full or in Part*) and 7.4 (*Optional Redemption for Taxation or Other Reasons*), the Class Z Notes shall be repaid on each Interest Payment Date to the extent of Available Revenue Receipts, after payment, or provision for, amounts ranking in priority to the Class Z Notes in accordance with the terms of the Cash Management Agreement or the Deed of Charge (as applicable). Additionally, the Class Z Notes shall be repaid on each Interest Payment Date to the extent of any General Reserve Fund Excess.
- (c) It is not intended to maintain surplus Available Revenue Receipts other than amounts credited to the General Reserve Fund or surplus Available Principal Receipts other than

amounts credited to the Revolving Period Purchase Fund and the Liquidity Reserve Fund (if established) in the Issuer.

7.3 **Optional Redemption in Full and in Part**

- (a) On giving not more than 10 nor less than 5 days' notice to the Noteholders in accordance with Condition 16 (*Notice to Noteholders*), the Note Trustee and the Total Return Swap Provider, and **provided that**:
- (i) on or prior to the Interest Payment Date on which such notice expires, no Note Acceleration Notice has been served;
 - (ii) the Issuer has, immediately prior to giving such notice, certified to the Note Trustee that it will have the necessary funds to pay all principal and interest due in respect of the Notes and to discharge all other amounts required to be paid in priority to or *pari passu* with the Notes (or in respect of the relevant sub-Class of the Class A Term Notes in respect of a redemption in part) on such Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer);
 - (iii) S&P has been notified by the Issuer of such intention and the Issuer has not received any written objection from S&P within 14 days of such notification; and
 - (iv) the date of redemption will be the first Interest Payment Date falling on 14 September 2009 or any Interest Payment Date thereafter, **provided that**:
 - (1) the Class A1 Notes will be redeemed *pro rata* and *pari passu*;
 - (2) the Class A2 Notes will be redeemed *pro rata* and *pari passu*;
 - (3) the Class A3 Notes will be redeemed *pro rata* and *pari passu*;
 - (4) the Class A4 Notes will be redeemed *pro rata* and *pari passu*;
 - (5) the Class A5 Notes will be redeemed *pro rata* and *pari passu*;
 - (6) in the case of the redemption of the Class Z Notes, the Class A Notes have been redeemed in full; or

the Issuer may redeem on any Interest Payment Date all or part of any sub-class of the Notes (but if in part, only in a minimum amount of £100,000 and integral multiples thereof and only on a *pro rata* and *pari passu* basis).

- (b) Any Note redeemed pursuant to Condition 7.3(a) of the Notes will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to but excluding the date of redemption.

7.4 **Optional Redemption for Taxation or Other Reasons**

If:

- (a) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer or the Principal Paying Agent would be required to deduct or withhold from any payment of principal or interest on any sub-class of the Notes (other than because the relevant holder has some connection with the United Kingdom other than the holding of Notes of such sub-class) any amount for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any political sub-division thereof or any authority thereof or therein; or

- (b) by reason of a change in tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date, on the next Interest Payment Date, the Issuer or the Total Return Swap Provider would be required to deduct or withhold from any payment under the Total Return Swap Agreement any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature,

then the Issuer shall, if the same would avoid the effect of such relevant event described in subparagraph (a) or (b) above, appoint a Principal Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes, **provided that** (i) the Note Trustee is satisfied that such substitution will not be materially prejudicial to the Noteholders and S&P and Moody's have been notified of such substitution and no written objection has been received by the Issuer from any of the Rating Agencies within 14 days of such notification and (ii) that such substitution would not require registration of any new security under US securities laws or materially increase the disclosure requirements under US law.

If the Issuer satisfies the Note Trustee immediately before giving the notice referred to below that one or more of the events described in subparagraph (a) or (b) above is continuing and that the appointment of a Principal Paying Agent or a substitution as referred to above would not avoid the effect of the relevant event or that, having used its reasonable endeavours, the Issuer is unable to arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 10 nor less than 5 days' notice to the Note Trustee, the Total Return Swap Provider and Noteholders in accordance with Condition 16 (*Notice to Noteholders*) redeem all (but not some only) of the Class A Notes and (if the Class A Notes have been redeemed in full) the Class Z Notes on the next following Interest Payment Date at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon up to (but excluding) the date of redemption **provided that** (in either case), prior to giving any such notice, the Issuer shall have provided to the Note Trustee (a) a certificate signed by two directors of the Issuer stating that one or more of the circumstances referred to in subparagraph (a) or (b) above prevail(s) and setting out details of such circumstances and (b) an opinion in form and substance satisfactory to the Note Trustee of independent legal advisers of recognised standing to the effect that the Issuer, the Principal Paying Agent or the Total Return Swap Provider (as the case may be) has or will become obliged to deduct or withhold amounts as a result of such change or amendment. The Note Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstance set out in the paragraph immediately above, in which event they shall be conclusive and binding on the Noteholders.

The Issuer may only redeem the Class A Notes or the Class Z Notes (as the case may be) as described above if the Issuer has certified to the Note Trustee that it will have the necessary funds, not subject to the interest of any other person, required to redeem the Class A Notes or the Class Z Notes (as the case may be) as aforesaid and any amounts required under the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments to be paid in priority to or *pari passu* with the Class A Notes or the Class Z Notes (as the case may be) outstanding in accordance with the terms and conditions thereof.

7.5 ***Principal Amount Outstanding***

The "**Principal Amount Outstanding**" of:

- (i) the Class A Term Notes and the Class Z Notes on any date shall be their original principal amount of:
 - (a) in respect of Class A1 Notes, £1,382,900,000;
 - (b) in respect of Class A2 Notes, £1,382,900,000;
 - (c) in respect of Class A3 Notes, £1,382,900,000;
 - (d) in respect of Class A4 Notes, £1,382,900,000;

- (e) in respect of Class A5 Notes, £1,382,900,000 and
- (f) in respect of Class Z Notes, £2,541,700,000;

less the aggregate amount of all principal payments in respect of such Notes which have been made since the Closing Date; and

- (ii) the Class AVFN Note shall be, as at a particular day (the "**Reference Date**"), the total principal amount of all drawings under the Class AVFN Note on and since the Closing Date less the aggregate amount of all principal payments in respect of such Note which have been made since the Closing Date and not later than the Reference Date.

7.6 **Notice of Redemption**

Any such notice as is referred to in Condition 7.3 (*Optional Redemption in Full*) and Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the relevant Notes at the applicable amounts specified above. Any certificate or legal opinion given by or on behalf of the Issuer pursuant to Condition 7.3 (*Optional Redemption in Full*) or Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*) may be relied on by the Note Trustee without further investigation and shall be conclusive and binding on the Noteholders.

7.7 **No Purchase by the Issuer**

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

7.8 **Cancellation**

All Notes (other than the Class AVFN Note) redeemed in full will be cancelled upon redemption and may not be resold or re-issued.

On each Interest Payment Date on which Mandatory Redemption of the Class AVFN Note occurs, the Registrar shall cancel the Class AVFN Note in an amount equal to such Mandatory Redemption, thereby reducing the nominal principal amount of the Class AVFN Note (being £10,000,000,000 on the Closing Date) by an amount equal to such Mandatory Redemption.

The Class AVFN Note will be cancelled when redeemed in full after the VFN Commitment Termination Date and may not be resold or re-issued once cancelled.

"**Mandatory Redemption**" means redemption pursuant to Condition 7.2 (*Mandatory Redemption*).

8. **TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**"), unless the withholding or deduction of the Taxes is required by applicable law. In that event, the Issuer or, as the case may be, the Principal Paying Agent or the VFN Registrar shall make such payment after the withholding or deduction has been made and shall account to the relevant authorities for the amount required to be withheld or deducted. Neither the Issuer, the VFN Registrar nor the Principal Paying Agent nor any other person shall be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

9. **PRESCRIPTION**

Claims in respect of principal and interest on the Notes will be prescribed after 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the relevant payment.

In this Condition 9, the "**Relevant Date**", in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the moneys payable on that date has not been

duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such moneys having been received, notice to that effect is duly given to the relevant Noteholders in accordance with Condition 16 (*Notice to Noteholders*).

10. EVENTS OF DEFAULT

10.1 *Class A Notes*

The Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the holders of the Class A Notes or if so directed by an Extraordinary Resolution of the holders of the Class A Notes (subject to the provisions of Condition 3.1(c)) shall (subject, in each case, to being indemnified and/or secured to its satisfaction), (but, in the case of the happening of any of the events described in sub-paragraphs (b) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Class A Note, give notice (a "**Class A Note Acceleration Notice**") to the Issuer that all classes of the Notes are immediately due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, if any of the following events (each, an "**Event of Default**") occurs:

- (a) if default is made in the payment of any principal or interest due in respect of the Class A Notes or any of them and the default continues for a period of three days in the case of principal or five days in the case of interest; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions or any Transaction Document to which it is a party and (except in any case where the Note Trustee in its absolute discretion considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Note Trustee may permit) following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) if any order is made by any competent court or any resolution is passed for the winding up or dissolution of the Issuer, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Noteholders; or
- (d) if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by the Note Trustee or by Extraordinary Resolutions of the Noteholders, or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account its contingent and prospective liabilities) or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
- (e) if (i) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice of intention to appoint an administrator) or an administration order is granted or the appointment of an administrator takes effect or an administrative or other receiver, manager or other similar official is appointed, in relation to the Issuer or in relation to the whole or any part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or any part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of the Issuer and (ii) in the case of any such possession or any such last-mentioned process, unless initiated by the Issuer, is not discharged or otherwise ceases to apply within 14 days; or
- (f) if the Issuer (or its directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition,

reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or takes steps with a view to obtaining a moratorium in respect of any of its indebtedness or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors).

10.2 *Class Z Notes*

This Condition 10.2 shall not apply as long as any Class A Note is outstanding. Subject thereto, for so long as any Class Z Notes is outstanding, the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class Z Notes then outstanding or if so directed by an Extraordinary Resolution of the Class Z Noteholders, shall (subject, in each case, being indemnified and/or secured to its satisfaction), (but, in the case of the happening of the events in sub-paragraph 10.1(b) as referred to in 10.2(b) below, only if the Note Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class Z Noteholders) give notice (a "**Class Z Notes Acceleration Notice**") to the Issuer that the Class Z Notes are immediately due and repayable at their Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed, if any of the following events (each, an "**Event of Default**") occurs:

- (a) if default is made in the payment of any principal or interest due in respect of the Class Z Notes and the default continues for a period of three days in the case of principal or five days in the case of interest; or
- (b) if any of the Events of Default referred to in Condition 10.1(b) to 10.1(f) occurs.

10.3 *General*

Upon the service of a Class A Note Acceleration Notice or a Class Z Note Acceleration Notice (each, a "**Note Acceleration Notice**") by the Note Trustee in accordance with Condition 10.1 (*Class A Notes*) or 10.2 (*Class Z Notes*) respectively, all the Notes then outstanding shall thereby immediately become due and repayable at their respective Principal Amounts Outstanding, together with accrued interest as provided in the Trust Deed.

11. **ENFORCEMENT**

11.1 *General*

Subject to Condition 11.2 (*Preservation of assets*), the Trustee may, at any time, at its discretion and without notice, take such proceedings against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes, the Trust Deed (including these Conditions), the Deed of Charge or any of the other Transaction Documents to which it is a party and at any time after the service of a Note Acceleration Notice, the Trustee may, at its discretion and without notice, take such steps as it may think fit to enforce the Security, but the Trustee shall not be bound to take any such proceedings or steps unless:

- (a) the Trustee, (subject in all cases to restrictions contained in the Trust Deed to protect the interests of the Class A Noteholders whilst the Class A Notes remain outstanding) shall have been so directed by an Extraordinary Resolution of the Class A Noteholders or the Class Z Noteholders or so directed in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Class A Notes or the Class Z Notes then outstanding; and
- (b) in all cases, it shall have been indemnified and/or secured to its satisfaction.

11.2 *Preservation of Assets*

If the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Class A Notes, the Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless (a) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Class A Noteholders (and all persons ranking

in priority to the Class A Noteholders as set out in the order of priority of payment above) or (b) the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders in the relevant Priority of Payments set out in the Deed of Charge) or (c) the Trustee considers, in its discretion, that not to effect such disposal would place the Security in jeopardy.

11.3 ***Limitations on Enforcement***

Without prejudice to any rights of a Noteholder that may exist under the general law or as specifically set out in the Trust Documents, only the Trustee may pursue the remedies available under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly (or join any person in taking steps) against the Issuer to enforce the Security or for the purpose of obtaining payment of any amount due by the Issuer to such Noteholder or other Secured Creditor or, unless otherwise permitted by the Conditions, to direct the Trustee to enforce the Security.

Amounts available for distribution after enforcement of the Security shall be distributed in accordance with the terms of the Deed of Charge.

11.4 ***Limited Recourse***

If at any time following:

- (a) the occurrence of either:
 - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and repayable; or
 - (ii) the Security becoming enforceable; and
- (b) Realisation of the Charged Assets and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments as set out in the Deed of Charge,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable priority (or priorities) of payments, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes ranking junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer.

For the purposes of this Condition 11.4:

"Charged Assets" means (as the context requires) any or all of the assets comprised in the Security;

"Realisation" shall mean, in relation to any Charged Assets, the deriving, to the fullest extent practicable (in accordance with the provisions of the Transaction Documents) of proceeds from or in respect of such Charged Assets including (without limitation) through sale or through performance by an obligor; and

"Security" means the security constituted by or pursuant to the Deed of Charge, as referred to in Condition 3.

References in this Condition 11.4 to a **"Class"** of Notes shall be taken as referring to:

- (a) if no Note Acceleration Notice has been served by the Trustee (as mentioned in Condition 10 (*Events of Default*)), the Class AVFN Note or (as the case may be) the

Class A1 Notes or (as the case may be) the Class A2 Notes or (as the case may be) the Class A3 Notes or (as the case may be) the Class A4 Notes or (as the case may be) or (as the case may be) the Class A5 Notes or (as the case may be) the Class Z Notes; and

(b) in any other circumstances, the Class A Notes or (as the case may be) the Class Z Notes.

11.5 ***Exclusion of Other Limited Recourse***

Notwithstanding any other provision contained in these Conditions or in the Transaction Documents, no such provision other than Condition 11.4 shall limit or in any way reduce the amount of interest that would otherwise be payable by the Issuer under any Note, if and to the extent that such limitation or reduction is to any extent to be determined by reference to the results of any business or part of a business or the value of any property.

12. **MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

12.1 The Trust Deed contains provisions for convening meetings of the Noteholders of each class and, in certain cases, more than one class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents.

12.2 An Extraordinary Resolution (other than in relation to a Basic Terms Modification) passed at any meeting of the Class A Noteholders shall be binding on the Class Z Noteholders.

12.3 An Extraordinary Resolution (other than an Extraordinary Resolution referred to in Condition 12.2 immediately above) passed at any meeting of the Class Z Noteholders shall not be effective for any purpose unless either the Note Trustee or, as the case may be, the Security Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders or it is sanctioned by an Extraordinary Resolution of the Class A Noteholders, but subject also to the other provisions of this Condition 12.

12.4 Subject as provided below, the quorum at any meeting of Noteholders of any class or sub-class for passing an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of such class or sub-class of Notes, or, at any adjourned meeting, one or more persons being or representing a Noteholder of the relevant class or sub-class, whatever the aggregate Principal Amount Outstanding of the Notes of such class or sub-class held or represented by it or them.

12.5 The quorum at any meeting of Noteholders of any class or sub-class for passing an Extraordinary Resolution to sanction a modification of the date of maturity of any 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 such Notes, altering the currency of payment of such Notes or altering the quorum or majority required in relation to this exception or otherwise altering this definition of a Basic Terms Modification (each, a "**Basic Terms Modification**") shall be one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, not less than one-quarter of the aggregate Principal Amount Outstanding of the Notes of such class or sub-class. No Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holder of each of the other classes of the Notes then outstanding.

The Trust Deed and the Deed of Charge provide that:

(a) a resolution which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, affects the interests of the holders of one sub-class only of the Class A Notes shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Class A Notes of that sub-class so affected;

(b) a resolution which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, affects the interests of the holders of more than one sub-class of the Class A Notes but does not give rise to a conflict of interest between the holders of any sub-classes of the Class A Notes so affected, shall be deemed to have been duly passed if

passed at a single meeting of the holders of the Class A Notes of all sub-classes so affected; and

- (c) a resolution which, in the opinion of the Trustee affects the interests of the holders of more than one sub-class of the Class A Notes, and gives or may give rise to a conflict of interest between the holders of one sub-class of the Class A Notes so affected and the holders of another sub-class of the Class A Notes so affected, shall be deemed to have been duly passed:
 - (i) if the conflict is between a sub-class or sub-classes of the Class A Term Notes and the Class AVFN Note, if passed at a single meeting of the holders of the relevant sub-class or sub-classes of the Class A Term Notes or a single meeting of the holders of all relevant sub-classes of the Class A Term Notes; or
 - (ii) if the conflict is between different sub-classes of the Class A Term Notes, if passed at separate meetings of the holders of each sub-class of the Class A Term Notes so affected.

The Trust Deed and the Deed of Charge contain similar provisions in relation to directions in writing from the Class A Noteholders upon which the Note Trustee or, as the case may be, the Security Trustee is bound to act.

12.6 The Note Trustee or, as the case may be, the Security Trustee, may agree, without the consent of the Noteholders or the other Secured Creditor (but, in the case of the Security Trustee only, with the written consent of the Total Return Swap Provider in respect of any amendments to the Priorities of Payment or the Total Return Swap Agreement):

- (a) to any modification, or to any waiver or authorisation of any breach or proposed breach, of these Conditions or any of the Transaction Documents which, in the opinion of the Note Trustee is not materially prejudicial to the interests of the Noteholders and, in the opinion of the Security Trustee, is not materially prejudicial to the interests of the Noteholders and any other Secured Creditor. If the Security Trustee is unable to determine that any such modification, waiver or authorisation is not materially prejudicial to any Secured Creditor (other than the Noteholders), the Security Trustee will not provide its consent to any such modification, waiver or authorisation without having received the prior written consent of any such Secured Creditor to such modification, waiver or authorisation; or
- (b) to any modification which, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Note Trustee or, as the case may be, the Security Trustee, proven.

12.7 The Note Trustee may also, without the consent of the Noteholders, if it is of the opinion that such determination will not be materially prejudicial to the interests of the Noteholders, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such.

12.8 Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee or, as the case may be, the Security Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 16 (*Notice to Noteholders*).

12.9 In connection with any such substitution of principal debtor referred to in Condition 7.4 (*Optional Redemption for Taxation or Other Reasons*), the Note Trustee and the Security Trustee may also agree, without the consent of the Noteholders or the other Secured Creditors (other than a Secured Creditor party to the relevant document), to a change of the laws governing the Notes, these Conditions and/or any of the Transaction Documents, **provided that** such change would not, in the opinion of the Note Trustee be materially prejudicial to the interests of the Noteholders or, as the case may be, in the opinion of the Security Trustee, be materially prejudicial to the interests of the Noteholders or any other Secured Creditor. If the Security Trustee is unable to determine that any such change of law is not materially prejudicial to any

Secured Creditor (other than the Noteholders), the Security Trustee will not provide its consent to any such change of law without having received the prior written consent of any such Secured Creditor to such change of law. In the event of a conflict between the interests of the Noteholders and the interests of the Secured Creditors, the interests of the Noteholders will prevail.

- 12.10 In determining whether a proposed action will not be materially prejudicial to the Noteholders, the Note Trustee and the Security Trustee may, among other things, consider whether S&P and Moody's have been notified of the same and no written objection has been received by the Issuer from any of the Rating Agencies within 14 days of such notification.
- 12.11 Where, in connection with the exercise or performance by each of them of any right, power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents (including, without limitation, in relation to any modification, waiver, authorisation, determination, substitution or change of laws as referred to above), the Note Trustee or the Security Trustee is required to have regard to the interests of the Noteholders of any class, it shall have regard to the general interests of the Noteholders of such class as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee or, as the case may be, the Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or the Security Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders.

13. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND THE SECURITY TRUSTEE**

The Trust Deed and the Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Security Trustee respectively and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Security Trustee, enforcing the Security unless indemnified and/or secured to their satisfaction.

The Trust Deed and the Deed of Charge also contain provisions pursuant to which the Note Trustee and the Security Trustee are entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other party to any of the Transaction Documents and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Transaction Documents, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, individual Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

14. **INCREASING THE PRINCIPAL AMOUNT OUTSTANDING OF THE CLASS AVFN NOTE AND ADJUSTING THE MAXIMUM AVFN AMOUNT**

- 14.1 If the Issuer (or the Cash Manager on behalf of the Issuer) receives a notice from the Originator prior to the VFN Commitment Termination Date notifying the Issuer that (i) a Net Principal Increase has been made, (ii) a New Loan which has become part of the Originator Trust Property or an Ineligible Loan has become an Eligible Loan the ("**New Eligible Loan**"), and of the amount of the Issuer Additional Trust Consideration or part thereof in respect of such Net Principal Increase and/or the New Portfolio Additional Trust Consideration in respect of the New Loan or New Eligible Loan, which is insufficiently funded by Retained Principal Amounts, the Issuer (or the Cash Manager on its behalf) shall notify (by serving a Notice of Increase) the holder of the Class AVFN Note (the "**Class AVFN Noteholder**") requesting that the Class AVFN Noteholder make a further subscription on the next following Interest Payment Date in an amount equal to the amount of the VFN Borrowing Base.

- 14.2 The Class AVFN Noteholder, upon receipt of such a notice from the Issuer or the Cash Manager (on behalf of the Issuer) prior to the VFN Commitment Termination Date requesting that the Class AVFN Noteholder make a further subscription, shall notify the Issuer that the Class AVFN Noteholder is prepared to make such further subscription (the "**Further VFN Subscription**"), provided the Class AVFN Noteholder shall not be obliged to make any such further subscription unless and until such time as the Issuer has complied with the requirements of Condition 14.4 below.
- 14.3 The proceeds of the Further VFN Subscription shall be applied by the Issuer towards, the Issuer Additional Trust Consideration and/or the New Portfolio Additional Trust Consideration (as applicable).
- 14.4 The Class AVFN Noteholder shall advance the amount of such Further VFN Subscription to the Issuer for value on the relevant Interest Payment Date, if the following conditions are satisfied:
- (a) not later than 2.00 p.m. four Business Days prior to the proposed date for the making of such Further VFN Subscription (or such lesser time as may be agreed by the Class AVFN Noteholder), the Class AVFN Noteholder has received from the Issuer a completed and irrevocable Notice of Increase therefore, receipt of which shall oblige the Class AVFN Noteholder to accept the amount of the Further VFN Subscription therein requested on the date therein stated upon the terms and subject to the conditions contained therein;
 - (b) as a result of the making of such Further VFN Subscription, the aggregate amount plus all Further VFN Subscriptions made in respect of the Class AVFN Note (provided no reference shall be made in respect of any principal amount due on the Class AVFN Note which has already been repaid) would not exceed the Maximum AVFN Amount;
 - (c) either:
 - (i) the Issuer confirms in the Notice of Increase that no Note Event of Default has occurred or will occur as a result of the Further VFN Subscription; or
 - (ii) the Class AVFN Noteholder agrees in writing (notwithstanding any matter mentioned at (i) above) to make such Further VFN Subscription available;
 - (d) the proposed date of such Further VFN Subscription falls on a Business Day prior to the VFN Commitment Termination Date; and
 - (e) the General Reserve Fund has been funded up to the General Reserve Required Amount as at such Interest Payment Date taking into account any Further VFN Subscription on such Interest Payment Date.

"**Notice of Increase**" means a notice, substantially in the form in Schedule 5 (*Form of Notice of Increase*) to the Trust Deed.

The "**Maximum AVFN Amount**" for the AVFN Note shall be £10,000,000,000 or such other amount as may be agreed from time to time by the Issuer and the Class AVFN Noteholder, and notified such amount to the Note Trustee.

"**VFN Borrowing Base**" means, on any Calculation Date, an amount equal to:

- (i) zero, where
 - (A) the balance of the General Reserve Fund as at the following Interest Payment Date, taking into account any withdrawals from and/or allocations to the General Reserve Fund on such Interest Payment Date, is less than the General Reserve Required Amount;
 - (B) the balance of the Liquidity Reserve Fund (if established) as at the following Interest Payment Date, taking into account any withdrawals from and/or

allocations to the Liquidity Reserve Fund on such Interest Payment Date, is less than the Liquidity Reserve Required Amount;

- (C) the long-term unsecured, unsubordinated and unguaranteed debt rating of RBS is less than Baa2 by Moody's or BBB by S&P, provided that where such rating is less than A3 by Moody's, RBS shall provide to Moody's a solvency certificate in a form reasonably acceptable to Moody's; or
 - (D) the Principal Amount Outstanding of the Class AVFN Note (taking into account any likely reductions to the Principal Amount Outstanding of the Class AVFN Note on the following Interest Payment Date) is equal to or greater than the Maximum VFN Amount;
- (ii) otherwise an amount equal to the VFN Portion less Principal Amount Outstanding of the Class AVFN Note (taking into account any likely reductions to the Principal Amount Outstanding of the Class AVFN Note on the following Interest Payment Date) with any resulting negative amount deemed to be zero

"**VFN Portion**" means as at a Calculation Date (as the case may be) an amount equal to the lower of:

- (i) the Maximum VFN Amount; and
- (ii) the Aggregate Eligible Balance less the sum of
 - (A) the Principal Amount Outstanding of the Class A Term Notes; and
 - (B) available Retained Principal Amount.

"**Aggregate Eligible Balance**" means as at a Calculation Date (as the case may be) the sum of the Current Balance (including any Net Principal Increases) of all Eligible Loans in the Portfolio multiplied by 99 per cent.

- 14.5 If there are insufficient Available Principal Receipts to reduce the principal amount outstanding of the Class AVFN Note to the Maximum AVFN Amount applicable on such Interest Payment Date, the Issuer shall be entitled to make a drawing under the Subordinated Loan Agreement to fund such shortfall.

15. **REPLACEMENT OF NOTES**

If any Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Registrar. Replacement of any mutilated, defaced, lost, stolen or destroyed Note will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. A mutilated or defaced Note must be surrendered before a new one will be issued.

16. **FURTHER CLASS A TERM NOTES AND/OR FURTHER CLASS Z NOTES**

16.1 ***Further Class A Term Notes and/or Further Class Z Notes***

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further Class A Term Notes and/or further Class Z Notes ("**Further Class A Term Notes**" and "**Further Class Z Notes**", respectively and together referred to as the "**Further Notes**") carrying the same terms and conditions in all respects (except for the first Interest Period) as, and so that the same shall be consolidated and form a single class and rank *pari passu* with the Class A Term Notes and or Class Z Notes, as appropriate, **provided that:**

- (a) the Issuer confirms to the Trustee that the aggregate principal amount of all Further Notes to be issued on such date is not less than £10,000,000;

- (b) the aggregate principal amount of the Class Z Notes and the Further Class Z Notes on such date shall not exceed two times the aggregate principal amount of the Class Z Notes on the Closing Date;
- (c) the Issuer confirms to the Trustee that persons who are independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006) are obliged to subscribe for more than 50 per cent. (by Principal Amount Outstanding) of such Notes for their own account;
- (d) the ratings of each class of Class A Notes at that time outstanding are not downgraded, withdrawn or qualified as a result of such issue of Further Notes Class A Term and/or Further Class Z Notes (and the Issuer has received written confirmation from Moody's to this effect) and none of such ratings of the Class A Notes is lower than it was upon the date of issue of any of the Class A Notes; and
- (e) the Issuer confirms to the Trustee that application will be made, in respect of the Further Notes, for such notes to be admitted to the Official List and trading on the regulated market of the London Stock Exchange or, if the Class A Term Notes and/or Class Z Notes then issued are/is no longer admitted to trading on that exchange or were admitted to trading on another exchange, such exchange, if any, on which the Class A Term Notes and/or Class Z Notes then issued are/is then admitted to trading.

16.2 *Supplemental Trust Deeds and Security*

Any such Further Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of the security constituted by or pursuant to the Deed of Charge. Any of the Transaction Documents may be amended as provided in Condition 3 (*Status and relationship between the Notes and Security*) or otherwise, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes.

17. NOTICE TO NOTEHOLDERS

17.1 *Publication of Notice*

Any notice to Noteholders shall be validly given if published in the *Financial Times*, or, if such newspaper shall cease to be published or, if timely publication therein is not practicable, in such other English newspaper or newspapers as the Note Trustee shall approve in advance having a general circulation in the United Kingdom, **provided that** if, at any time, the Issuer procures that the information concerned in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee and notified to Noteholders (in each case a "**Relevant Screen**"), publication in the newspaper set out above or such other newspaper or newspapers shall not be required with respect to such information. 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 shall have been made in the newspaper or newspapers in which (or on the Relevant Screen) publication is required.

In addition, notices to Noteholders will be sent to them by first class post (or its equivalent) or (if posted to an address outside the United Kingdom) by airmail at the respective addresses on the Register. Any such notice will be deemed to have been given on the fourth day after the date of posting.

Whilst the Class A Term Notes are represented by Global Notes, notices to Noteholders (other than the Class AVFN Noteholder and the Class Z Noteholder) will be valid if published as described above, or, at the option of the Issuer, if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders (other than the Class AVFN Noteholder and the Class Z Noteholder). Any notice delivered to Euroclear and/or Clearstream, Luxembourg, as aforesaid shall be deemed to have been given on the day of such delivery.

17.2 ***Note Trustee's Discretion to Select Alternative Method***

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

18. **SUBORDINATION BY DEFERRAL**

18.1 ***Interest***

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (which shall, for the purposes of this Condition 18, include any interest previously deferred under this Condition 18.1 and accrued interest thereon) payable in respect of the Class Z Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall be entitled (unless there are no Class A Notes then outstanding) to defer to the next Interest Payment Date the payment of interest in respect of the Class Z Notes to the extent only of any insufficiency of funds (only after having paid or provided for all amounts specified as having a higher priority in the Pre-Acceleration Revenue Priority of Payments than interest payable in respect of the Class Z Notes).

18.2 ***General***

Any amounts of interest in respect of the Class Z Notes otherwise payable under these Conditions which are not paid by virtue of this Condition 18 shall accrue interest at the same rate and on the same basis as interest in respect of the Class Z Notes and together with such accrued interest thereon, shall in any event become payable on the next Interest Payment Date (unless and to the extent that Condition 18.1 applies) or on such earlier date as the Class Z Notes become due and repayable in full in accordance with these Conditions.

18.3 ***Notification***

As soon as practicable after becoming aware that any part of a payment of interest on the Class Z Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 18, the Issuer will give notice thereof to the Class Z Noteholders in accordance with Condition 17 (*Notice to Noteholders*). Any deferral of interest in accordance with this Condition 18 will not constitute an Event of Default. The provisions of this Condition 18 shall cease to apply on the Final Maturity Date, at which time all deferred interest and accrued interest thereon shall become due and payable.

19. **GOVERNING LAW**

The Trust Deed, the Deed of Charge, the Notes and these Conditions and any non-contractual obligations arising from or in connection with them are governed by, and shall be construed in accordance with, English law, unless specifically stated to the contrary. Certain documents to be executed pursuant to the Deed of Charge are governed by, and construed in accordance with, Scots law.

20. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes or these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

21. **SUBSTITUTION OF ISSUER**

21.1 *Substitution of Issuer:* The Note Trustee may agree, without the consent of the Noteholders or any other Secured Creditor and subject to such further conditions as are specified in the Trust

Deed (including notification of such substitution to S&P and Moody's and the Issuer having received confirmation from S&P that the then current ratings of the Notes will not be adversely affected), to concur with the Issuer to the substitution of a single purpose company incorporated in any jurisdiction that will be substituted in place of the Issuer under Clause 28 (Substitution) of the Trust Deed ("**Substituted Obligor**") as the principal debtor in respect of the Trust Documents, the Notes and the other Secured Amounts.

- 21.2 *Notice of Substitution of Issuer:* Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Condition 17 (*Notice to Noteholders*) and the relevant Transaction Documents.
- 21.3 *No indemnity:* No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer or the Note Trustee, any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Class A Term Notes and the Class AVFN Note (in respect of amounts subscribed for on the Closing Date only) to pay the Issuer Initial Trust Consideration payable by the Issuer for the Investor Interest to be acquired on the Closing Date (see "*Summary of Key Transaction Documents – Originator Trust Deed*"). The Issuer will use the gross proceeds of the Class AVFN Note (in respect of amounts subscribed for after the Closing Date) from time to time to pay the Issuer Additional Trust Consideration and/or the New Portfolio Additional Trust Consideration (as applicable) payable by the Issuer to the Originator. The Issuer will use the gross proceeds of the Class Z Notes to fund the General Reserve Fund on the Closing Date (see "*Credit Structure – General Reserve Fund*").

FEES

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

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Cash management fees	£100,000 each year (inclusive of VAT)	Ahead of all outstanding Notes	Monthly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	estimated at £68,000.00 each year (exclusive of VAT)	Ahead of all outstanding Notes	Monthly in arrear on each Interest Payment Date
VAT is currently chargeable at 15per cent ¹			
Expenses related to the admission to trading of the Notes	£3,250,000 (exclusive of VAT)		

¹ VAT will be charged at 17.5% from 1 January 2010.

RATINGS

The Class A Notes, on issue, will be assigned the following ratings by Moody's and S&P. The Class Z Notes are unrated. 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 if, in its judgment, circumstances (including, without limitation, a reduction in the credit rating of the Total Return Swap Provider and/or the Account Bank in the future) so warrant.

Class of Notes	Moody's	S&P
Class AVFN Note.....	Aaa	AAA
Class A1 Notes	Aaa	AAA
Class A2 Notes	Aaa	AAA
Class A3 Notes	Aaa	AAA
Class A4 Notes	Aaa	AAA
Class A5 Notes	Aaa	AAA
Class Z Notes	Unrated	Unrated

THE ISSUER

Introduction

The Issuer was incorporated in England and Wales on 14 January 2009 (registered number 6790964) as a public limited company under the Companies Act 1985 (as amended). The registered office of the Issuer is c/o Structured Finance Management Limited, 35 Great St Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is +44(0)20 7398 6300. The authorised share capital of the Issuer comprises 50,000 ordinary shares of £1 each. The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,998 shares of £1 each; partly-paid up in cash of 25p each and 2 fully paid shares of £1 each all of which are beneficially owned by Holdings (see "*Holdings*" below).

The Issuer has no subsidiaries. The Originator does not own directly or indirectly any of the share capital of Holdings or the Issuer.

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association. The Issuer was established solely for the purpose of issuing the Notes. The activities of the Issuer will be restricted by its Memorandum and Articles of Association and the Transaction Documents and will be limited to the issues of the Notes, the exercise of related rights and powers and other activities referred to herein or reasonably incidental thereto.

Under the Companies Act 1985 (as amended), the Issuer's governing documents, including its principal objects, may be altered by a special resolution of shareholders.

In accordance with the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer's directors, a registered and administrative office, the arrangement of meetings of directors and shareholders and procure the service of a company secretary. No other remuneration is paid by the Issuer to or in respect of any director or officer of the Issuer for acting as such.

The Issuer has not engaged, since its incorporation, in any activities other than those incidental to its registration as a public company under the Companies Act 1985 (as amended) and to the proposed issues of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2009.

There is no intention to accumulate surpluses in the Issuer (other than amounts standing to the credit of the General Reserve Funds, (if established) the Liquidity Reserve Fund and/or (if established) the Set-Off Reserve Fund).

Directors

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

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No. 2) Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
Paivi Helena Whitaker	35 Great St Helen's, London EC3A 6AP	Director

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited and their principal activities are as follows:

<u>Name</u>	<u>Function</u>	<u>Business Address</u>	<u>Principal Activities</u>
Robert Berry	Director	35 Great St Helen's, London EC3A 6AP	Provision of Corporate Services
Jonathan Keighley	Director	35 Great St Helen's, London EC3A 6AP	Provision of Corporate Services
James Macdonald	Director	35 Great St Helen's, London EC3A 6AP	Provision of Corporate Services

<u>Name</u>	<u>Function</u>	<u>Business Address</u>	<u>Principal Activities</u>
JP Nowacki	Director	35 Great St Helen's, London EC3A 6AP	Provision of Corporate Services
Claudia Wallace	Director	35 Great St Helen's, London EC3A 6AP	Provision of Corporate Services
Paivi Helena Whitaker	Director	35 Great St Helen's, London EC3A 6AP	Provision of Corporate Services
Debra Parsull	Alternate Director	35 Great St. Helen's, London EC3A 6AP	Provision of Corporate Services
Cane Pickersgill	Alternate Director	35 Great St. Helen's, London EC3A 6AP	Provision of Corporate Services

The business addresses for each of the directors of Structured Finance Management Limited is 35 Great St Helen's, London EC3A 6AP.

The company secretary of the Issuer is SFM Corporate Services Limited whose registered office is at 35 Great St Helen's, London EC3A 6AP.

The Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus. There has been no material change in the capitalisation, indebtedness or contingent liabilities or guarantees since 15th July 2009.

Capitalisation Statement

The following table shows the capitalisation of the Issuer as at 15th July 2009:

	<u>As at 15th July 2009</u>
	£
Authorised share capital	
Ordinary shares of £1 each	50,000.00
Issued share capital	
50,000 ordinary shares 49,998 paid up to 25 pence and 2 fully paid shares of £1 each	12,501.50

HOLDINGS

Introduction

Holdings was incorporated in England and Wales on 16 March 2009 (registered number 6847492) as a private limited company under the Companies Act 1985 (as amended). The registered office of Holdings is c/o Structured Finance Management Limited 35 Great St Helen's, London EC3A 6AP. The authorised share capital of Holdings comprises 100 ordinary shares of £1 each. The issued share capital of Holdings comprises one ordinary shares of £1 each. SFM Corporate Services Limited (the "**Share Trustee**") holds the entire beneficial interest in the issued shares under a discretionary trust for charitable purposes. Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

The principal objects of Holdings are set out in clause 3 of its Memorandum of Association.

Holdings has not engaged since its incorporation in any material activities other than those activities incidental to the authorisation and implementation of the Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing.

Directors

The directors of Holdings and their respective business addresses and occupations are:

<u>Name</u>	<u>Business Address</u>	<u>Business Occupation</u>
SFM Directors Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No. 2) Limited	35 Great St Helen's, London EC3A 6AP	Corporate Director
Paivi Helena Whitaker	35 Great St Helen's, London EC3A 6AP	Director

The directors of SFM Limited and SFM Directors (No. 2) Limited and their respective business activities are set out under "*The Issuer*".

The company secretary of Holdings is SFM Corporate Services Limited whose registered office is at 35 Great St Helen's, London EC3A 6AP.

The accounting reference date of Holdings is 31 December.

Holdings has no employees.

THE ROYAL BANK OF SCOTLAND PLC

General

RBS will perform the following roles in connection with the issuance of the Notes:

- Originator;
- Originator Trustee;
- Originator Beneficiary;
- Collection Account Bank;
- Cash Manager;
- Total Return Swap Provider;
- Subordinated Loan Provider;
- Account Bank;
- VFN Registrar; and
- Lead Manager.

The registered office of RBS is 36 St. Andrew Square, Edinburgh EH2 2YB.

RBS will be responsible for the selection of the pool of loans to be securitised and for ongoing administration and reporting. RBS will also provide cash management services, act as Lead Manager and be responsible for structuring of the transaction, cashflow modelling, liaison with Rating Agencies, arranging distribution and marketing of the securities, arranging interest rate and other hedging, engaging various third party service providers and advisors, overseeing pricing of the securities as well as overall transaction management. RBS will hold the Originator Trust in the Originator Trust Property.

The Group

The Royal Bank of Scotland Group plc ("**RBSG**", together with its subsidiaries, the "**Group**") is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc (the "**RBS**") and National Westminster Bank Plc ("**NatWest**"). Both RBS and NatWest are major United Kingdom clearing banks whose origins go back over 275 years. In the United States, the Group's subsidiary Citizens is a large commercial banking organisation. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

HM Treasury currently holds 70.3 per cent. of the issued ordinary share capital of the Group. On 26 February, the Group announced its intention to issue up to £25.5 billion of B shares to the United Kingdom Government. If all such B shares are issued, conversion of the B shares would increase this ownership interest to approximately 84.4 per cent. of the issued ordinary share capital of the Group.

The Group had total assets of £2,401.7 billion and owners' equity of £58.9 billion at 31 December 2008. The Group's capital ratios at that date, which included the equity minority interest of the State of the Netherlands and Banco Santander (Santander) in ABN AMRO Holding N.V. ("**ABN AMRO**"), were a total capital ratio of 14.1 per cent., a Core Tier 1 capital ratio of 6.8 per cent. and a Tier 1 capital ratio of 10.0 per cent.

On 17 October 2007, RFS Holdings B.V ("**RFS Holdings**"), which at the time was owned by the Group, Fortis N.V., Fortis SA/NV, Fortis Bank Nederland (Holding) N.V., (Fortis N.V., Fortis SA/NV and Fortis Bank Nederland (Holding) N.V., collectively, "**Fortis**") and Santander and controlled by the Group, completed the acquisition of ABN AMRO. RFS Holdings, which is now jointly owned by the Group, the State of the Netherlands and Santander (collectively, the "**Consortium Members**"), is in the process of implementing an orderly separation of the business units of ABN AMRO, with ABN AMRO's global

wholesale businesses and international retail businesses in Asia and the Middle East subject to the outcome of the Group's strategic review. Certain other assets will continue to be shared by the Consortium Members.

Following a comprehensive strategic review, the Group will focus on those businesses with clear competitive advantages and attractive marketing positions, primarily in stable, low-to-medium risk sectors. The Group's organisational structure comprises the following divisions:

Regional Markets

Regional Markets is organised around the provision of retail and commercial banking to customers in four regions: the United Kingdom, the United States, Europe and the Middle East and Asia. This includes the provision of wealth management services both in the United Kingdom and internationally.

UK Retail & Commercial Banking

This comprises retail, commercial and corporate banking, and wealth management services in the United Kingdom. It supplies financial services through both the Royal Bank and NatWest brands.

UK Retail Banking offers a full range of banking products and related financial services to the personal market. It serves customers through two of the largest networks of branches and ATMs in the United Kingdom, and also through telephone and internet channels and is a large provider of personal current accounts. The division also issues credit and charge cards, including through other brands such as MINT. UK Retail & Commercial Banking is the largest provider of banking, finance, and risk management services to the SME sector in the United Kingdom. It offers a full range of banking products and related financial services through a nationwide network of relationship managers, and also through telephone and internet channels. The product range includes asset finance through the Lombard brand.

UK Wealth Management provides private banking and investment services through Coutts, Adam & Co., RBS International and NatWest Offshore.

US Retail & Commercial Banking

Citizens provides financial services primarily through the Citizens and Charter One brands.

Citizens is engaged in retail and corporate banking activities through its branch network in 12 states in the United States and through non-branch offices in other states. Citizens is a large commercial banking organisation.

Following the Group's strategic review, Citizens intends to invest in its core business through increased marketing activity and targeted technology investments while reducing activity in its out-of-footprint national businesses in consumer and commercial finance.

Europe & Middle East Retail & Commercial Banking

This comprises Ulster Bank and the Group's combined retail and commercial businesses in Europe and the Middle East.

Ulster Bank provides a comprehensive range of financial services across the island of Ireland. Its retail banking arm has a network of branches and operates in the personal, commercial and wealth management sectors, while its corporate markets operations provide services in the corporate and institutional markets.

The retail and commercial businesses in Europe and the Middle East have smaller activities in Romania, Kazakhstan and the United Arab Emirates. Following the Group's strategic review, the Group has decided to exit sub-scale retail and commercial activities outside its core markets in the United Kingdom, Europe and the United States.

Asia Retail & Commercial Banking

Asia Retail & Commercial Banking has presence in India, Pakistan, China, Taiwan, Hong Kong, Indonesia, Malaysia and Singapore. It provides financial services across four segments: affluent banking;

cards and consumer finance; business banking; and international wealth management, which offers private banking and investment services to clients in selected markets through the RBS Coutts brand.

Following the Group's strategic review, the Group has decided to exit sub-scale retail and commercial activities outside its core markets in the United Kingdom, Europe and the United States.

Global Banking & Markets

Global Banking & Markets (GBM) is a leading banking partner to major corporations and financial institutions in the United Kingdom and around the world, providing a range of debt and equity financing, risk management and investment services to its customers. The division is organised along the following four principal business lines: rates, currencies and commodities, including RBS Sempra LLP, the commodities marketing joint venture between the Group and Sempra Energy; equities; credit markets; and asset and portfolio management.

Following the Group's strategic review, GBM is planning to re-focus its business around its core corporate and institutional clients, concentrating its activities in major financial centres and scaling back its presence elsewhere. It will exit illiquid proprietary trading and balance sheet-heavy niche products segments.

Global Transaction Services

Based on the Group's review of transaction services revenue of principal competitors, Global Transaction Services ranks among the top five global transaction services providers, offering global payments, cash and liquidity management, as well as trade finance, United Kingdom and international merchant acquiring and commercial card products and services. It includes the Group's corporate money transmission activities in the United Kingdom and the United States.

Following the Group's strategic review, Global Transaction Services intends to reduce its international network while retaining the capability to serve multinational clients globally.

RBS Insurance

RBS Insurance sells and underwrites retail and SME insurance over the telephone and internet, as well as through brokers and partnerships. Its brands include Direct Line, Churchill, Privilege, Green Flag and NIG. Direct Line, Churchill and Privilege sell general insurance products direct to the customer. Through its international division, RBS Insurance sells general insurance, mainly motor, in Germany and Italy. The Intermediary and Broker division sells general insurance products through independent brokers.

Group Manufacturing

Group Manufacturing comprises the Group's worldwide manufacturing operations. It supports the Group's customer facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services. Global Manufacturing drives efficiencies and supports income growth across multiple brands and channels by using a single, scalable platform and common processes wherever possible. It also leverages the Group's purchasing power and has become the centre of excellence for managing large scale and complex change.

The Centre

The Centre comprises group and corporate functions, such as capital raising, finance, risk management, legal, communications and human resources. The Centre manages the Group's capital resources and Group-wide regulatory projects and provides services to the Group's operating divisions.

Non-core division

The Group is in the process of creating a Non-core division to manage separately assets that it intends to run off or dispose of. The division will contain primarily assets from the GBM division linked to proprietary trading portfolios, excess risk concentrations and other illiquid portfolios. It will also include excess risk concentrations from other divisions as well as a number of small regional markets businesses that the Group has concluded are no longer strategic.

The Placing and Open Offers

Following the First Placing and Open Offer in December 2008, HM Treasury owned approximately 58 per cent. of the enlarged ordinary share capital of the Group and £5 billion of non-cumulative sterling preference shares. In April 2009, the Group issued new ordinary shares by way of the Second Placing and Open Offer, the proceeds from which were used in full to fund the redemption of the preference shares held by HM Treasury at 101 per cent. of their issue price together with the accrued dividend and the commissions payable to HM Treasury under the Second Placing and Open Offer agreement. The Second Placing and Open Offer was underwritten by HM Treasury and as a result, HM Treasury currently owns approximately 70.3 per cent. of the enlarged ordinary share capital of the Group.

THE CORPORATE SERVICES PROVIDER

Structured Finance Management Limited (registered number 3853947), having a place of business at 35 Great St Helen's, London EC3A 6AP will be appointed on the Closing Date to provide corporate services to the Issuer and Holdings pursuant to the Corporate Services Agreement.

Structured Finance Management Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The Corporate Services Provider will be entitled to terminate its respective appointments under the Corporate Services Agreement on 30 days' written notice to the Issuer, the Security Trustee and each other party to the relevant Corporate Services Agreement, **provided that** a substitute corporate services provider has been appointed on substantially the same terms as those set out in the relevant Corporate Services Agreement.

The Security Trustee can terminate the appointment of the Corporate Services Provider on 30 days' written notice so long as a substitute corporate services provider has been appointed on substantially the same terms as those set out in the relevant Corporate Services Agreement.

In addition, the appointment of the Corporate Services Provider may be terminated immediately upon notice in writing given by the Security Trustee, if the Corporate Services Provider breaches its obligations under the terms of the Corporate Services Agreement and/or certain insolvency related events occur in relation to the Corporate Services Provider.

THE LOANS

Introduction

The housing market in the UK primarily consists of owner-occupied housing and private landlord ownership, the latter often funded by buy-to-let residential mortgage loans. The remainder of dwellings are in some form of public or social ownership. The mortgage market, in which mortgage loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the UK.

The following is a description of some of the characteristics of the mortgage loans currently or previously offered by the Originator and includes details of mortgage loan types, the underwriting process, Lending Criteria and selected statistical information. Each Loan in the Portfolio incorporates one or more of the features referred to in this section.

RBSG originates residential mortgages using a multi-brand, multi-channel strategy. The Originator offers current account mortgages under The One Account and NatWest One Account brands in the UK. The Originator also previously offered current account mortgages under the RBS, Virgin One Account and the Direct Line One Account brands in the UK. RBSG also offers traditional residential mortgages under the RBS, NatWest, First Active, Direct Line, Coutts and Ulster brands. The Portfolio will consist of mortgages described below under *Mortgage Loan Products* only.

Virgin Direct Personal Finance Limited was established as a joint venture between RBS, AMP and Virgin Group in 1997, to provide innovative current account mortgages under the Virgin One Account brand. The mortgage loans were provided by RBS, who also determined and managed the credit policy for the Origination of the Loans. In 2001, RBS acquired 100 per cent. of the joint venture company's business and changed the company name to "The One Account Limited". The business is now a fully integrated part of the RBSG.

Most mortgage loans offered by the RBSG are currently held on one of four systems:

- (a) Customer Mortgage System ("**CMS**") — holding offset flexible mortgages (launched in August 2004) and current account mortgages, where the provider is RBS, together with traditional mortgages offered by First Active UK and Direct Line;
- (b) Group Mortgage System ("**GMS**") — holding some traditional mortgages offered before 31 October 2004 in anticipation of the introduction of MCOB and all RBS and NWHL traditional MCOB regulated mortgages offered from 31 October 2004 onwards following the introduction of MCOB, together with non-MCOB regulated buy-to-let mortgages following the transfer of the new buy-to-let mortgage business to GMS during 2005 and First Active UK mortgages from 2008 and referred to throughout as "GMS";
- (c) Mortgage Manager ("**MM**") — holding traditional mortgages offered before 31 October 2004 (when MCOB was introduced) and buy-to-let mortgages until the new buy-to-let mortgage business was transferred to the Group Mortgage System in 2005. The NatWest brand mortgages are maintained on a separate copy of the system to the RBS brand mortgages, but both systems are substantially the same;
- (d) Caustic ("**Caustic**") — holding current account mortgages originated by RBS until August 2004, a type of flexible mortgage known as "**Foundations**" originated by NatWest until November 2002 and a small portfolio of staff mortgages.

The Portfolio will consist of current account mortgages and FMO residential mortgage loans held on the CMS system only.

Characteristics of the Loans

Mortgage Loan Products

Each Loan is secured by a mortgage over a property (or properties) located in England, Wales or Scotland. Each Mortgaged Property located in England and Wales is subject to the laws of England and Wales and each Mortgaged Property located in Scotland is subject to the laws of Scotland.

On the Closing Date, RBS will identify a certain number of Loans (referred to herein as the "**Portfolio**") which will include:

- (a) current account mortgage loans marketed under The One Account brand, including some originally branded "Virgin One Account" with no fixed monthly repayment and redraw entitlement up to the agreed facility limit, and some originally branded "Direct Line One" but migrated to The One Account through a product switch. Interest is variable and the rate of interest depends on the facility-to-value ratio ("**FTV**"), with lower interest rates for lower FTV loans.
- (b) current account mortgage loans marketed under the NatWest One Account brand, with no fixed monthly repayment and redraw entitlement up to the agreed facility limit. Interest is variable and the rate of interest depends on the FTV, with lower interest rates for lower FTV loans. A number of these accounts may, subject to the Originator's approval, permit advances for business purposes although the current account is strictly for personal banking.
- (c) flexible Mortgage Loans marketed under The One Account brand Flexible Mortgage Option ("**FMO**"), with an agreed minimum monthly repayment and redraw entitlement up to the agreed facility limit. Interest is variable and the rate of interest depends on the FTV, with lower interest rates for lower FTV loans. There is an automatic annual reduction of the facility for any accounts with an element of capital repayment. The accounts also offer a payment holiday facility of up to six months in any one twelve month period.

The One Account and NatWest One Account (collectively, the "**One Accounts**" and each a "**One Account**") offer standard current account features, including a debit card. In addition, the Loans branded The One Account incorporate a charge card facility. From 1 April 2008, no new applications were able to be made under the NatWest One Account. The FMO product was also withdrawn in April 2008.

Repayment Terms

- (a) *The One Account and NatWest One Account*

In all cases a repayment plan is agreed with the customer at the time of drawdown. This is based on either a capital and interest repayment plan, interest-only repayment plan, or a combination of both. Irrespective of the repayment plan method, in many cases the borrowing facility remains static over the life of the Loan and the customer has the flexibility to redraw at any time up to the maximum amount of the borrowing facility. The One Account has however offered an optional progressive annual facility reduction since January 2003. The One Account also offers customers some ability to manage the interest rate on the Loan as the interest rate is determined based on the FTV.

It is the customers' responsibility to ensure repayment on the due date. The Originator does not take security over, or verify that a borrower has a Standard Repayment Vehicle Plan (Interest only) (as defined below) in place although it is a condition of the Loan that this is in place and borrowers are reminded of their responsibilities on an annual basis. For those Loans with an element of capital and interest repayment, customers are advised of their position against their plan on their monthly and annual statement, and on an ad hoc basis if they are falling significantly behind plan. However, it remains the customer's responsibility to ensure repayment on the due date irrespective of plan behaviour.

- (b) *FMOs*

In all cases repayment is agreed with the customer at the time of drawdown. This is based on either a capital and interest repayment plan, interest-only repayment plan, or a combination of both. The FMO has an automatic annual reduction of the facility for any accounts with an element of capital repayment.

The Originator does not verify that a borrower has a Standard Repayment Vehicle Plan in place although it is a condition of the Loan that this is in place and the borrower is reminded on an annual basis to this effect.

"**Standard Repayment Vehicle Plans**" include:

- (a) *Endowment*: the borrower makes regular payments to a life assurance company which invests the premiums. The endowment policy is intended to repay the Loan at maturity;
- (b) *Pension Policy*: the borrower makes regular payments to a personal pension plan. Upon retirement, or plan maturity, the borrower will receive a tax-free lump sum which is intended to repay the Loan;
- (c) *Individual Savings Accounts or ISAs*: the borrower makes contributions to a tax-free ISA account. Once the value of the ISA equals or exceeds the outstanding mortgage debt, the borrower may use those amounts to repay the Loan at any time thereafter or may wait to repay the Loan upon its maturity;
- (d) *Personal Equity Plans or PEPs*: similar to ISAs, the borrower makes contributions to a tax-free PEP account and uses these amounts to repay the Loan. Although PEPs have been discontinued in the United Kingdom, some Loans with PEP repayment vehicles may be included in the Portfolio;
- (e) *Unit Trusts*: the borrower makes regular payments to the trustees of a unit trust, and the accumulated unit trust is used to repay the Loan by the end of its term; and
- (f) *Other*: underwriters have discretion to accept other repayment plans where appropriate.

The Originator does not take security over Repayment Vehicle Plans.

Early Repayment Charges

There are no early repayment charges for all Loans originated on or after 1 August 2007. Prior to 1 August 2007, in respect of most of The One Account and NatWest One Account loans an administration charge of £75 was payable for the redemption of the mortgage if the borrowing was repaid within the first 5 years of the term. For most FMOs, an administration charge of £225 may be made for the redemption of the mortgage if the borrowing is repaid at any time.

Interest Payments and Setting of Interest Rates

Interest on the Loans in the Portfolio is computed on a daily basis and applied monthly and credit interest is paid on credit balances at 0.10 per cent. gross.

The rate of interest is dependent on the FTV, with the applicable rates as at the date of this prospectus being as follows:

FTV	The One Account	NatWest One Account
95.01% – 99%	4.50	4.50
90.01% - 95%	4.25	4.25
85.01% - 90%	4.10	4.10
80.01 – 85%	3.95	3.95
75.01% - 80%	3.85	3.85
50.01 – 75%	3.75	3.75
Up to 50%	3.65	3.65

Flexible Mortgage Option

	12 month discount (no fee)	12 month discount (arrangement fee)	24 month discount (arrangement fee)
< 85% FTV	3.14% for 12 months, reverting to 3.60%	3.29% for 12 months, reverting to 3.60%	3.49% for 24 months, reverting to 3.60%
85.01% - 99% FTV	3.64% for 12 months, reverting to 4.10%	3.79% for 12 months, reverting to 4.10%	3.99% for 24 months, reverting to 4.10%

The actual interest rates that the Originator charges may be changed in accordance with the relevant mortgage conditions.

Increases in Facility Limit

A Borrower may apply to the Originator for an increase in facility limit to be made available to him or her under his or her Loan. This further amount will be secured by the same Mortgaged Property (or properties) as the Loan by way of a deed of priority which ensures that the amount of the facility is first ranking.

The Originator does not charge a fee for an increase in facility limit under a One Account Loan. For the FMO a charge of £195 is applicable for any facility increase. In each case, the costs of re-valuation (by a pre-approved appraiser) are borne by the Borrower.

Product switches

From time to time a Borrower may request, or the Originator or the Administrator (on behalf of the Originator) may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan to enable the Borrower to switch from a One Account loan to an FMO loan (due to the fact this product was withdrawn in April 2008 this is not currently available as an option) or from an FMO loan to a One Account loan. Any such variation in the financial terms and conditions applicable to a Borrower's Loan (subject to certain exceptions) is called a "**Product Switch**". The Originator does not charge any fees with respect to a switch from a FMO loan to a One Account loan or vice versa.

Arrears Capitalisation

From time to time, and in accordance with MCOB regulations, where a borrower has demonstrated a regular payment history following previous arrears, the Originator may capitalise any outstanding amounts in arrears. In those circumstances, the Originator will set the arrears tracking balance to zero and

the related Loan will no longer be considered to be in arrears. The outstanding balance will be required to be repaid over the remaining term of such Loan although the Originator may agree, in exceptional circumstances, to extend the term of the Loan. Where arrears are capitalised in relation to a Loan within the Portfolio, no extension will be made which results in the maturity date for that Loan being later than the date which falls two years prior to the Legal Maturity Date for the Notes.

Origination of the Loans

The Originator derived the Loans at the relevant times from the following sources:

- (a) the RBSG branch networks throughout the United Kingdom (NatWest One Accounts only);
- (b) a centralised telephone-based lending operation (including applications received through the Originator's website and NatWest's website); and
- (c) intermediaries that included estate agents and independent financial advisors.

As at the date of this Prospectus, the Originator continues to derive mortgage lending business from the sources outlined above, though The One Account is not currently offered via intermediaries

Underwriting

The decision to offer a Loan to a potential borrower is currently made by the Originator using a combination of credit scoring, which includes credit reference agency data and certain policy rule guidelines which are either automated or considered by the Originator's associated underwriters and/or mandate holders located in one of its mortgage processing centres. Each associated underwriter and/or mandate holder must pass a formal training programme to gain the authority to approve mortgage loans. Various levels of authority have been established for the underwriters who approve mortgage loan applications. The levels are differentiated on a risk basis by applicant type (for example, employed or self-employed), product type sought and value of the Loan. An underwriter wishing to move to the next level of authority must first demonstrate their competency at their current level and also undertake further training. The quality of underwriting decisions is monitored on a regular basis.

In October 2008 RBSG introduced an internal Retail Credit Underwriting tool, CUBE, as a replacement for the Acceptance Calculator. CUBE enables consistency of decision making to be employed to all Group mortgages and is used to assess affordability. All income and all outgoings are taken into consideration and the CUBE provides a decision based on the individual customer's situation.

Lending Criteria

Summary

The Loans in the Portfolio were originated according to the Originator's lending policies at the applicable time the Loan was offered. Whilst earlier policies differed in some detailed respects from the current policies, they were appropriate for a reasonable, prudent mortgage lender at the time.

Subject to the above, the lending criteria in the case of each Loan included in the Portfolio as of the Closing Date are the same as or similar to the criteria described in this section (the "**Lending Criteria**"). The Originator retains the right to revise the Lending Criteria from time to time.

To obtain a Loan, each prospective borrower (an "**applicant**") completes an application form, which includes information about the applicant's income, current employment details, bank account information, current mortgage information, if any, and certain other personal information. This information is then credit scored through the Originator's scorecard system, which includes a credit reference agency search. The credit reference agency search is completed on applicants in accordance with the Originator's agreed procedures including the searching of their current address and, if necessary, former addresses. This gives details of public information including any county court judgments and details of any bankruptcy as well as performance information on other credit commitments that are shared by other lenders in accordance with the Lending Industry's Principles of Data Reciprocity. Some of the factors currently used in making a lending decision are set out below.

Valuation

All properties have been valued on origination of each Loan in the Portfolio through undertaking either a standard or kerbside valuation by a valuer approved by the Originator or, where appropriate, according to a methodology that would meet the standards of a reasonable, prudent lender of residential mortgage loans and that has been approved by the Originator.

In certain low facility-to-value cases the Originator may use Automated Valuation Methodology, whereby the property value is assessed utilising statistical data based on other similar properties in the locality.

When granting a facility increase the Originator may in certain circumstances request a standard or kerbside valuation by a valuer approved by the Originator

In addition, valuations may be updated during the life of a Loan where the customer requests a re-valuation (by a pre-approved appraiser) as a reduction in the FTV may result in a lower interest rate being applied to the Loan.

Property Types

Properties may be either freehold, commonhold, leasehold or (in Scotland) heritable or held under a long lease. In the case of leasehold properties including properties in Scotland held under a long lease, the unexpired portion of the lease must in most cases be at least 30 years at the maturity of the Loan. However, some flexibility is allowed for prime locations in central London. The property must be solely used for residential purposes (with extremely limited individual case exceptions) and must be in sound structural condition and repair or be capable of being put into such state. House boats, mobile homes and property on which insurance cannot be arranged are not acceptable. All persons who are to be owners or (in Scotland) heritable proprietors of the property on completion of the relevant Mortgage must be applicants, but all parties to an account need not be property owners.

A centrally controlled list of acceptable and unacceptable property types and construction types is held to determine quality.

Term of Loan

The minimum term for a house purchase Loan is five years. There is no maximum term but Loans normally must be repaid by the time the borrower reaches the age of 70 years, subject to serviceability beyond normal retirement age. Serviceability beyond normal retirement age (65) is considered and where the applicant is 60 or above at the time of application, or the term takes the applicant over the age of 70 by final maturity. Serviceability evidence is required via future pension and investment income. As a responsible lender, the Originator endeavours to ensure the repayment of a Loan is affordable on a long-term basis. Any facility increase will usually be required to be repaid within the existing term of the house purchase Loan. If the borrower requests an increase to this term, the Loan must be normally repaid prior to the time the borrower reaches the age of 70 years subject to affordability and serviceability.

Age of Applicant

All applicants must be aged 18 or over. The maximum age limit is normally 70 years but this is subject to serviceability beyond normal retirement age as outlined in the paragraph above.

Income and Affordability

The facility limit under a Loan is determined by a number of factors, including the applicant's income and affordability.

All employed applicants need to have a minimum employment history of at least six months in an existing job or a continuous period of at least six months within concurrent employment.

In determining income, the Originator includes basic salary as primary income, along with allowances, mortgage subsidies, pensions, annuities and acceptable state benefits. Overtime, bonus and commissions may be included in income where appropriate.

Self-employed applicants must have been trading within that particular business for a minimum period of two years and provide appropriate financial data, including but not limited to earnings statements and bank statements, to support this. Only a limited number of underwriters are assigned a mandate to decide on the applications from the self-employed. Upon verification of the information provided by the self-employed applicants, the underwriter will assess whether or not the income declared is appropriate.

In determining affordability, the Originator historically required monthly net free income to meet predetermined living expense thresholds after deducting all financial commitments. Income multipliers were also historically used as a guideline in determining maximum borrowing limits. In the case of joint applicants, the Originator had the option of using the main applicant's income as the primary income multiple and adding the second applicant's income to the income multiplier or combining both incomes and multiplying these jointly by an agreed policy factor.

In the second quarter of 2006, the above approach was replaced with a revised affordability calculation. This established mortgage servicing capability by deducting estimated monthly household expenditure and ongoing credit commitments from monthly net income. The percentage of income allocated to living expenditure varies by earnings derived from the Office of National Statistics ("ONS") data showing expenditure varying by income.

The Originator may exercise discretion within its Lending Criteria in applying those factors that are used to determine the maximum amount of loan(s). Accordingly, these parameters may vary for some loans. The following may be taken into consideration when exercising discretion: credit score outcome, FTV, existing customer relationship, stability of employment, career prospects, affordability, additional income and security being offered.

Credit Search

A credit reference search is carried out as an integral part of credit scoring in respect of all new customer applications. No automated process exists for existing customer transactions e.g. home moves or facility increases, and a manual search may not be required for certain low risk requests. Applications may be declined where an adverse credit history is revealed (e.g., bankruptcy or sequestration, county court judgments or Scottish court decree for payment of defaults).

Other Credit History - Bank Statements and Other Financial Data

For employed applicants, except where the applicant was permitted to self certify their income (this was withdrawn in third quarter 2004), proof of income is established as follows:

- (a) For applications where (i) the FTV is less than or equal to 85 per cent; (ii) the total loan amount is less than or equal to £500,000; and (iii) the credit scoring system issues an Agreement in Principle to the customer, the customer is required to provide either their latest bank statement, payslip or form P60 to verify their income.
- (b) For remaining applicants three months' personal bank statements are required.
- (c) If an applicant's income cannot be easily verified from the bank statements provided, one of the applicant's last three months payslips, form P60 or an employer's reference may be requested.

For self-employed applicants, the applicant is required to provide proof of income as follows:

- (a) For applications where (i) the FTV is less than or equal to 85 per cent. and (ii) the total loan amount is less than or equal to £500,000; and (iii) the credit scoring system issues an Agreement in Principle and the applicant is not an existing bank customer, the applicant is required to provide either the latest three months' personal bank statements or one year's accounts or one year's HM Revenue and Customs Tax Assessment or an Accountant's Certificate to verify income.
- (b) Other applicants are required to provide the latest three months' business bank statements, three months' personal bank statements and two years' other financial data.

The Originator retains the right to revise its Lending Criteria from time to time.

The above thresholds were introduced in May 2006, being increased from 75 per cent in respect of FTV and £350,000 in respect of total loan amount. Between 2002 and 2005, the Originator operated a fast track process whereby no supporting documentation was required for employed applicants where the FTV was less than or equal to 75 per cent. and total loan amount was less than or equal to £350,000. The Originator reserved the right to verify income but generally chose not to do so on such low risk cases.

Since August 2007, FSA authorised introducer firms have been allowed to verify income on the Originator's behalf on applications of up to 75 per cent. FTV and £500,000 total loan amount.

Scorecard

The Originator uses some of the above criteria and various other criteria to provide an overall score for a new business application that reflects a statistical analysis of the risk of advancing the loan. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure, and are consistent with the scorecards used for owner occupied residential mortgage lending. Full use is made of software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data and customer provided data to assess the likelihood of an account defaulting. The Originator has the discretion to decline an application where the credit score is passed but other adverse information is known. In addition, a declined credit score decision can be appealed by following a centrally determined appeals process. Instances of such appeals are few and monitored closely.

Behavioural data is used as an alternative to scorecard information for processing existing customer requests e.g. home moves or facility increases, whereby the existing payment record is examined and taken into account.

Originators' Discretion to Lend Outside Lending Criteria

On a case-by-case basis, and within the underwriter levels of authority referred to above, the Originator may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low FTV ratio, overall affordability position, and track record with the organisation.

Maximum Facility to Value Ratio

The maximum current FTV ratio of the Loans in the Portfolio is 99 per cent. At the date of this prospectus the maximum FTV offered to new customers is 75 per cent. (this change came in to effect in October 2008). Prior to this change, the maximum FTV offered was subject to the following amendments: in May 2008, the maximum FTV was reduced to 90 per cent. and in March 2008, the maximum FTV increased to 95 per cent.

Buildings Insurance Policies

All borrowers are required to have appropriate buildings insurance to cover the recommended reinstatement value of the property (as confirmed by a valuer approved by the Originator). All such buildings insurance policies must be held with a company registered with the Association of British Insurers. Where a facility limit exceeds £500,000 on an individual property, the Originator has its interest noted on the policy schedule.

Where a borrower is in default in respect of a mortgaged property the Originator may enter, repair and insure the property. Should the borrower appoint the Originator to be its attorney and a claim then arise under the insurance policy, the Originator will have the power and authority to settle and adjust with the insurers any question relating to such insurance. The Originator's receipt for any moneys receivable under any such policy is a sufficient discharge to the insurers. The Originator may in its discretion apply any such moneys in or towards the reinstatement of the mortgaged property or the redemption of the mortgage, and shall pay the surplus (if any) to the person entitled thereto.

Whenever any fire, life or other insurance of whatever kind is effected through the Originator's agency, all sums allowed to the Originator by way of commission or otherwise by the insurers belong absolutely to the Originator and it is not required to account therefor.

A borrower may apply for insurance when it makes a mortgage application. If such an application is received, the Originator will pass the application to an affiliate, UK Insurance Limited, who will deal with the borrower and issue cover. UK Insurance Limited's registered number is 1179980 and its address is The Wharf, Neville Street, Leeds LS1 4AZ. The Originator has no involvement in the provision of such insurance other than passing on the borrower's initial application.

Household Contingency Policy

For loan amounts of under £1,500,000, the Originator is insured under a block policy which covers the value of the loan rather than the property (the "**Household Contingency Policy**"). The Household Contingency Policy provides cover up to £1,500,000 in any one claim and is subject to a maximum total claim of £5,000,000 in any one year. No claims have been made for some time but it is envisaged that the amounts recovered under the policy would be generally used by the Originator to fund the reinstatement of the property or otherwise paid to the Originator to reduce the amount of the Loan. The Originator will assign their rights under this policy to the Issuer for any Loan sold by it which is in the Portfolio.

CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Initial Provisional Portfolio of a aggregate Loan balance £8,966,873,060 as at 20 March 2009 (the "Cut-off Date").

Except as otherwise indicated, these tables have been prepared using the outstanding principal balance as at the Cut-off Date. Columns may not add up to the total due to rounding.

As of the Cut-off Date, the Initial Provisional Portfolio had the following characteristics:

Aggregate Loan Balance (£).....	8,966,873,060
Aggregate Facility (£).....	11,821,523,023
No. of Loans.....	91,170
Largest Loan (£).....	2,002,679
Smallest Loan (£).....	1
Average Loan Balance (£).....	98,353
Weighted Average Current LTV.....	55.47%
Weighted Average FTV.....	63.27%
Weighted Average Seasoning (years).....	4.3
Weighted Average Remaining Term (years).....	16.1

All the Loans comprising the Initial Provisional Portfolio are residential mortgage loans.

Outstanding Principal Balances as at the Cut-off Date

The following table shows the range of outstanding balances of mortgage accounts (including capitalised interest, capitalised high LTV fees, booking fees and valuation fees) in the Initial Provisional Portfolio as at the Cut-off Date.

Current Principal Outstanding (£)	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total Number of Loans
(£)	(£)			
< 24,999.....	139,854,327	1.56	12,009	13.17
25,000 - 49,999.....	534,850,784	5.96	14,101	15.47
50,000 - 74,999.....	966,403,570	10.78	15,460	16.96
75,000 - 99,999.....	1,236,243,636	13.79	14,184	15.56
100,000 - 124,999.....	1,213,020,227	13.53	10,822	11.87
125,000 - 149,999.....	1,095,325,313	12.22	8,000	8.77
150,000 - 174,999.....	849,153,168	9.47	5,244	5.75
175,000 - 199,999.....	660,108,472	7.36	3,536	3.88
200,000 - 224,999.....	479,280,402	5.35	2,261	2.48
225,000 - 249,999.....	371,679,903	4.15	1,567	1.72
250,000 - 274,999.....	263,936,992	2.94	1,008	1.11
275,000 - 299,999.....	223,940,051	2.5	780	0.86
300,000 - 324,999.....	156,481,499	1.75	501	0.55
325,000 - 349,999.....	120,578,072	1.34	358	0.39
350,000 - 374,999.....	91,872,094	1.02	254	0.28
375,000 - 399,999.....	94,138,610	1.05	243	0.27
400,000 - 424,999.....	74,514,987	0.83	181	0.2
425,000 - 449,999.....	46,815,757	0.52	107	0.12
450,000 - 474,999.....	52,190,338	0.58	113	0.12
475,000 - 499,999.....	51,242,608	0.57	105	0.12
500,000 - 999,999.....	185,630,914	2.07	291	0.32
>= 1,000,000.....	59,611,335	0.66	45	0.05
Total:	8,966,873,060	100	91,170	100

The maximum, minimum and average outstanding balances of the Loans in the Initial Provisional Portfolio as of the Cut-off Date were:

Maximum Outstanding Balance.....	£2,002,679
Minimum Outstanding Balance.....	£1
Average Outstanding Balance.....	£98,353

Facility Value

Facility Value	Aggregate Outstanding Principal Balance	% of Total Balance	No of Loans	% of Total No Loans
(£)	(£)			
< 24,999.....	6,620,790	0.07	714	0.78
25,000 - 49,999.....	200,510,297	2.24	7,956	8.73
50,000 - 74,999.....	667,636,707	7.45	15,446	16.94
75,000 - 99,999.....	1,047,057,435	11.68	15,985	17.53
100,000 - 124,999.....	1,230,232,594	13.72	14,450	15.85
125,000 - 149,999.....	1,092,440,336	12.18	10,080	11.06
150,000 - 174,999.....	1,000,053,956	11.15	8,033	8.81
175,000 - 199,999.....	718,944,311	8.02	4,878	5.35
200,000 - 224,999.....	624,887,534	6.97	3,927	4.31
225,000 - 249,999.....	443,244,832	4.94	2,390	2.62
250,000 - 274,999.....	369,738,476	4.12	1,894	2.08
275,000 - 299,999.....	227,455,757	2.54	1,030	1.13
300,000 - 324,999.....	254,979,767	2.84	1,149	1.26
325,000 - 349,999.....	148,667,411	1.66	587	0.64
350,000 - 374,999.....	142,963,753	1.59	556	0.61
375,000 - 399,999.....	95,876,739	1.07	336	0.37
400,000 - 424,999.....	128,077,283	1.43	425	0.47
425,000 - 449,999.....	54,155,724	0.6	163	0.18
450,000 - 474,999.....	75,210,394	0.84	227	0.25
475,000 - 499,999.....	53,516,792	0.6	146	0.16
500,000 - 999,999.....	303,495,154	3.38	710	0.78
>= 1,000,000.....	81,107,018	0.9	88	0.1
Total:	8,966,873,060	100	91,170	100

The maximum, minimum and average original balances of the Loans in the Initial Provisional Portfolio as of the Cut-off Date were:

Maximum Original Balance.....	£2,500,000
Minimum Original Balance.....	£10
Average Original Balance.....	£198,491

Current Loan-to-Value Ratios as at the Cut-off Date

The following table shows the range of LTV ratios, which express the outstanding balance of the aggregate of loans in a mortgage account (including capitalised interest, capitalised high LTV fees, booking fees and valuation fees) in the Initial Provisional Portfolio as at the Cut-off Date divided by the valuation as at origination of the Loan or the most recent valuation thereof (including indexed valuations where applicable — see "*The Loans — Lending Criteria — Valuations*").

Current Loan to Value Ratios	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total Balance
	(£)			
0.01% - 10.00%.....	134,286,082	1.5	10,326	11.33
10.01% - 20.00%.....	405,694,690	4.52	9,596	10.53
20.01% - 30.00%.....	732,802,407	8.17	11,063	12.13
30.01% - 40.00%.....	1,049,937,944	11.71	11,542	12.66
40.01% - 50.00%.....	1,314,334,693	14.66	11,864	13.01
50.01% - 60.00%.....	1,337,289,174	14.91	10,364	11.37
60.01% - 70.00%.....	1,408,485,609	15.71	9,828	10.78
70.01% - 80.00%.....	1,284,525,728	14.33	8,271	9.07
80.01% - 90.00%.....	871,139,424	9.72	5,330	5.85
90.01% - 95.00%.....	286,661,264	3.2	1,962	2.15
95.01% - 100.00%.....	140,753,143	1.57	1,016	1.11
> 100.01%.....	962,903	0.01	8	0.01
Total:	8,966,873,060	100	91,170	100

The maximum, minimum and weighted average LTV ratios as at the Cut-off Date of the aggregate of loans in the mortgage accounts (including capitalised interest, capitalised high LTV fees, booking fees and valuation fees) in the Initial Provisional Portfolio were:

Maximum Current LTV	103.61%
Minimum Current LTV	0.00%
Weighted Average Current LTV	55.47%

Facility to Value Ratios

Facility to Value Ratios	Principal Balance (£)	% of Total	No. of Loans	% of Total
0.01% - 10.00%	8,270,702	0.09	634	0.7
10.01% - 20.00%	99,582,889	1.11	3,799	4.17
20.01% - 30.00%	316,068,932	3.52	7,334	8.04
30.01% - 40.00%	681,460,909	7.6	10,999	12.06
40.01% - 50.00%	1,608,702,910	17.94	20,191	22.15
50.01% - 60.00%	1,062,691,020	11.85	9,752	10.7
60.01% - 70.00%	1,483,634,342	16.55	12,023	13.19
70.01% - 80.00%	1,911,326,296	21.32	14,257	15.64
80.01% - 90.00%	1,246,068,172	13.9	8,052	8.83
90.01% - 95.00%	374,564,837	4.18	2,814	3.09
95.01% - 100.00%	174,502,052	1.95	1,315	1.44
Total:	8,966,873,060	100	91,170	100

Maximum Current LTV	100.00%
Minimum Current LTV	0.00%
Weighted Average Current LTV	63.27%

Geographical Distribution of Mortgaged Properties

The following table shows the distribution of Mortgaged Properties securing the Loans in the Initial Provisional Portfolio throughout England, Wales and Scotland as at the Cut-off Date. No such properties are situated outside England, Wales or Scotland. The Originator's lending criteria and current credit scoring tests do not take into account the geographical location of the property securing a loan.

Region	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
East Anglia	459,566,591	5.13	5,026	5.51
East Midlands	556,663,449	6.21	6,151	6.75
North.....	320,593,638	3.58	3,780	4.15
North West.....	944,949,435	10.54	10,246	11.24
Scotland	489,204,124	5.46	5,711	6.26
South East Inc London.....	3,713,395,084	41.41	32,883	36.07
South West.....	913,433,441	10.19	9,667	10.6
Wales	323,675,593	3.61	3,805	4.17
West Midlands.....	617,847,489	6.89	6,851	7.51
Yorks And Humber.....	627,544,216	7	7,050	7.73
Total:	8,966,873,060	100	91,170	100

Seasoning of Loans

The following table shows the number of years since the date of origination of the initial advance in respect of a Loan in the Initial Provisional Portfolio as at the Cut-off Date.

Seasoning (years)	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No Loans
0.00 - 1.99	2,504,622,305	27.93	21,053	23.09
2.00 - 3.99	1,734,386,535	19.34	19,653	21.56

Seasoning (years)	Aggregate Outstanding Principal Balance	% of Total Balance	No of Loans	% of Total No Loans
	(£)			
4.00 - 5.99.....	2,151,460,797	23.99	24,234	26.58
6.00 - 7.99.....	1,461,662,229	16.3	14,858	16.3
8.00 - 9.99.....	995,403,683	11.1	10,199	11.19
10.00 - 11.99.....	119,337,511	1.33	1,173	1.29
Total:	8,966,873,060	100	91,170	100

The forecast maximum, minimum and weighted average seasoning of the Loans in the Initial Provisional Portfolio as at the Cut-off Date were:

Maximum Seasoning	11.3 years
Minimum Seasoning	0.00 years
Weighted Average Seasoning	4.3 years

Years to maturity (Years)

The following table shows the number of remaining years of the term of the initial loan in a mortgage account in the Initial Provisional Portfolio as at the Cut-off Date.

Years to Maturity of Loans (years)	Aggregate Outstanding Principal Balance	% of Total Balance	No of Loans	% of Total No Loans
	(£)			
0.00 - 4.99.....	342,069,821	3.81	6,222	6.82
5.00 - 9.99.....	1,268,980,045	14.15	17,103	18.76
10.00 - 14.99.....	2,178,798,682	24.3	23,532	25.81
15.00 - 19.99.....	2,748,529,385	30.65	25,400	27.86
20.00 - 24.99.....	1,987,559,055	22.17	15,486	16.99
25.00 - 29.99.....	331,204,178	3.69	2,531	2.78
30.00 - 34.99.....	96,164,896	1.07	773	0.85
35.00 - 39.99.....	13,566,999	0.15	123	0.13
Total:	8,966,873,060	100	91,170	100

The maximum, minimum and weighted average remaining years of the term of the initial loans in the mortgage accounts in the Initial Provisional Portfolio as at the Cut-off Date was:

Maximum Remaining Term	39.8 years
Minimum Remaining Term	0.00 years
Weighted Average Remaining Term.....	16.1 years

Purpose of Loan

The following table shows whether the purpose of the initial loan in a mortgage account in the Initial Provisional Portfolio on origination was to finance the purchase of a property or to remortgage a property already owned by the borrower.

Purpose of Loan	Aggregate Outstanding Principal Balance	% of Total Balance	No of Loans	% of Total No Loans
	(£)			
Purchase.....	956,302,325	10.66	8,349	9.16
Remortgage.....	3,979,821,306	44.38	40,556	44.48
No Data.....	4,030,749,429	44.95	42,265	46.36
Total:	8,966,873,060	100	91,170	100

Product Type

Product Type	Aggregate Outstanding Principal Balance	% of Total Balance	No. of Loans	% of Total No of Loans
	(£)			
Discount.....	535,827,912	5.98	3,403	3.73
Float Life	8,431,045,148	94.02	87,767	96.27
Grand Total.....	8,966,873,060	100	91,170	100

Property Occupancy

Property Occupancy	Aggregate Outstanding Principal Balance	% of Total	No. of Loans	% of Total No of Loans
	(£)			
Owner Occupied	8,966,873,060	100	91,170	100
Grand Total.....	8,966,873,060	100%	91,170	100%

Flexible Loan

Flexible Loan	Aggregate Outstanding Principal Balance	% of Total Balance	No. of Loans	% of Total No of Loans
	(£)			
Yes.....	8,966,873,060	100	91,170	100
Grand Total.....	8,966,873,060	100%	91,170	100%

Repayment Method

The following table shows the repayment terms for the Loans in the mortgage accounts in the Initial Provisional Portfolio as at the Cut-off Date. For a description of the various repayment terms, see "*The Loans — Characteristics of the Loans — Repayment Terms*".

Repayment Method	Aggregate Outstanding Principal Balance	% of Total Balance	No. of Loans	% of Total No Loans
	(£)			
Interest Only	1,434,200,375	15.99	11,564	12.68
Repayment.....	6,100,242,529	68.03	65,626	71.98
Other.....	1,432,430,156	15.97	13,980	15.33
Total:.....	8,966,873,060	100	91,170	100

Discounted Rate Loans by Discount Margins

Discount Rate Loans by Discount Margins	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
	(£)			
2.51% - 2.70%	157,021,906	29.3	761	22.36
2.71% - 2.90%	133,527,282	24.92	1,110	32.62
2.91% - 3.10%	153,422,988	28.63	904	26.56
3.11% - 3.30%	47,026,936	8.78	329	9.67
3.31% - 3.50%	8,158,297	1.52	64	1.88
3.51% - 3.70%	28,777,858	5.37	184	5.41
3.71% - 3.90%	7,892,646	1.47	51	1.5

Discount Rate Loans by Discount Margins	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
Total:	535,827,912	100	3,403	100

Discount Rate Loans by Expiry Year

Discount Rate Loans by Expiry Year	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
	(£)			
2009.....	432,347,624	80.69	2,663	78.25
2010.....	103,480,289	19.31	740	21.75
Total:	535,827,912	100	3,403	100

Arrears Balance

Arrears Balance	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
	(£)			
0.....	8,772,790,500	97.84	89,719	98.41
1 – 500.....	85,938,278	0.96	748	0.82
501 - 1,000.....	41,282,545	0.46	302	0.33
1,001 - 1,500.....	21,930,796	0.24	147	0.16
1,501 - 2,000.....	14,035,112	0.16	90	0.1
2,001 - 3,000.....	12,044,422	0.13	75	0.08
3,001 - 4,000.....	6,422,305	0.07	35	0.04
4,001 - 5,000.....	3,927,636	0.04	18	0.02
5,001 - 10,000.....	7,526,999	0.08	33	0.04
10,001 - 15,000.....	974,469	0.01	3	0
Total:	8,966,873,060	100	91,170	100

Loan Status

Loan Status	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
	(£)			
Current.....	8,772,790,500	97.84	89,719	98.41
In Arrears.....	194,082,560	2.16	1,451	1.59
Total	8,966,873,060	100	91,170	100

County Court Judgments

The following table shows the Loans in the Initial Provisional Portfolio where a county court judgment has been ordered against the Borrower as at the Cut-off Date.

County Court Judgments	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
	(£)			
0.....	7,537,068,524	84.05	76,934	84.39
1.....	55,671,774	0.62	510	0.56
2.....	6,592,839	0.07	68	0.07
3.....	1,429,741	0.02	12	0.01
4.....	707,214	0.01	9	0.01
8.....	183,025	0	1	0

County Court Judgments	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
No Data.....	1,365,219,943	15.23	13,636	14.96
Total:.....	8,966,873,060	100	91,170	100

Bankruptcy Order or IVA

The following table shows the Loans in the Initial Provisional Portfolio where the Borrower has become Bankrupt prior to the Cut-off Date.

Bankrupt Order or IVA	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
	(£)			
No.....	7,733,403,788	86.24	78,791	86.42
Yes.....	1,362,126	0.02	10	0.01
No Data.....	1,232,107,146	13.74	12,369	13.57
Total:.....	8,966,873,060	100	91,170	100

Current Interest Rate

Bankrupt Order or IVA	Aggregate Outstanding Principal Balance	% of Total Balance	Number of Loans	% of Total No Loans
3.04%.....	157,021,906	1.75	761	0.83
3.29%.....	88,630,892	0.99	659	0.72
3.39%.....	45,171,663	0.5	452	0.5
3.54%.....	153,422,988	1.71	904	0.99
3.74%.....	20,012,881	0.22	137	0.15
3.79%.....	27,014,055	0.3	192	0.21
3.85%.....	1,103,547,472	12.31	13,690	15.02
3.89%.....	8,038,726	0.09	62	0.07
3.90%.....	2,270,161,160	25.32	34,975	38.36
4.00%.....	3,103,926,815	34.62	25,415	27.88
4.04%.....	28,777,858	0.32	184	0.2
4.10%.....	498,914,144	5.56	3,587	3.93
4.20%.....	505,720,756	5.64	3,288	3.61
4.24%.....	7,892,646	0.09	51	0.06
4.35%.....	594,114,408	6.63	4,082	4.48
4.50%.....	274,347,828	3.06	2,110	2.31
4.75%.....	80,156,862	0.89	621	0.68
Total:.....	8,966,873,060	100	91,170	100

Maximum Valuation.....	4.75%
Minimum Valuation.....	3.04%
WA Valuation.....	3.98%

Valuation

Valuation	Aggregate Outstanding Principal Balance	% of Balance	No. of Loans	% of Loans
	(£)			
0 - 24,999.....	0	0	0	0
25,000 - 49,999.....	2,301,641	0.03	78	0.09
50,000 - 74,999.....	48,305,781	0.54	1,273	1.4
75,000 - 99,999.....	216,907,352	2.42	4,480	4.91
100,000 - 124,999.....	418,621,924	4.67	7,073	7.76
125,000 - 149,999.....	627,711,380	7	9,230	10.12
150,000 - 174,999.....	805,471,506	8.98	10,801	11.85

Valuation	Aggregate Outstanding Principal Balance	% of Balance	No. of Loans	% of Loans
	(£)			
175,000 - 199,999	800,140,835	8.92	9,659	10.59
200,000 - 224,999	756,052,095	8.43	8,438	9.26
225,000 - 249,999	700,450,664	7.81	7,037	7.72
250,000 - 274,999	649,752,719	7.25	6,322	6.93
275,000 - 299,999	500,373,825	5.58	4,568	5.01
300,000 - 324,999	491,051,214	5.48	4,285	4.7
325,000 - 349,999	319,226,731	3.56	2,572	2.82
350,000 - 374,999	333,822,572	3.72	2,673	2.93
375,000 - 399,999	265,731,539	2.96	1,977	2.17
400,000 - 424,999	263,013,542	2.93	1,858	2.04
425,000 - 449,999	162,247,971	1.81	1,060	1.16
450,000 - 474,999	196,342,402	2.19	1,271	1.39
475,000 - 499,999	163,258,825	1.82	968	1.06
500,000 - 999,999	1,012,379,345	11.29	5,002	5.49
1,000,000 - 1,999,999	180,312,758	2.01	476	0.52
2,000,000 - 2,999,999	36,673,028	0.41	54	0.06
3,000,000 - 3,999,999	8,722,177	0.1	8	0.01
4,000,000 - 4,999,999	5,357,833	0.06	4	0
5,000,000 - 5,999,999	1,191,306	0.01	2	0
> 6,000,000	1,452,094	0.02	1	0
Total:	8,966,873,060	100	91,170	100
Maximum Valuation				£8,000,000
Minimum Valuation				£30,000
WA Valuation				£328,580

Self-Certifieds

Self-Certifieds	Aggregate Outstanding Principal Balance	% of Balance	No. of Loans	% of Loans
	(£)			
No	8,966,873,060	100	91,170	100
Grand Total	8,966,873,060	100%	91,170	100%

Self-Employed

Self-Employed	Aggregate Outstanding Principal Balance (£)	% of Total	No. of Loans	% of Total
No	7,416,345,712	82.71	78,038	85.6
Yes	1,549,263,408	17.28	13,121	14.39
No Data	1,263,940	0.01	11	0.01
Grand Total	8,966,873,060	100	91,170	100

First Time Buyer

First Time Buyer	Aggregate Outstanding Principal Balance (£)	% of Total	No. of Loans	% of Total
No	7,924,105,276	88.37	80,139	87.9
Yes	1,042,767,784	11.63	11,031	12.1
Total	8,966,873,060	100	91,170	100

CHARACTERISTICS OF THE RBS ONE ACCOUNT MORTGAGE BOOK

The Loans and the Related Security in the Portfolio have been drawn from Virgin One Account, The One Account (including Direct Line One) and NatWest One Account brand current account mortgage books (together, the "**One Account Mortgage Book**"). Set out below is some information relating to the characteristics of the RBS One Account Mortgage Book and Arrears and default procedures.

Portfolio Performance

The One Account Mortgage Book as at June 2009 was approximately £8.75 billion. Approximately 0.76 per cent. of customers in the RBS Current Account Mortgage Book were more than 30 consecutive days in arrears with 0.47 per cent. being in arrears for at least three full months. A Loan will be recorded as being in arrears where, amongst other matters, the borrower is in excess of the relevant facility limit.

The One Account Mortgage Book constitutes current account mortgage loans on the CMS system. All mortgages written on the MM, GMS and Caustic systems are excluded from the One Account Mortgage Book. See "*The Loans – Introduction*".

Arrears and Default Procedures

Borrowers under any current account mortgage loan that has exceeded the agreed facility limit ("**Excess**") are subject to pro-active early problem management activity by one of RBSG's Collection Centres. This may involve returning debit items e.g. cheques, direct debits, etc. to the beneficiary as 'unpaid' for lack of funds.

Communications are made to customers via letter and telephone with the aim of agreeing and executing an appropriate arrangement to rectify any Excess position or any arrears position whereby any current account mortgage loan is in excess of the agreed facility for a consecutive period of 30 days, or an FMO account has an amount outstanding equivalent to at least the minimum monthly payment ("**Arrears**"). Attempts will be made to implement an Arrears management policy with the borrower which may include establishing an arrangement with the borrower for clearance of the Excess or Arrears in line with the individual circumstances of the borrower. Such arrangements may include agreeing reduced payments with a borrower for a short time period, restructuring a borrowing or refinancing or assisted voluntary sale of the mortgage property (or properties) associated with the mortgage loan.

RBS implemented changes to its collections and recoveries processes in second quarter 2008. Borrowers deemed high risk cases are now subject to more intense activity than borrowers deemed lower risk cases who are given more flexibility to establish an arrangement for clearance of Arrears. Additionally, new processes were established in the RBS recoveries department, Credit Management Services ("**Credit MS**") for high value cases over £400,000.

If it is not possible to agree acceptable arrangements within an appropriate time frame with the relevant borrower(s) the account will be put into default by serving a formal Notice of Demand on the borrower for repayment (typically upon reaching the equivalent of 3 months Arrears) ("**Default**"), the management of such account is then transferred to the Credit MS. All cases transferred to Credit MS are dealt with on a stand-alone basis i.e. there is no aggregation of any other liabilities owed to RBS.

If Credit MS is unable to reach an early and acceptable arrangement with the borrower for the clearance of his or her Arrears, the matter is referred to a solicitor to undertake litigation to obtain an order for possession of the mortgaged property. Where appropriate, solicitors may be required to negotiate with borrowers to reach agreement for clearance of outstanding arrears with, or without, the implementation of a court order. No settlement can be agreed by a solicitor without clearing the proposal with the relevant team within RBS.

If an order for possession of the mortgaged property is obtained, then a warrant will be obtained to enforce that order. At this stage, an offer from the borrower to clear the Arrears may still be accepted.

If there is Default of an order suspended upon payments to clear the Excess or Arrears, a warrant may be obtained to enforce the order and an eviction will be arranged by officers of the court. Credit MS has the authority either to accept or appeal a court order in respect of a defaulted mortgage.

If at any stage a borrower reaches an amicable settlement with the Originator and has made six fully restructured payments, then a new refinance agreement will be effected, the mortgage borrowing may be capitalised (including remaining arrears) and the mortgage account will no longer be considered to be in Arrears. Such an arrangement may take place no more than twice within the lifetime of the customer holding their account with the Originator, and is only considered on a case by case basis in appropriate circumstances.

If a property in possession has been sold and there is a shortfall in amounts requiring to repay any borrowing, there will be on-going action to attempt to recover the amount of any remaining borrowing from the relevant borrower(s). In some cases, the shortfall will be written off where it is considered that any further action is unlikely to produce any sums to reduce the shortfall or is too expensive compared with the amount of the shortfall or where there is no legal right to recover further amounts (e.g. following bankruptcy of the borrower).

On 1 December 2008 RBS announced a six months grace period for customers with mortgage Arrears. Pursuant to the announcement RBS will not initiate repossession proceedings for a full six months after a customer first falls into arrears. The commitment not to initiate enforcement proceedings will remain in place until at least the end of 2009.

LOAN ADMINISTRATION

Pursuant to the Originator Trust Deed, the Originator:

- (a) shall, in the ordinary course of its business, acting as a prudent lender, collect payments from Borrowers under Loans and continue to administer such Loans in the same manner and with the standard of skill, care and diligence the Originator applies to all other residential mortgage loans originated, beneficially owned and administered by the Originator, with a view to the timely collection of all sums due under each Loan;
 - (b) shall,
 - (i) comply with all applicable laws, rules, regulations and orders with respect to servicing and collection of the Loans;
 - (ii) exercise or enforce or refrain from exercising or enforcing its rights arising in respect of Loans;
 - (iii) agree to or refuse any amendment or waiver of the terms applicable to any Loan; and
 - (iv) at all times act,

in compliance with the terms of the Loans and the provisions of the Originator Trust Deed and the other Transaction Documents;
 - (c) will not, acting as a prudent lender, take any action likely to impair the interests of the Issuer in any of the Originator Trust Property or the value of any Loan; and
 - (d) on the occurrence of an event of default under a Loan, shall, in the ordinary course of its business, acting as a prudent lender, ensure the maximisation of recovery of funds taking into account:
 - (i) the likelihood of recovery of amounts due in respect of that Loan;
 - (ii) the timing of recovery; and
 - (iii) the costs of recovery,
- ((a) to (d) together, the "**Servicing Standard**").

Administration Procedures

Administration procedures include:

- (a) managing of Loans in arrears;
- (b) issuing redemption statements, processing lump sum payments and early redemption fees;
- (c) collecting and distributing title deeds and any supporting documents as well as storage of deeds;
- (d) processing transfers of titles, notices of death, forfeitures of leases, sale and exchange of land, account conversions, term amendments, deed amendments, compensation and enforcement notices;
- (e) dealing with all types of transactions posting and refunding fees, setting up direct debits, payment date changes and payment holidays;
- (f) dealing with all customer correspondence and telephone enquiries on other aspects of mortgages once the loan is drawn, including changes in customer details and changes on the customer mortgage, i.e. product, repayment, home moves etc; and
- (g) notifying borrowers of changes to interest rates applicable to the loans.

Collections

Payments by Borrowers in respect of amounts due under the Loans will be made into the RBS Collection Accounts.

For FMO account holders, Borrowers are required to make payments by direct debit or cheque unless otherwise agreed. However, direct debits may be returned unpaid up to three London Business Days after the due date for payment and, under the Direct Debit Indemnity Scheme, a borrower may make a claim at any time to his or her bank for a refund of direct debit payments. Similarly, cheques may be returned unpaid by the borrower's bank.

In each case RBS is permitted to reclaim from the relevant RBS Collection Account the corresponding amounts previously credited. In these circumstances, the usual arrears procedures described in "*Origination of the Reference Obligations — Arrears and Default Procedures*" will be taken.

Loan Documentation

All application forms and supporting documentation are stored either as electronic images or in original form at an off-site storage facility operated by Iron Mountain Limited. All deeds relating to the Properties are currently stored at a secure facility operated by Iron Mountain Limited. These facilities also currently store deeds relating to properties not included in the Portfolio.

English Loans

Prior to 13 October 2003, title to the land in England and Wales was established by a land certificate or, in the case of land which is subject to a mortgage or charge, a charge certificate. Pursuant to the Land Registration Act 2002 which came into force on 13 October 2003, the provision of land certificates and charge certificates has now been abolished. Title to land is now established by reference to entries on the registers held by the Land Registry.

Scottish Loans

Title to land in Scotland is evidenced in the case of land registered in the Sasines Register by a prescriptive progress of title deeds or in respect of land registered in the Land Register of Scotland, a land certificate. In the case of land which is registered in the Land Register of Scotland and subject to a standard security, a charge certificate is issued. Pursuant to the Land Registration (Scotland) Rules 2006, which came into force on 22 January 2007, paper copies of both the land and charge certificates are only issued when there has been a transfer of title to the land (in relation to land certificates) or where standard securities have been granted over title to land already registered in the Land Register of Scotland or inducing first registration (in relation to charge certificates). The title sheet held by the Keeper of the Registers of Scotland is now evidence of registered title in Scotland.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes (other than the Class AVFN Note). It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of such Notes. The comments relate only to the position of persons who are absolute beneficial owners of such Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes (other than the Class AVFN Note). In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of such Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

In this summary references to "Notes" and "Noteholder" excludes the Class AVFN Note and holder of the Class AVFN Note.

Interest on the Notes

Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction or withholding for or on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The London Stock Exchange is a recognised stock exchange. Accordingly, payments of interest on the Notes may be made without deduction or withholding for or on account of United Kingdom income tax provided the Notes are and continue to be included in the United Kingdom official list and admitted to trading on that exchange.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Provision of Information

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

The provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any Notes which constitute "deeply discounted securities" for the purposes of section 18 of the Taxes Management Act 1970 (although in this regard HMRC published guidance for the year 2009/2010 indicates that HMRC will not exercise its power to obtain information in relation to such payments in that year).

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Other rules relating to United Kingdom withholding tax

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 21 (*Substitution of Issuer*) of the Notes or otherwise and does not consider the tax consequences of any such substitution.

SUBSCRIPTION AND SALE

RBS (as "**Subscriber**") will, pursuant to a subscription agreement dated on or about the Closing Date amongst itself, the Lead Manager, the Originator and the Issuer (the "**Subscription Agreement**"), agree with the Issuer (subject to certain conditions) to:

- (1) subscribe and pay for (a) the Class A1 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A1 Notes, (b) the Class A2 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A2 Notes, (c) the Class A3 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A3 Notes, (d) the Class A4 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A4 Notes and (e) the Class A5 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Notes;
- (2) subscribe and pay for the Class Z Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class Z Notes; and
- (3) subscribe and pay for the Class AVFN Note at the issue price of 100 per cent. of the aggregate principal amount subscribed for of the Class AVFN Note (being £1,728,944,456 on the Closing Date).

Other than admission of the Notes (other than the AVFN Note) to the Official List and the admission to trading on the London Stock Exchange's Regulated Market, no action will be taken by the Issuer, the Subscriber or the Lead Manager, which would or is intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

The Subscriber will undertake not to offer or sell, directly or indirectly, Notes, or to distribute or publish this Prospectus or any other material relating to the Notes, in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United States

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from registration requirements. Accordingly, the Notes are being offered and sold in offshore transactions in reliance on Regulation S.

The Subscriber will agree that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes as part of its distribution at any time or otherwise until 40 days after the later of the commencement of the offering and the closing date within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each affiliate or other dealer (if any) to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. See "*Transfer Restrictions and Investor Representations*", below.

Public Offer Selling Restrictions under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000 and (iii) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Lead Manager for such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Under the Subscription Agreement, the Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by them in connection with the issue or sale of such Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

General

Under the Subscription Agreement, the Lead Manager has acknowledged that, save for making such applications and for having procured the delivery of a copy of the Prospectus for registration to the Financial Regulator, no action has been or will be taken in any jurisdiction by it that would permit a public offering of the Notes, or possession or distribution of the Prospectus (in proof or final form) or any amendment or supplement thereto or any other offering material relating to the Notes in any country or jurisdiction where action for that purpose is required. Under the Subscription Agreement the Manager has agreed to comply with all applicable laws and regulations in each jurisdiction in or from which it may offer or sell the Notes or have in its possession or distribute the Prospectus (in proof or in final form) or any amendment or supplement thereto or any other offering material.

Attention is drawn to the information set out on the inside front cover of this Prospectus.

TRANSFER RESTRICTIONS AND INVESTOR REPRESENTATIONS

Offers and Sales by the Initial Purchasers

The Notes (including interests therein represented by a Global Note, a Definitive Note or a Book-Entry Interest) have not been and will not be registered under the Securities Act or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to such registration requirements. Accordingly, the Notes are being, offered and sold in offshore transactions pursuant to Regulation S.

Investor Representations and Restrictions on Resale

Representations and restrictions applicable to all Notes

Each purchaser of the Notes (which term for the purposes of this section will be deemed to include any interests in the Notes, including Book-Entry Interests) will be deemed to have represented and agreed as follows:

- (a) the Notes have not been and will not be registered under the Securities Act and such Notes are being offered only in a transaction that does not require registration under the Securities Act and, if such purchaser decides to resell or otherwise transfer such Notes, then it agrees that it will offer, resell, pledge or transfer such Notes only (i) to a purchaser who is not a U.S. person (as defined in Regulation S) or an affiliate of the Issuer or a person acting on behalf of such an affiliate, and who is not acquiring the Notes for the account or benefit of a U.S. person and who is acquiring the Notes in an offshore transaction pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S or (ii) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States; **provided, that** the agreement of such purchaser is subject to any requirement of law that the disposition of the purchaser's property shall at all times be and remain within its control;
- (b) unless the relevant legend set out below has been removed from the Notes such purchaser shall notify each transferee of Notes (as applicable) from it that (i) such Notes have not been registered under the Securities Act, (ii) the holder of such Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (a) above, (iii) such transferee shall be deemed to have represented that such transferee is acquiring the Notes in an offshore transaction and that such transfer is made pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S and (iv) such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;
- (c) the Issuer, the Registrar, the Lead Manager and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

The Notes will bear a legend to the following effect:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) (1) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (2) OTHERWISE PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES, EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES."

Additional representations and restrictions applicable to the Class AVFN Note

Any holder of the Class AVFN Note may only make a transfer of the whole of its Class AVFN Note or create or grant any Encumbrance in respect of such Class AVFN if all of the following conditions are satisfied:

- (a) the Class AVFN Noteholder making such transfer or subjecting the Class AVFN Note to such Encumbrance shall be solely responsible for any costs, expenses or taxes which are incurred by the Issuer, the Class AVFN Noteholder or any other person in relation to such transfer or Encumbrance;
- (b) the person to which such transfer is to be made falls within paragraph 3 of Schedule 2A of the Insolvency Act;
- (c) the transferee of such Class AVFN Note is independent of the Issuer (within the meaning of regulation 2(1) of the Taxation of Securitisation Companies Regulations 2006); and
- (d) the transferee is a Qualifying Noteholder.

No Paying Agent shall pay any relevant Interest Amount to the holder of a Class AVFN Note and such holder shall not be entitled to receive such relevant Interest Amount on any Interest Payment Date free of any relevant withholding or deduction for or on account of United Kingdom income tax, unless and until it has provided to the Issuer a tax certificate substantially in the form set out in Schedule 2 (*Form of Tax Certificate*) of the Agency Agreement (the "**Tax Certificate**") and the Issuer (or the Cash Manager on behalf of the Issuer in accordance with the terms of the Cash Management Agreement) has confirmed in writing to the Principal Paying Agent and the Registrar that such Interest Amount in respect of the Class AVFN Note can be paid free of any relevant withholding or deduction for or on account of United Kingdom income tax. The VFN Registrar shall upon receipt of such confirmation make a note of such confirmation in the VFN Register.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

GENERAL INFORMATION

1. It is expected that the admission of the Notes (other than the Class AVFN Note) to the Official List and the admission of the Notes (other than the Class AVFN Note) to trading on the London Stock Exchange's Regulated Market will be granted on or around 27 July 2009. Prior to listing, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling and for delivery on the third working day after the date of the transaction.
2. The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), since 14 January 2009 (being the date of incorporation of the Issuer) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer.
3. Holdings has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Holdings (respectively) is aware), since 1 May 2009 (being the date of incorporation of Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Holdings.
4. No statutory or non-statutory accounts within the meaning of Section 434 of the Companies Act 2006 in respect of any financial year of the Issuer have been prepared. So long as the Notes (other than the Class AVFN Note) are admitted to trading on the London Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the specified office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.
5. For so long as the Notes (other than the Class AVFN Note) are admitted to the Official List and to trading on The London Stock Exchange's Regulated Market, the Issuer shall maintain the Principal Paying Agent in the United Kingdom.
6. Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business other than the Transaction Documents.
7. Since 14 January 2009 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.
8. Since 1 May 2009 (being the date of incorporation of the Holdings), there has been (a) no material adverse change in the financial position or prospects of Holdings and (b) no significant change in the financial or trading position of Holdings.
9. The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 10 July 2009.
10. The Notes (other than the Class AVFN Note and the Class Z Notes) have been accepted for clearance through Euroclear and Clearstream, Luxembourg and the ISIN Numbers and Common Codes of the Class A Term Notes and the Class Z Notes are as follows:

Sub-class of Notes	ISIN	Common Code
Class A1.....	XS0438575093	043857509
Class A2.....	XS0438495227	043849522
Class A3.....	XS0438514548	043851454
Class A4.....	XS0438516329	043851632
Class A5.....	XS0438520438	043852043
Class Z.....	XS0438529223	043852922

11. From the date of this Prospectus and for so long as the Notes (other than the Class AVFN Note) are listed on the London Stock Exchange's Regulated Market, copies of the following documents may be inspected at the offices of the Principal Paying Agent during usual business hours, on any weekday (public holidays excepted):
 - (a) the Memorandum and Articles of Association of each of the Issuer and Holdings;
 - (b) copies of the following documents:
 - (i) the Trust Deed;
 - (ii) the Agency Agreement;
 - (iii) the Deed of Charge; and
 - (iv) the Master Definitions and Construction Schedule.

12. The Issuer confirms that the assets backing the issue of the Notes, taken together with the other arrangements to be entered into by the Issuer on the Closing Date (including those described in "*Credit Structure*" above), have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto (if any). The Issuer does not intend to issue any post issuance transaction information.

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REGISTERED OFFICE OF THE ISSUER

Greenock Funding No. 5 plc
c/o Structured Finance Management Limited
35 Great St Helen's
London
EC3A 6AP

NOTE TRUSTEE AND SECURITY TRUSTEE

Citicorp Trustee Company Limited

Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

**AGENT BANK, PRINCIPAL PAYING
AGENT AND REGISTRAR**

Citibank N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

VFN REGISTRAR

The Royal Bank of Scotland plc

280 Bishopsgate
London
EC2M 4RB

LEGAL ADVISERS TO THE LEAD MANAGER

(as to English law)

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ

LEGAL ADVISERS TO THE ORIGINATOR

(as to English law)

Allen & Overy LLP

One Bishops Square
London E1 6AD

LEGAL ADVISERS TO THE NOTE TRUSTEE AND THE SECURITY TRUSTEE

(as to English law)

Clifford Chance LLP

10 Upper Bank Street
London E14 5JJ

LEGAL ADVISERS TO THE ISSUER AND THE ORIGINATOR

(as to Scots law)

Dundas and Wilson CS LLP

Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

AUDITORS OF THE ISSUER

Deloitte LLP

Stonecutter Court
1 Stonecutter Street
London EC4A 4TR