Wolfhound Funding 2 Limited
(*Incorporated in Ireland with limited liability, registered number 475542*)
(the "**Issuer**")

Class of Notes	Principal Amount	Issue Price	Interest rate	Ratings Moody's	Final Maturity Date
Class A	2,821,000,000	100%	0.12% margin above 3 month EURIBOR	Aaa	26 November 2052
Class B	279,000,000	100%	0.80% margin above 3 month EURIBOR	Unrated	26 November 2052

On 2 December 2009 (the "**Closing Date**"), the Issuer will issue 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 a pool of residential mortgage loans originated by Bank of Scotland (Ireland) Limited ("**BoSI**") (including residential mortgage loans originated under the registered trading name Halifax) and Bank of Scotland plc (formerly the Governor and Company of the Bank of Scotland) ("**BoS UK**" or the "**Arranger**") respectively secured over properties located in Ireland.

Interest will be payable quarterly in arrear on the 26th day of February, May, August and November in each year for all classes of Notes. See further the definition of Interest Payment Date below.

Subject to the detailed description and limitations set out in the section below entitled "*Credit Structure*", the Notes will have the benefit of credit enhancement comprising a general reserve fund and (in the case of the Class A Notes only) subordination of the Class B Notes. The Notes will benefit from liquidity support in the form of a liquidity facility and a pre-funding loan. The Notes will also have the benefit of hedging transactions, namely the Interest Rate Swaps which are provided by BoSI. The obligations of BoSI in respect of these Interest Rate Swaps will be guaranteed, *inter alia*, by BoS UK.

The Notes will be issued pursuant to a trust deed (the "**Trust Deed**") between the Issuer and Citicorp Trustee Company Limited (as "**Note Trustee**") and secured pursuant to a deed of charge (the "**Deed of Charge**") dated the Closing Date, between, *inter alios*, the Issuer and Citicorp Trustee Company Limited (as "**Security Trustee**").

The Notes will be obligations of the Issuer only. The Notes will not be obligations of and will not be guaranteed by or be the responsibility of BoSI, BoS UK, the Note Trustee, the Security Trustee, the Agent Bank, the Principal Paying Agent or any of their affiliates or any other person.

The prospectus ("**Prospectus**") has been approved by the Irish Financial Services Regulatory Authority (the "**Financial Regulator**") as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**"). The Financial Regulator only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market. All references to "**listing**" herein should be read to mean an admission to trading. This document constitutes a prospectus for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005 (the "**Prospectus Regulations**").

The Class A Notes are expected to be assigned the ratings set out above by Moody's Investor Services Inc. (the "**Rating Agency**") 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 B Notes differ from those of the Class A Notes generally.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered to persons (other than U.S. Persons) (each as defined in Regulation S) outside the United States in reliance on Regulation S ("**Regulation S**") under the Securities Act.

ARRANGER

BANK OF SCOTLAND

The date of this Prospectus is 1 December 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 SELLER, THE INTEREST RATE SWAP PROVIDER, THE GUARANTOR, THE ARRANGER, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANK, THE LIQUIDITY FACILITY PROVIDER, THE PRE-FUNDING LOAN PROVIDER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE AGENT BANK, THE PRINCIPAL PAYING AGENT, THE PARENT SUPPORT PROVIDER (EACH AS DEFINED HEREIN), ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY SUCH ENTITIES OR ANY OTHER PARTY TO THE TRANSACTION DOCUMENTS. NO LIABILITY WHATSOEVER IN RESPECT OF ANY FAILURE BY THE ISSUER TO PAY ANY AMOUNT DUE UNDER THE NOTES SHALL BE ACCEPTED BY ANY OF THE SELLER, THE INTEREST RATE SWAP PROVIDER, THE GUARANTOR, THE ARRANGER, THE SERVICER, THE CASH MANAGER, THE ACCOUNT BANK, THE LIQUIDITY FACILITY PROVIDER, THE PRE-FUNDING LOAN PROVIDER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE, THE PARENT SUPPORT PROVIDER OR BY ANY PERSON OTHER THAN THE ISSUER.

The Notes of each class will be represented on issue by a permanent global note each in bearer form for each such class of Notes (each a "**Global Note**" and together the "**Global Notes**"), without coupons or talons attached, which will be issued in new global note form and delivered on or about the Closing Date to the Common Safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream Luxembourg**"). Each of Euroclear and Clearstream, Luxembourg will record the beneficial interests in the Global Notes ("**Book-Entry Interests**"). Book-Entry Interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear or Clearstream, Luxembourg, and their respective participants. Except in the limited circumstances described under "*Description of the Notes — Issuance of Definitive Notes*", the Notes will not be available in definitive form (the "**Definitive Notes**").

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This means that the Notes are intended upon issue to be deposited with one of the international central securities depositors as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria at the relevant time.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Seller, the Note Trustee, the Security Trustee or the Arranger 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 Financial Regulator, no action has been or will be taken by the Issuer, the Seller, the Note Trustee, the Security Trustee or the Arranger 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 Arranger has 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 Arranger to inform themselves about and to observe any such restrictions.

None of the Issuer, the Seller, the Arranger, the Agent Bank, the Principal Paying Agent, the Note Trustee or the Security Trustee 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, other than the information set out in the sections entitled "*Bank of Scotland plc*", "*Bank of Scotland (Ireland) Limited*", "*The Loans*", "*Characteristics of the Portfolio*". 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.

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

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

This Prospectus has been filed with the Financial Regulator, as competent authority under the Prospectus Directive. This Prospectus, as approved by the Financial Regulator, will be filed with the registrar of companies in Ireland in accordance with regulation 38(1)(b) of the Prospectus Regulations.

No person is authorised to give any information or to make any representation in connection with the offering or sale of the Notes other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Seller, the Note Trustee, the Security Trustee, the Arranger, 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 Seller or in the other information contained herein since the date hereof. The information contained in this Prospectus was obtained from the Issuer and the other sources identified herein, but no assurance can be given by the Note Trustee, the Security Trustee or the Arranger as to the accuracy or completeness of such information. None of the Note Trustee or the Security Trustee or the Arranger 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.

The Issuer is not regulated by the Financial Regulator as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Financial Regulator.

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

Payments of interest and principal in respect of the Notes will be subject to any applicable withholding taxes without the Issuer or any other person being obliged to pay additional amounts therefor.

In this Prospectus all references to "**EURO**", "**euro**" or "**€**" are to the lawful currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European community, as amended by the treaty of European union.

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 Ireland. 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. The Arranger has not 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 Security Trustee, the Note Trustee, the Agent Bank, the Principal Paying Agent nor the Arranger 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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KEY CHARACTERISTICS OF THE NOTES

	Class A	Class B
Principal Amount:	2,821,000,000	279,000,000
Credit enhancement:	13% plus excess spread	4% plus excess spread
Issue Price:	100%	100%
Interest Rate:	0.12% margin above 3 month EURIBOR	0.80% margin above 3 month EURIBOR
Interest Accrual Method:	Actual/360	Actual/360
Interest Payment Dates:	26 February, May, August, November	26 February, May, August, November
First Interest Payment Date:	26 February 2010	26 February 2010
Final Maturity Date:	26 November 2052	26 November 2052
Application for Exchange Listing:	Regulated market of the Irish Stock Exchange	Regulated market of the Irish Stock Exchange
ISIN:	XS0468625206	XS0468627590
Common Code:	046862520	046862759
Ratings (Moody's):	Aaa	Unrated
Initial Purchaser	Bank of Scotland (Ireland) Limited will subscribe for all of the Notes on the Closing Date	

TRANSACTION OVERVIEW

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 in this section, but not defined in this section shall have the meanings given to them in other sections of this Prospectus, unless otherwise stated. An index of defined terms is set out at the end of this Prospectus.

1. THE PARTIES

Issuer:

Wolfhound Funding 2 Limited is a private limited company incorporated under the laws of Ireland with registered number 475542 (the "**Issuer"**). The Issuer was established as a special purpose entity for the purpose of, *inter alia*, issuing the Notes and using the gross proceeds of the Notes to acquire the Initial Portfolio from the Seller.

Seller:

Bank of Scotland (Ireland) Limited is a private limited company incorporated under the laws of Ireland with registered number 8545 ("**BoSI**"). BoSI (in such capacity, the "**Seller**") will enter into a mortgage sale agreement with the Issuer, the Servicer and the Security Trustee on or about the Closing Date (the "**Mortgage Sale Agreement**"). On the Closing Date, the Seller will sell its interest in the Loans comprising the Initial Portfolio to the Issuer pursuant to the terms of the Mortgage Sale Agreement. On any Sale Date occurring during the period from the Closing Date until 26 February 2010 (the "**Revolving Period**"), the Seller may sell New Portfolios to the Issuer subject to the satisfaction of certain conditions.

Servicer:

BoSI (in such capacity, the "**Servicer**") will enter into a servicing agreement with the Issuer, the Seller and the Security Trustee on or about the Closing Date (the "**Servicing Agreement**"). Pursuant to the terms of the Servicing Agreement, the Servicer will service the Loans sold by the Seller to the Issuer that comprise the Portfolio, on behalf of the Issuer.

Cash Manager:

BoSI (in such capacity, 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 holders of the Notes (the "**Noteholders**").

Security Trustee:

Citicorp Trustee Company Limited (in such capacity, the "**Security Trustee**"), will hold the security to be granted by the Issuer under the Deed of Charge for the benefit of, *inter alios*, the Noteholders and will be entitled to enforce the security granted in its favour under the Deed of Charge.

Interest Rate Swap Provider:

On or about the Closing Date, BoSI (in such capacity, the "**Interest Rate Swap Provider**") will enter into an ISDA Master Agreement (including a schedule, a credit support annex and one or more confirmations) with the Issuer to swap and hedge various interest rates (the "**Interest Rate Swaps**") payable on the Loans in the Portfolio into rates calculated by reference to Three-Month EURIBOR (the "**Interest Rate Swap Agreement**").

Guarantor:

On or about the Closing Date, BoS UK (in such capacity, the "**Guarantor**") will enter into a deed of guarantee with the Issuer, the Security Trustee and BoSI, pursuant to which the Guarantor will guarantee the obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement and the obligations of BoSI, up to a limited amount, in relation to the operation of the Transaction Account and the Reserve Account (the "**Guarantee**").

Liquidity Facility Provider:

On or about the Closing Date, BoSI (in such capacity, the "**Liquidity Facility Provider**") will enter into a liquidity facility agreement with the Issuer and the Security Trustee, which provides for a liquidity facility to be made available to the Issuer which the Issuer may draw on in certain specified circumstances (the "**Liquidity Facility Agreement**").

Pre-Funding Loan Provider:

On or about the Closing Date, BoSI (in such capacity, the "**Pre-Funding Loan Provider**") will enter into a pre-funding loan agreement with the Issuer and the Security Trustee, which provides for a loan to be made on or before the Closing Date available to the Issuer to provide the Issuer with an alternative source of funding for payments of principal and interest on the Notes in the event of any Principal Receipts Shortage or Revenue Receipts Shortage (the "**Pre-Funding Loan Agreement**").

Account Bank:

BoSI 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 two accounts (the Reserve Account and the Transaction Account together the "**Bank Accounts**") with the Account Bank on or about the Closing Date.

The Account Bank will agree to pay a guaranteed rate of interest in relation to the Reserve Account and the Transaction Account.

Subordinated Loan Provider:

BoSI 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**").

Parent Support Provider:

BoS UK will act as parent support provider to the Issuer (the "**Parent Support Provider**") pursuant to the parent support deed to be entered into on or about the Closing Date, between the Issuer, the Cash Manager, the Servicer, the Parent Support Provider and the Security Trustee (the "**Parent Support Deed**"). The Parent Support Provider will undertake to ensure that BoSI (or another member of the Lloyds Banking Group) perform the obligations of the Servicer and Cash Manager.

Corporate Services Provider:

Structured Finance Management (Ireland) Limited, a private limited company incorporated under the laws of Ireland with registered number 331206 having its registered office at 25-26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland (in such capacity, the "**Corporate Services Provider**") will be appointed to provide certain corporate services to the Issuer pursuant to a corporate services agreement (the "**Corporate Services Agreement**") to be entered into on or about the Closing Date by the Issuer and the Corporate Services Provider.

Principal Paying Agent, Agent Bank:

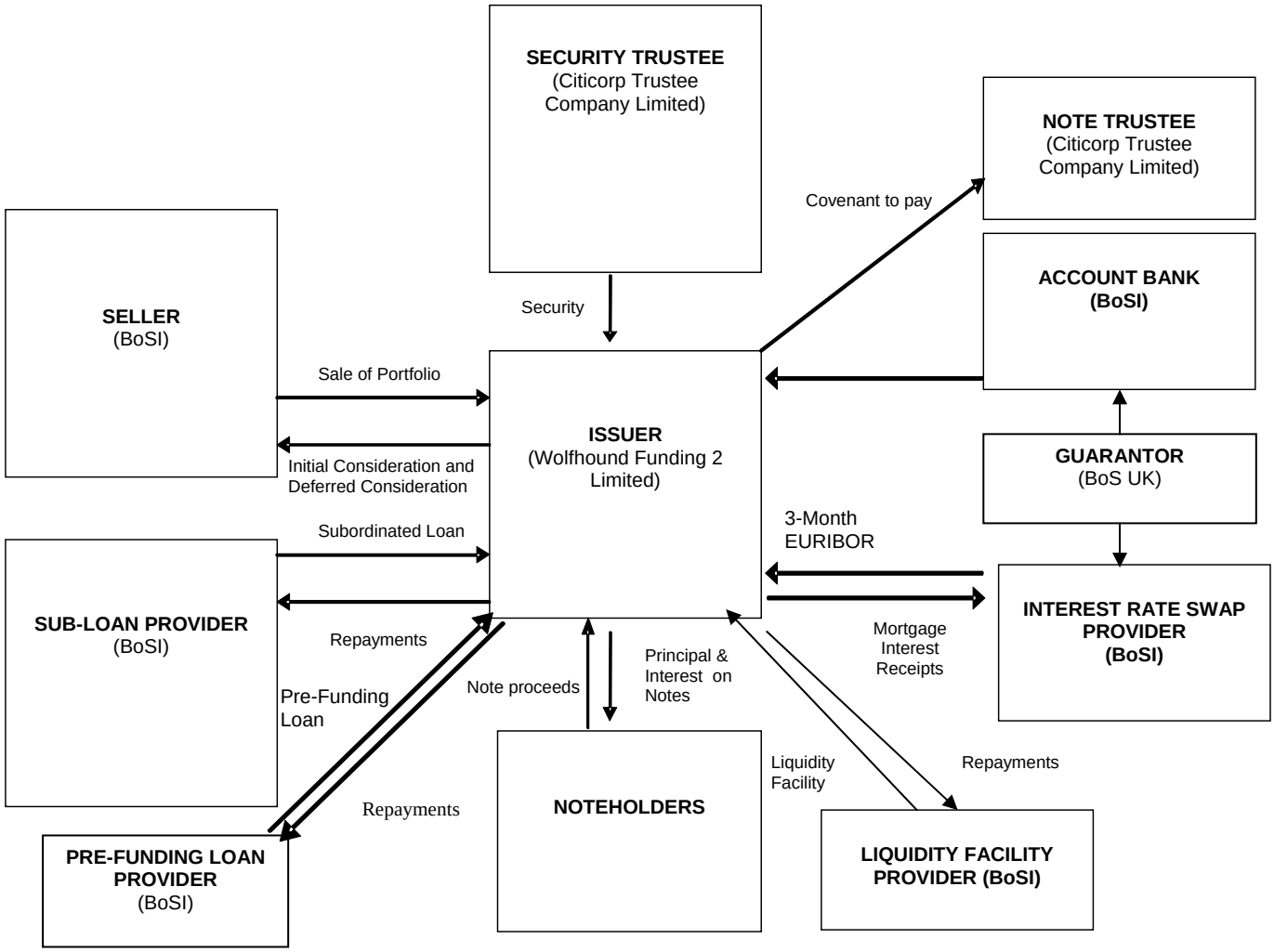
Citibank, N.A., will be appointed to act as principal paying agent, and as agent bank (the "**Principal Paying Agent**", and the "**Agent Bank**" respectively) pursuant to an agency agreement to be entered into on or about the Closing Date between, *inter alios*, the Issuer, the Principal Paying Agent,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

Share Trustee:

The entire issued share capital of the Issuer is held on trust by Structured Finance Management Corporate Services (Ireland) Limited (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, or the Share Trustee are either owned, controlled, managed, directed or instructed, whether directly or indirectly, by the Seller or any member of the group of companies containing the Seller.

2. PRINCIPAL FEATURES OF THE TRANSACTION



The Seller will sell its interest in the Initial Portfolio (comprising the Initial Loans and their Related Security and all amounts derived therefrom) to the Issuer on the Closing Date.

The Issuer will issue the Notes on the Closing Date. On the Closing Date all of the Notes will be subscribed for by BoSI (the "**Initial Investor**").

The Issuer will use the proceeds of the issue of the Notes to pay the Initial Consideration of €3,100,000,000 to the Seller.

At later dates, the Issuer will pay Deferred Consideration to the Seller from excess Available Revenue Receipts in respect of the Initial Portfolio and any New Portfolio.

The Issuer will use the amount received under the Subordinated Loan (a) to pay for certain of the Issuer's initial fees and expenses incurred in connection with the issue of the Notes; and (b) to establish the General Reserve Fund on the Closing Date.

The Seller will sell further Loans ("**New Loans**") and their Related Security (comprising "**New Portfolios**") and all amounts derived therefrom to the Issuer on Sale Dates occurring during the Revolving Period and the Issuer will use Principal Receipts standing to the credit of the Retained Principal Receipts Ledger to pay for such New Portfolios.

In addition, the Issuer will use Principal Receipts standing to the credit of the Retained Principal Receipts Ledger, Principal Receipts received during the relevant Collection Period and, to the extent such funds are insufficient, drawings under the Liquidity Facility, to purchase Further Advances. If the Issuer is unable to fund the purchase of any Further Advance from the Principal Receipts standing to the credit of the Retained Principal Receipts Ledger and/or Principal Receipts received during the relevant Collection Period and/or drawings under the Liquidity Facility, the Seller will repurchase the relevant Loan. Further, if the Issuer has made a drawing under the Liquidity Facility to pay for any Further Advance and has been unable to repay all or part of that Further Advance Shortfall Advance by the Business Day before the following Distribution Date, the Seller shall repurchase that Loan or Loans relating to such Further Advance Shortfall Advance on that day for a purchase price equal to the Principal Balance of that Loan (or Loans) (excluding the amount of the Further Advance unpaid by the Issuer), together with all Arrears of Interest, Accrued Interest and uncapitalised charges and expenses relating thereto on the relevant Interest Payment Date.

The Issuer will use Revenue Receipts and Principal Receipts received in respect of the Portfolio to meet its obligations to pay, among other items, interest amounts and principal amounts, respectively, to the Noteholders in accordance with, and subject to, the Priority of Payments.

The Issuer will use the Pre-Funding Loan to make provisions or payments in accordance with the Pre-Acceleration Priority of Payments, if there is a shortage of Available Principal Receipts or Available Revenue Receipts to meet such amounts as a result of any Principal Receipts Shortage or Revenue Receipts Shortage.

Pursuant to the terms of the Deed of Charge, the Issuer will grant security over all of its assets in favour of the Security Trustee, to secure its obligations to its various creditors, including the Noteholders.

The terms of the Notes will be governed by a Trust Deed made with the Note Trustee.

The Issuer will open the Reserve Account and the Transaction Account with the Account Bank. The obligations of the Account Bank in respect of the operation of the Transaction Account and the Reserve Account will, *inter alia*, be covered by the terms of the Guarantee.

The Issuer will enter into the Interest Rate Swap Agreement with the Interest Rate Swap Provider to swap and hedge various interest rates payable on the Loans in the Portfolio into a rate calculated by reference to Three-Month EURIBOR. The obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement will, *inter alia*, be covered by the terms of the Guarantee.

The Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider pursuant to which the Issuer will make drawings (i) in respect of interest amounts on the Class A Notes (and expenses ranking in priority to such interest payments in the relevant Priority of Payments) to the extent that there is a shortfall in respect of amounts available to make such payments and (ii) to pay for any Further Advances on the Business Day after they are acquired by the Issuer to the extent the Issuer does not have sufficient funds standing to the credit of the Retained Principal Receipts Ledger and/or Principal Receipts.

3. DESCRIPTION OF THE NOTES

Status and Form of the Notes:

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

- Class A Asset Backed Floating Rate Notes due 2052 (the "**Class A Notes**");
- Class B Asset Backed Floating Rate Notes due 2052 (the "**Class B Notes**");

The Notes will be issued in bearer form. The Notes of each class will rank *pari passu* and rateably without any preference or priority among themselves as to payments of interest and principal.

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

Interest on the Notes:

The interest rates applicable to the Notes from time to time will be determined by reference to the European Interbank Offered Rate ("**EURIBOR**") for three-month euro deposits as displayed on Reuters Screen Page EURIBOR01 ("**Three-Month EURIBOR**"), save that for interest rates applicable in respect of the first Interest Period, Three-Month EURIBOR will be determined by reference to a linear interpolation (rounded to four decimal places with the mid-point rounded up) of the rate for two-month and three-month euro deposits, plus, in each case, a margin which will differ for each Class of Notes. Three-Month EURIBOR will be determined by the Agent Bank two TARGET 2 Settlement Days (as defined in the Conditions) prior to the Closing Date, in respect of the first Interest Period and thereafter two TARGET 2 Settlement Days prior to each Interest Payment Date in respect of the Interest Period commencing on that date (each an "**Interest Determination Date**").

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

Interest payments on the Class B 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 — Pre-Acceleration Revenue Priority of Payments*" below). This means that holders of the Class B Notes (the "**Class B 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 to the provisions of the next paragraph, if on any Interest Payment Date prior to service of a Note Acceleration Notice on the Issuer, 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 accrued interest thereon) payable in respect of the Class B 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 B 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 Priority 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 B Notes or on any earlier date that the Class B Notes are redeemed in full.

Interest will not be deferred on the Class A Notes (or the Class B Notes where the Class A Notes have been redeemed in full). On the first Interest Payment Date in February 2010 to the extent that there is a shortfall in the amount of Available Revenue Receipts, the Issuer shall use funds standing to the credit of the General Reserve Fund to pay amounts of interest due on the Class B Notes.

Failure to pay interest on the Class A Notes (or the Class B 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 directing the Security Trustee to enforce the Security. Failure to pay interest when due on Class B Notes where the Class A Notes remain outstanding will not constitute an Event of Default.

Interest is payable in respect of the Notes in Euro. In respect of each class of Notes, interest is payable quarterly in arrear on the 26th day of February, May, August and November, in each year, or, if such day is

not a Business Day, on the immediately succeeding Business Day (each such date being an "**Interest Payment Date"**).

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.

Events of Default:

Upon the occurrence of any of the events set out in Condition 9 (*Events of Default*) of the terms and conditions of the Notes (the "**Conditions**"), the Note Trustee at its absolute discretion may, and if so directed in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Notes then outstanding (subject to the Note Trustee being indemnified and or secured to its satisfaction by such Noteholders) or if so directed by an Extraordinary Resolution of the holders of the then outstanding Notes (subject to the Note Trustee being indemnified and or secured to its satisfaction), shall give notice (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.

See "*Terms and Conditions of the Notes – Condition 9 (Events of Default)*" below.

Limited Recourse:

Notwithstanding any other Condition or any provision of any Transaction Document, all obligations of the Issuer to the Noteholders are limited in recourse to the property, assets and undertakings of the Issuer the subject of any security created under the Deed of Charge (the "**Charged Property**") if:

(i) there is no Charged Property remaining which is capable of being realised or otherwise converted into cash;

(ii) all amounts available from the Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

(iii) there are insufficient amounts available from the Charged Property to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal, premium (if any) and interest),

then the Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal, premium (if any) and/or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease.

Mandatory Redemption:

Subject to the terms of the Deed of Charge, on each Interest Payment Date prior to the service of a Note Acceleration Notice, Available Principal Receipts will be applied sequentially to repay the Class A Notes. Once the Class A Notes have been repaid in full, the Class B Notes will be subject to mandatory redemption in part on each Interest Payment Date in an amount equal to Available Principal Receipts.

During the Revolving Period, the Notes will also be subject to mandatory redemption if and to the extent that the Issuer has the same Principal Receipts standing to the credit of the Retained Principal Receipts Ledger for two consecutive Interest Periods. This will happen if the Issuer is not required or has not offered to purchase Further Advances or New Portfolios in an amount that would utilise those Principal Receipts. The Cash Management Agreement will provide that Principal Receipts standing to the credit of the Retained Principal Receipts Fund for the longest period of time must be applied to acquire Further Advances and New

Portfolios ahead of more recently received Principal Receipts. Any mandatory redemption of the Notes as described in this paragraph will be applied to redeem the Notes as described in the paragraph above.

Optional Early Redemption in Full:

Upon giving not more than 60 nor less than 30 days' notice to the Noteholders (in accordance with Condition 14 *(Notice to Noteholders*)), the Note Trustee and the Interest Rate 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; and

(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,

the Issuer may at its option redeem all, or any class, of the Notes on the first Interest Payment Date falling in February 2010 and on each Interest Payment Date thereafter, if the Issuer elects (at its absolute discretion) to accept an offer from the Seller under the Mortgage Sale Agreement to repurchase some or all the relevant Loans and their Related Security, provided that in the case of redemption of the Class B Notes, the Class A Notes have been redeemed in full (See Condition 5(d) *(Optional Early Redemption in Full)* of the Notes).

Any Note redeemed pursuant to Condition 5(d) *(Optional Early Redemption in Full)* will be redeemed at an amount equal to the Principal Amount Outstanding (as defined in the Conditions) 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 5(d) *(Optional Early Redemption in Full)* 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 Interest Rate Swap Agreement which becomes effective on or after the Closing Date, (a) the Issuer or the Paying Agents 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 (other than where the relevant holder has some connection with Ireland other than the holding of either Class A Notes or related Coupons) and/or (b) either the Issuer or the Paying Agents would be required to make a withholding or deduction from any payment it makes under the Interest Rate Swap Agreement, 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 Ireland or any political subdivision or any authority therein, then the Issuer shall use its reasonable endeavours to appoint a Paying Agent in another jurisdiction 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.

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 60 nor less than 30 days' notice in accordance with Condition 5(e) *(Optional Redemption for tax reasons)* of the Notes redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with any interest accrued (and unpaid) thereon. (See Condition 5(e) *(Optional Redemption for tax reasons)* of the Notes).

Credit Enhancement and Liquidity Support:

The Class A Notes will have the benefit of the following credit enhancement:

- availability of excess Available Revenue Receipts (see *"Credit Structure - Credit Support for the Notes provided by Available Revenue Receipts"*);
- the General Reserve Fund (see *"Credit Structure — General Reserve Fund"*); and
- subordination of the Class B Notes.

The Liquidity Facility will also be available to provide additional liquidity support (but not credit enhancement) in relation to shortfalls of interest payable on the Class A Notes (see "*Credit Structure – Liquidity Facility*"). In addition, the Pre-Funding Loan will be available to provide liquidity support in relation to any shortfalls of principal or interest payable on the Notes as a result of any Principal Receipts Shortage or Revenue Receipts Shortage.

Subscription for Notes:

It is intended that the Initial Investor will subscribe for and retain all of the Notes on the Closing Date. The Issuer is not permitted to purchase any of the Notes.

Final Maturity:

Unless previously redeemed in full, each class of Notes will mature on the date (which is an Interest Payment Date) designated as the "**Final Maturity Date"** for that class of Notes in the table titled "*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 neither the Issuer, nor any 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 Irish taxes is discussed further under *"Taxation - Ireland"*, below.

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 expected to be assigned to the Class A Notes on or about the Closing Date by the Rating Agency, 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 is conditional on the assignment on the Closing Date of the expected ratings of the Rating Agency set out above in the table titled "*Key Characteristics of the Notes"*.

The Class B 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, the Guarantor, the Liquidity Facility Provider and/or the Interest Rate Swap Provider) in the future so warrant.

Listing:

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Sale of Initial Portfolio and New Portfolios:

The primary source of funds available to the Issuer to pay interest and principal on the Notes will be the Revenue Receipts and Principal Receipts generated by the Loans in the Portfolio. Pursuant to the Mortgage Sale Agreement, the Seller will sell its interest in the Initial Portfolio to the Issuer on the Closing Date and may on each Sale Date during the Revolving Period sell New Loans and their Related Security comprising the relevant New Portfolio to the Issuer. The sale by the Seller to the Issuer on the Closing Date of its interest in each Initial Loan in the Initial Portfolio and on each Sale Date during the Revolving Period of its interest in each relevant New Loan in the relevant New Portfolio which is secured by a mortgage over a property located in Ireland will be given effect to by an equitable assignment. The terms **sale, sell** and **sold** when used in this Prospectus in connection with the Loans and their Related Security shall be construed to mean each such equitable assignment of the Seller's interests in such Loans or Related Security.

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

BoS UK carried on a home loan origination business in Ireland from September 1999 to July 2004. On 1 July 2004, BoS UK sold its legal and beneficial interest in all Loans held by BoS UK at that date to the Seller pursuant to a mortgage sale agreement (the "**BoS UK Mortgage Sale Agreement**").

BoSI carries on a home loan origination business through its Halifax retail branch network. Halifax is a registered business name of BoSI in Ireland.

Prior to the occurrence of a "**Seller Insolvency Event**" (as defined below), a "**BoSI Downgrade Event**" (as defined below) or certain other events described in "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Title to the Mortgages, registration and notifications***"**, notice of the sale of the Portfolio to the Issuer will not be given to the relevant borrowers (the "**Borrowers**") under those Loans transferred and the Issuer will not apply to the Land Registry or the Registry of Deeds (as applicable) to register or record its equitable or beneficial interest in the Mortgages.

4. THE LOANS AND THEIR RELATED SECURITY

A. The Loans

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

When used in this Prospectus:

"**Calculation Date**" means the date which occurs four Business Days prior to each Distribution Date.

"**Collection Period**" means the period commencing on and including the first day of a calendar month and ending on and including the last date of that calendar month.

"**Collection Period End Date**" means the last day of the calendar month immediately preceding the immediately following Calculation Date.

"**Distribution Date**" means the 26th day of each month (or, if that date is not a Business Day, the next Business Day in the same calendar month).

"**Related Security**" in relation to a Loan means:

(a) the relevant Mortgage;

(b) all estate and interests in the Property secured by such Mortgage vested in the Seller (subject to the Borrower's right of redemption or cesser);

(c) all contracts of insurance from time to time in effect for the purposes of each Mortgage, including, without limitation, any Buildings Policy, Title Insurance Policies or similar arrangements and Life Policies (the "**Insurance Contracts**") (to the extent that they relate to such Mortgage), including the right to receive the proceeds of any claim;

(d) any guarantee of the obligations of the Borrower referable to such Mortgage;

(e) any deed from any party holding an interest in the Property of any nature confirming their consent to the Mortgage and postponing their interest; and

(f) any other document in existence from time to time which secures or which is intended to secure the repayment of such Loan (including the benefit of any contract relating to such Loan, the terms of which set out the method by which such Loan is to be repaid), together with all right, title, benefit and interest ancillary or supplemental to, and all powers and remedies for enforcing, the above.

"Principal Balance" means in relation to the Loans, the aggregate amount of principal outstanding together with all capitalised expenses, capitalised arrears, capitalised interest and, for the avoidance of doubt, any increase in the principal amount of a Loan due to any Further Advance.

As at the Closing Date, the Loans in the Portfolio each had an original repayment term of up to 40 years. No Loan in the Portfolio will have a final repayment date beyond 2 years prior to the latest Final Maturity Date for the Notes.

The Provisional Portfolio consists of 11,343 Loans with an aggregate Principal Balance of €3,168,801,745.51.

In relation to the Loans comprising the Provisional Portfolio, (a) the weighted average original loan-to-value of those Loans was 64.97 per cent., (b) the weighted average seasoning of those Loans was 34.35 months and (c) the Loans are secured by Mortgages over properties situated in Ireland.

As at the Reference Date, the Initial Loans in the Initial Portfolio will comprise:

(a) tracker rate loans or discounted tracker rate loans (collectively the "**Tracker Rate Loans**") which are set at fixed margins above the European Base Rate;

(b) fixed rate loans, which are subject to fixed rates of interest (the "**Fixed Rate Loans**"); and

(c) variable rate loans, which allow the Borrower to pay interest at one of the variable rates of BoSI (the"**Variable Rates**") which are administered, at the discretion of the Seller, by reference to the general level of interest rates and competitive forces in the Irish mortgage market ("**Variable Rate Loans**").

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

B. Further Advances

If a Borrower requests, or the Seller or the Servicer (on behalf of the Seller) offers, a Further Advance under a Loan, the Seller or the Servicer (on behalf of the Seller) will be solely responsible for offering, documenting and funding that Further Advance. Any Further Advance made to a Borrower will, subject to the following paragraph, be purchased by the Issuer on the relevant Advance Date (as defined in *"Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances and Product Switches"*).

If a Further Advance is purchased by the Issuer on the relevant Advance Date, the Issuer will pay the Seller the Further Advance Purchase Price on the Business Day following the Advance Date (the "**Further Advance Payment Date**") to the extent that the Issuer has sufficient amounts standing to the credit of the Retained Principal Receipts Fund or otherwise sufficient Principal Receipts and, to the extent such amounts are insufficient, will pay the remainder of the Further Advance Purchase Price by utilising the proceeds of a drawing under the Liquidity Facility. Where the Issuer (or the Cash Manager on its behalf) determines that the amount of available drawings under the Liquidity Facility in respect of such Further Advance Shortfall would not be sufficient to fund such Further Advance Purchase Price, the Issuer may not complete the purchase of the relevant Further Advance and the Seller must promptly repurchase the related Loan and its Related Security.

In addition, if a Further Advance Shortfall Advance has been made to the Issuer and the Issuer (or the Cash Manager on its behalf) determines on the Business Day before the following Distribution Date that it will be unable to repay all or part of such advance on such Distribution Date, the Seller shall be required to repurchase the Loan and the Related Security relating to the Further Advance in respect to which the Further Advance Shortfall Advance was made on such Distribution Date.

If the Issuer subsequently determines that any Loan Warranty made by the Seller in respect of a Further Advance purchased by the Issuer was materially untrue as at its Advance Date, and that default has not been remedied within 20 Business Days of receipt of notice from the Issuer, then the relevant Further Advance, its related Loan and its Related Security must be repurchased by the Seller on the next Business Day following receipt by the Seller of a notice from the Issuer requiring repurchase thereof (a "**Loan Repurchase Notice**").

C. New Portfolios

Pursuant to the terms of the Mortgage Sale Agreement, the Seller may, subject to the satisfaction of certain conditions (including that the Issuer has sufficient amounts standing to the credit of the Retained Principal Receipts Fund on the relevant Sale Date), sell its interest in New Portfolios to the Issuer on the Sale Dates occurring during the Revolving Period. The sale by the Seller to the Issuer of the relevant New Loans will be given effect to by an equitable assignment.

A New Portfolio may be sold by the Seller, and will be purchased by the Issuer, on the relevant Sale Date and for the consideration set out in "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — New Loans*".

If it is subsequently determined that any Loan Warranty made by the Seller in respect of any New Loan and its Related Security purchased by the Issuer was materially untrue as at the relevant Sale Date and that default has not been remedied within 20 Business Days of receipt of notice by the Seller from the Issuer, then the relevant New Loan and its Related Security must be repurchased by the Seller on the next Business Day following receipt by the Seller of a Loan Repurchase Notice.

D. Product Switches

If a Borrower requests, or the Seller offers, a Product Switch (as defined in *"Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances and Product Switches"*) under a Loan, the Seller will be solely responsible for offering and documenting that Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio provided that if it is subsequently determined that any Loan Warranty made by the Seller in respect of a Loan which is the subject of a Product Switch and which remains in the Portfolio was materially untrue as at its Switch Date, and that default has not been remedied within 20 Business Days of receipt of notice from the Issuer, then the relevant Loan and its Related Security must be repurchased by the Seller on the next Business Day following receipt by the Seller of a Loan Repurchase Notice.

E. Loan Warranties

The Issuer will have the benefit of the Loan Warranties given by the Seller as at the Closing Date in relation to the Loans and their Related Security comprised in the Initial Portfolio and (as described above) on the Sale Date in relation to the New Loans and their Related Security, on the Advance Date in relation to Loans subject to any Further Advances and their Related Security and on the Switch Date in relation to Loans subject to a Product Switch and their Related Security, including warranties in relation to the Lending Criteria applied in advancing the Loans.

It should be noted that any Loan Warranties made by the Seller in relation to a New Portfolio, Further Advance and/or a Product Switch may be amended from time to time without the consent of the Noteholders provided that prior consent has been given by the Security Trustee. Any amendment to the Loan Warranties will be notified to the Rating Agency.

The Seller will be required to repurchase any Loan sold to the Issuer pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that Loan and/or its Related Security is materially breached or proves to be materially untrue as at the Closing Date, Sale Date, the Advance Date or the Switch Date (as applicable) and that default has not been remedied within 20 Business Days of receipt of notice from the Issuer. See "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Repurchase by a Seller*" and *"Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances and Product Switches"* below.

F. Principal Deficiency Ledger

A principal deficiency ledger will be established to record any Losses affecting the Loans in the Portfolio.

When used in this Prospectus, "**Losses**" means all realised losses on the Loans.

The Principal Deficiency Ledger will comprise two sub-ledgers – the "**Class A Principal Deficiency Sub-Ledger"** (relating to the Class A Notes) and the "**Class B Principal Deficiency Sub-Ledger"** (relating to the Class B Notes).

See the section herein entitled "*Credit Structure — Principal Deficiency Ledger*", below.

5. THE TRANSACTION DOCUMENTS

Mortgage Sale Agreement:

Pursuant to the Mortgage Sale Agreement, the Seller will sell to the Issuer its interests in a portfolio of residential loans and their associated mortgages and other security.

See the section herein entitled "*Summary of the Key Transaction Documents – The Mortgage Sale Agreement*", below.

Servicing Agreement:

Pursuant to the Servicing Agreement, the Servicer will agree to service the Loans sold to the Issuer and their Related Security on behalf of the Issuer (such services, *inter alia*, the "**Services"**).

The Issuer will, on each Interest Payment Date, pay to the Servicer a servicing fee (inclusive of VAT, if any) (each, a "**Servicing Fee**") totalling 0.025 per cent. per annum on the aggregate Principal Balance of the Loans in the Portfolio as at the opening of business on the preceding Interest Payment Date. The Servicing Fees will rank ahead of all payments on the Notes.

See the section herein entitled "*Summary of the Key Transaction Documents – The Servicing Agreement*", below.

Interest Rate Swap Agreement:

Payments received by the Issuer under the Loans will be subject to variable and fixed rates of interest. To hedge the potential variance between these rates and Three-Month EURIBOR, the Issuer will enter into the Interest Rate Swaps with the Interest Rate Swap Provider and the Security Trustee under the Interest Rate Swap Agreement.

Guarantee:

The Issuer will have the benefit of a guarantee to be entered into on or about the Closing Date by the Issuer, the Guarantor, the Security Trustee and BoSI. Under the Guarantee, the Guarantor will guarantee (1) the obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement; and (2) the obligations of the Account Bank, up to the Bank Accounts Maximum Balance, in respect of the operation of the Transaction Account and the Reserve Account, as more fully described in the section entitled "*Credit Structure*".

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 advance a loan (the "**Subordinated Loan**") to the Issuer on the Closing Date in the amount of approximately €127,230,000 which will be used (a) to meet certain of the Issuer's initial fees and expenses incurred in connection with the issue of the Notes (the "**Start-Up Costs**") and (b) to initially fund the General Reserve Fund up to a minimum of the General Reserve Required Amount.

Deed of Charge:

The Issuer will enter into the Deed of Charge on or about the Closing Date with, *inter alios*, the Security Trustee. Under the terms of the Deed of Charge, the Issuer will grant the security more particularly described therein in favour of the Security Trustee who will hold such security for the benefit of the Secured Parties. The proceeds on enforcement of the security constituted by the Deed of Charge will be applied in accordance with the order of application of payments specified in the Deed of Charge.

Trust Deed:

The Issuer will enter into the Trust Deed on or about the Closing Date with the Note Trustee. Each class of Notes will be constituted by the Trust Deed. The Class A Notes will rank *pari passu* and rateably without preference amongst themselves for all purposes and will rank in priority to the Class B Notes in point of security and as to payment of interest and principal on enforcement of the security for the Notes. The Class B Notes will rank *pari passu* and rateably without preference amongst themselves for all purposes on enforcement of the security for the Notes.

Bank Account Agreement:

The Issuer will enter into the Bank Account Agreement on or about the Closing Date with the Account Bank in respect of the Bank Accounts. The Account Bank will establish and maintain the Transaction Account and the Reserve Account. The Account Bank will agree to pay interest on the Reserve Account and the Transaction Account at a specified rate. On each Distribution Date, the Cash Manager will transfer moneys between the Reserve Account and the Transaction Account and will apply moneys in accordance with the relevant Priority of Payments. Moneys constituting Retained Principal Receipts standing to the credit of the Retained Principal Receipts Ledger may also be transferred from the Reserve Account to pay the Further Advance Purchase Price in respect of any Further Advance sold by the Seller to the Issuer.

Cash Management Agreement:

The Issuer will enter into the Cash Management Agreement with the Cash Manager and the Security Trustee on or about the Closing Date. 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 to effect payments to and from the Reserve Account and the Transaction Account. In addition the Cash Manager will maintain the Ledgers (as defined in the section entitled "*Summary of the Key Transaction Documents - Cash Management Agreement*").

Liquidity Facility Agreement:

The Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider and the Security Trustee on or about the Closing Date, pursuant to which a liquidity facility will be made available to the Issuer, which may be drawn on in certain circumstances, as more fully described in the section entitled "*Credit Structure*".

Pre-Funding Loan Agreement:

The Issuer will enter into the Pre-Funding Loan Agreement with the Pre-Funding Loan Provider and the Security Trustee, on or about the Closing Date, pursuant to which a pre-funding loan will be made to the Issuer which will be drawn down in one amount by the Issuer on or about the Closing Date, and utilised as more fully described in the section entitled "*Credit Structure*".

Parent Support Deed:

The Issuer will enter into the Parent Support Deed with BoS UK, BoSI and the Security Trustee, pursuant to which BoS UK, the parent company of BoSI, undertakes to ensure that BoSI, or another member of the Lloyds Banking Group, performs (a) the obligations of the Servicer under the Servicing Agreement; and (b) the obligations of the Cash Manager under the Cash Management Agreement.

"**Lloyds Banking Group**" means Lloyds Banking Group plc (formerly Lloyds TSB Group plc) and each of its subsidiaries and affiliates.

RISK FACTORS

The following is a summary of the principal risks associated with an investment in the Notes. These risk factors are material to an investment in the Notes and in the Issuer. 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 will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Interest Rate Swap Provider, the Arranger, the Servicer, the Cash Manager, the Account Bank, the Liquidity Facility Provider, the Guarantor, the Parent Support Provider, the Pre-Funding Loan Provider, 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 receipts from the Loans in the Portfolio (including, interest earned on the Bank Accounts and amounts standing to the credit of the General Reserve Fund and the receipts under the Interest Rate Swap Agreement, the Pre-Funding Loan and the Liquidity Facility). Other than the foregoing, the Issuer is not expected to have any other funds available to it to meets its obligations under the Notes and/or any other payment obligation ranking in priority to, or *pari passu* with, the Notes under the applicable Priority of Payments. If such funds are insufficient, any such insufficiency will be borne by the Noteholders and the other Secured Parties, subject to the applicable Priority of Payments.

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

The yield to maturity of the Notes of each class will depend on, *inter alia*, the amount and timing of payment of principal and interest on the Loans and the price paid by the holders of the Notes of each class. 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, repurchases of Loans required to be made under the Mortgage Sale Agreement will have the same effect as a prepayment of such Loans. The yield to maturity of the Notes of any class may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans.

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

Payments and prepayments of principal on the Loans will be applied to reduce the Principal Amount Outstanding of the Notes on a pass-through basis on each Interest Payment Date after the Revolving Period 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 will be credited to the Retained Principal Receipts Fund and to the extent not used within two consecutive Interest Periods to pay the New Portfolio Purchase Price in respect of any New Portfolio sold to the Issuer and/or Further Advance Purchase Price payable by the Issuer to the Seller, will be released as Available Principal Receipts and hence to redeem the Notes.

On or at any time after the First Interest Payment Date falling in February 2010, the Issuer may, subject to certain conditions, redeem all or any part of any class of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer or the Interest Rate Swap Provider being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Notes.

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

Continuing decline in house prices may adversely affect the performance and market value of your notes

Since 2007, house prices have fallen under different monthly measurements as a result of a combination of economic downturn and uncertainty, reduced affordability, lower availability of credit, 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 other than the Seller. This could lead to higher delinquency rates and losses on the Loans and consequentially could affect the ability of the Issuer to make payments on the Notes.

Characteristics of the Portfolio

The information in the section headed "*Characteristics of the Portfolio*" has been extracted from the systems of the Seller as at 31 August 2009 (the "**Reference Date"**). The characteristics of the Portfolio as at the Closing Date may vary from those set out in the tables in this Prospectus as a result of, *inter alia*, repayments, redemptions and originations of new loans which comply with the Loan Warranties prior to the Closing Date. Neither the Seller nor the Servicer has provided any assurance that there has been no material change in the characteristics of the Portfolio between the Reference Date and the Closing Date.

Geographic Concentration Risks

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

Subordination of Class B Notes

The Class B Notes are subordinated in right of payment of interest and 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*", "*Cashflows — Application of Available Principal Receipts prior to the 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". 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 B 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 4(i) *(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 B 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 4(i) *(Subordination by Deferral)*, to defer payments of interest in respect of the Class B Notes. On the First Interest Payment Date only the Issuer may use the General Reserve Fund (to the extent required to pay any insufficiency) to make payments of amounts due on the Class B Notes on such Interest Payment Date.

Failure to pay interest on the Class A Notes (or the Class B 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.

Absence of secondary market

No assurance is provided that there is an active and liquid secondary market for the Notes, and no assurance is provided that a secondary market for the Notes will develop. None of the Notes have been, or will be, registered under the Securities Act or any other applicable securities laws and they are subject to certain restrictions on the resale and other transfer thereof as set forth in the section entitled "*Purchase and Sale*". To the extent that a secondary market exists or develops, it may not continue for the life of the Notes or it may not provide Noteholders with liquidity of investment with the result that a Noteholder may not be able to find a buyer to buy its Notes readily or at prices that will enable the Noteholder to realise a desired yield. Any investor in the Notes must be prepared to hold their Notes until their Final Maturity Date.

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

As at the date of this Prospectus, the secondary market for mortgage-backed securities is experiencing significant disruptions resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage-backed securities and resulted in the secondary market for mortgage-backed securities experiencing very limited liquidity. Structured investment vehicles, hedge funds, issuers of collateralised debt obligations and other similar entities that are currently experiencing funding difficulties have been forced to sell mortgage-backed securities into the secondary market. The price of credit protection on mortgage-backed securities through credit derivatives has risen materially.

Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, whilst these market conditions persist, an investor in the Notes may not be able to sell or acquire credit protection on its Notes readily and market values of the Notes are likely to fluctuate. Any of these fluctuations may be significant and could result in significant losses to an investor. It is not known for how long these market conditions will continue or whether they will worsen.

Recent mortgage loan market developments

In late 2006 the sub-prime mortgage loan market in the United States commenced a period characterised by a large number of borrower defaults. Prior to the commencement of such period, a significant volume of sub-prime mortgage loans had been securitised and, in turn, sub-prime mortgage backed securities had been sold to various investment funds. As a result of the deterioration of the U.S. sub-prime mortgage loan market,

funds and institutions that invested in U.S. sub-prime mortgage-backed securities began experiencing significant losses which has triggered a series of events that have resulted in a severe liquidity crisis in the global credit markets since the summer of 2007.

There exist significant additional risks for the Issuer and investors as a result of the current liquidity crisis. Those risks include, among others, (i) the likelihood that the Issuer will find it harder to sell any of its assets in the secondary market, (ii) the possibility that, on or after the Closing Date, the price at which assets can be sold by the Issuer will have deteriorated from their effective purchase price and (iii) the increased illiquidity of mortgage-backed securities as there is currently limited liquidity in the secondary markets. These additional risks may affect the returns on the Notes to investors and/or the ability of investors to realise their investment in the Notes prior to their stated maturity.

The impact of the liquidity crisis on the primary market may additionally adversely affect the servicing flexibility of the Servicer in relation to the Portfolio and, ultimately the returns on the Notes to investors.

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

Borrowers seeking to avoid increased monthly payments (caused by, for example, the expiry of an initial fixed rate or low introductory rate, or a rise in the related mortgage interest rates) by refinancing their mortgage loans may no longer be able to find available replacement loans at comparably low interest rates. Any decline in housing prices may also leave borrowers with insufficient equity in their homes to permit them to refinance. These events, alone or in combination, may contribute to higher delinquency rates, slower prepayment spreads and higher losses.

Risks relating to 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 the special resolution regime (the "**SRR**"). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part IV of the Financial Services and Markets Act 2000 (the "**FSMA**") (such as the Guarantor and the Parent Support Provider) (each a "**relevant entity**") that are failing or are likely to fail to satisfy the threshold conditions (within the meaning of section 41 of the FSMA). The SRR consists of three stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" wholly-owned by the Bank of England; and (iii) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The Banking Act also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances. It is possible that one of the stabilisation options could be exercised prior to the point at which any application for an insolvency or administration order with respect to the relevant entity could be made.

In general, the Banking Act requires the UK authorities to have regard to specified objectives in exercising the powers provided for by the Banking Act. One of the objectives (which is required to be balanced as appropriate with the other specified objectives) refers to the protection and enhancement of the stability of the financial systems of the United Kingdom. The Banking Act includes provisions related to compensation in respect of transfer instruments and orders made under it. In general, there is considerable uncertainty about the scope of the powers afforded to UK authorities under the Banking Act and how the UK authorities may choose to exercise them.

If an instrument or order were to be made under the Banking Act in respect of a relevant entity, such instrument or order may (amongst other things) affect the ability of such entities to satisfy their obligations under the Transaction Documents and/or result in modifications to such documents. In particular, modifications may be made pursuant to powers permitting certain trust arrangements to be removed or

modified and/or via powers which permit provision to be included in an instrument or order such that the relevant instrument or order (and certain related events) is required to be disregarded in determining whether certain widely defined "default events" have occurred (which events would include certain trigger events included in the Transaction Documents in respect of the relevant entity, including termination events. As a result, the making of an instrument or order in respect of a relevant entity may affect the ability of the Issuer to meet its obligations in respect of the Notes. While there is provision for compensation in certain circumstances under the Banking Act, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred.

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

Ratings of the Notes

The ratings address the likelihood of full and timely payment to the Noteholders of all payments of interest on each Interest Payment Date and ultimate payment of principal on the Final Maturity Date of each class of Notes.

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

Conflict Between Class A and Class B Noteholders and other Secured Parties

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

So long as any of the Notes are outstanding, neither the Security Trustee nor the Note Trustee shall have regard to the interests of the other Secured Parties, subject to the provisions of the Deed of Charge or the Trust Deed.

BoSI as Initial Investor will purchase all of the Notes on the Closing Date (see *"Purchase and Sale"* below). While BoSI remains the beneficial owner of any whole class of Notes, it will be entitled to vote in respect of them. Entities within the Lloyds Banking Group act in various capacities in the transaction, including as Seller, Servicer, Cash Manager, Interest Rate Swap Provider, Liquidity Facility Provider, Pre-Funding Loan Provider, Guarantor and Parent Support Provider, Initial Investor and Arranger. Actual or potential conflicts may arise between the interests of such entities and the interests of the Issuer and the Noteholders.

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 may agree, without the consent of the Noteholders or the other Secured Parties, to (i) any modification (except a Basic Terms 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 or any other Secured Creditor or (ii) any modification which, in the Note Trustee's sole opinion is of a formal, minor or technical nature or to correct a manifest error or an error which the Note Trustee in its sole opinion is satisfied was made. 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 or any other Secured Party, determine that an Event of Default shall not, or shall not subject to specified conditions, be treated as such. See "*Terms and Conditions of the Notes – Condition 11* (*Meetings of Noteholders; Modifications; Consents; Waiver*)" below.

Book-Entry Interests

Unless and until Definitive Notes are issued in exchange for the Book-Entry Interests, holders and beneficial owners of Book-Entry Interests will not be considered the legal owners or holders of 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.

The Common Safekeeper will be considered the registered holder of Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal Noteholder of the Global Notes under the Trust Deed while the 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 Global Notes will be made by the Principal Paying Agent to the Common Safekeeper for Euroclear and Clearstream, Luxembourg) in the case of the Global 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 or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

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

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at

any time. None of the Issuer, the Note Trustee, the Security Trustee, any Paying Agent or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

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

Interest Rate Risk

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

To hedge its interest rate exposure, the Issuer will enter into the Interest Rate Swap on or about the Closing Date with the Interest Rate Swap Provider (see "*Credit Structure — Interest Rate Risk for the Notes*" below). The payment obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement will be guaranteed by the Guarantor.

A failure by the Interest Rate Swap Provider or the Guarantor to make timely payments of amounts due under the Interest Rate Swap Agreement will constitute a default thereunder. The Interest Rate Swap Provider is obliged to make payments under the Interest Rate Swap Agreement only to the extent that the Issuer makes payments under the Interest Rate Swap Agreement to it. Under the terms of the Guarantee the Guarantor has guaranteed, *inter alia*, the payment obligations of the Interest Rate Swap Provider under the Interest Rate Swap Agreement. To the extent that the Interest Rate Swap Provider defaults in its obligations under the Interest Rate Swap Agreement, to make payments to the Issuer in euro calculated by reference to Three-Month EURIBOR, on any payment date under an Interest Rate Swap (which corresponds to an Interest Payment Date) and such payment is not made by the Guarantor, the Issuer will be exposed to the possible variance between various fixed and variable rates payable on the Loans in the Portfolio and Three-Month EURIBOR. Unless one or more comparable replacement interest rate swaps are entered into, the Issuer may have insufficient funds to make payments due on the Notes.

The Interest Rate Swap Agreement will provide that, upon the occurrence of certain events, the Interest Rate Swap may terminate and a termination payment by either the Issuer or, the Interest Rate Swap Provider (or the Guarantor pursuant to the Guarantee) will be payable based on the cost of a replacement transaction. Any termination payment due by the Issuer (other than an Interest Rate Swap Excluded Termination Amount and to the extent not satisfied by any applicable Replacement Swap Premium, which shall be paid directly by the Issuer to the Interest Rate Swap Provider) will rank prior to payments in respect of the Notes. In each case, payment of such termination amounts may affect amounts available to pay interest and principal on all the Notes.

Any additional amounts required to be paid by the Issuer following termination of an Interest Rate Swap (including any extra costs incurred as a result of entering into replacement interest rate swaps) will also rank prior to payments in respect of the Class A Notes. This may affect amounts available to pay interest and principal on all the Notes.

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

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 has agreed to provide certain corporate services to the Issuer pursuant to the Corporate Services Agreement, the Account Bank has agreed to provide the Reserve Account and the Transaction Account to the Issuer pursuant to the Bank Account Agreement, the Servicer has agreed to service the Portfolio pursuant to the Servicing

Agreement, the Cash Manager has agreed to provide cash management services and to maintain certain ledgers pursuant to the Cash Management Agreement, the Parent Support Provider has agreed to use its best efforts to procure that the Servicer and the Cash Manager (or another company within the Lloyds Banking Group) perform their respective obligations under the relevant agreements pursuant to the Parent Support Deed and the Paying Agents and the Agent Bank have all agreed to provide services with respect to the Notes pursuant to the Agency Agreement. In the event that any of the above parties were to fail to perform their obligations under the respective agreements to which they are a party, Noteholders may be adversely affected.

The Servicer

If the Servicer is removed, there is no guarantee that a replacement servicer would be found, which could delay collection of payments on the Loans and ultimately could adversely affect payments on the Notes.

Under the terms of the Parent Support Deed, the Parent Support Provider has undertaken to ensure that the Servicer (or another company within the Lloyds Banking Group) shall perform its obligations under the Servicing Agreement. There is no guarantee that the Parent Support Provider will be able to ensure fulfilment of the obligations of the Servicer, this may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

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

There can be no assurance that a replacement servicer with sufficient experience of servicing the Loans would be found who would be willing and able to service the Loans on the terms of the Servicing Agreement. The ability of a replacement servicer to fully perform the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a replacement servicer may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

You should note that the Servicer has no obligation itself to advance payments that Borrowers fail to make in a timely fashion.

Under the terms of the Servicing Agreement the Servicer may delegate its obligations in relation to servicing the Loans. The Servicer currently delegates a number of servicing functions to Bank of Scotland plc. However the Servicer retains primary responsibility to the Issuer in relation to any such delegated servicing obligations.

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 5(e) *(Optional Redemption for tax reasons)* 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 Irish tax will be required on interest payments to any holders of the Notes provided the conditions set out in the section *"Taxation"* are satisfied.

Equitable Assignment

In respect of Loans to which BoSI held the legal title to at the Closing Date, legal title to these Loans has, remained with the Seller and will remain with the Seller until the completion of the transfers to the Issuer and notification of the transfers being given to the Borrowers. Such transfers will only be completed and notifications given in the circumstances set out below and, until these steps are taken, the sale by the Seller to the Issuer of the Loans and their Related Security will take effect in equity only.

Third Party Priority

As a consequence of neither the Issuer nor the Security Trustee (following enforcement of the security created pursuant to the Deed of Charge) and in certain circumstances, BoSI obtaining legal title to the Loans and their Related Security, a bona fide purchaser from the Seller for value of any such Loans and their Related Security without notice of any of the interests of the Issuer or the Security Trustee in the Loans and their Related Security might obtain a good title to any of such Loans free of any such interest. In Ireland, it is normal practice for the mortgagee's interest not to be registered at the Land Registry immediately on completion. Registration can take a considerable period of time, and in the Seller's experience, circa 3 years on average. On completion, the Borrower's solicitor gives an undertaking to complete the registration in due course. Until that registration is complete, the Seller will not have received the original Mortgage Deeds, a certificate of title in relation to the relevant property and neither it, nor the Issuer or the Security Trustee will be registered as the mortgagee of the relevant Property. During that period, there is a risk that another party could be registered as the mortgagee and obtain priority to the Issuer and the Security Trustee. Any such loss of priority by the Issuer and the Security Trustee could affect the ability of the Issuer to make payments on the Notes.

However, the risk of third party claims obtaining priority to the interests of the Issuer or the Security Trustee in this way would be likely to be limited to circumstances arising from a breach by the Seller of its contractual obligations, representations or warranties or fraud, negligence or mistake on the part of the Seller or the Issuer or their respective personnel or agents.

Set-off

The rights of the Issuer and the Security Trustee may be or may become subject to the direct rights of the Borrowers against the Seller. Such rights may include the rights of set-off existing prior to notification to the Borrowers of the sale of the Loans and their Related Security which arise in relation to transactions made between certain Borrowers and the Seller, (for example, the lodgement of monies by certain Borrowers in share and deposit accounts with the Seller) and the rights of Borrowers to redeem their mortgages by repaying the relevant Loans directly to the Seller. These rights may result in the Issuer receiving reduced payment on the Loans.

Furthermore, there is a risk that the service of such a notice of sale to a Borrower would not terminate his rights of set-off as section 40 of the Consumer Credit Act, 1995 provides that where a creditor's or owner's rights under an agreement are assigned to a third person, the consumer is entitled to plead against the third person any defence which was available to him against the original creditor, including set-off.

The Seller will, however, undertake in the Mortgage Sale Agreement to indemnify the Issuer in respect of any amounts that are set–off against any sums to which the Issuer is entitled under the Mortgage Sale Agreement, and to hold any monies repaid to the Seller in respect of the relevant Loans to the order of the Issuer and the Security Trustee.

Joinder

For so long as neither the Issuer nor the Security Trustee have obtained legal title to the Loans and the Related Security, each must join the Seller, and in certain circumstances, BoS UK as a party to any legal proceeding which they may wish to take against a Borrower or in relation to enforcement of any Mortgage. In this regard, the Seller will undertake in the Mortgage Sale Agreement for the benefit of the Issuer and the

Security Trustee that it will lend its name to, any legal proceedings to the extent necessary to protect, preserve or enforce the Seller's or the Issuer's title or interest in any relevant Loan or Related Security in respect of the Loans and their Related Security, subject to the requirements of the Seller's policy from time to time. In the event that the Seller is in examinership, discretionary leave of the High Court of Ireland (the "**High Court**") would be required to join the Borrower as a party to such proceedings. Similarly, in the event that the Seller was subject to a winding-up proceedings before the High Court, the leave of the High Court may be required before a liquidator of the Seller could join as a party to proceedings against a Borrower.

The transfers to the Issuer of the legal title to the Loans and the Related Security will be completed and notices of assignment to the Borrowers will be given, at the discretion of the Security Trustee, in the circumstances set out in "*Summary of the Principal Documents*". Pending completion of such transfer, the right of the Issuer and the Security Trustee to exercise powers of the legal owner of the Loans will be secured by irrevocable powers of attorney granted by BoSI in favour of the Issuer and the Security Trustee.

Enforcement in respect of the Loans

Even assuming that the Properties provide adequate security for the Loans and the Related Security, delays could be encountered in connection with enforcement and recovery of the Loans and the Related Security with corresponding delays in the receipt of related proceeds by the Issuer.

In order to realise its security in respect of a Property, the relevant mortgagee (be it the legal owner (the Seller), the beneficial owner (the Issuer) or the Security Trustee or its appointee (if the Security Trustee has taken enforcement action against the Issuer)) will need to obtain possession. There are two means of obtaining possession; first, by taking physical possession (seldom done in practice) and second, by applying for, obtaining and enforcing a court order. However, Part 10 of the Land and Conveyancing Law Reform Act 2009 (the "**2009 Act**"), prohibits the taking of possession of a property by a mortgagee (the lender) without a court order for possession or a written consent by the mortgagor in the case of each Loan (the Borrower) to the taking of possession.

The court has a very wide discretion, and may adopt a sympathetic attitude towards a Borrower at risk of eviction. If a possession order in favour of the relevant mortgagee is granted, it may be suspended to allow the Borrower more time to repay arrears. A sheriff will arrange for orders of possession to be effected in the case of tenancies of land used wholly or partly for the purpose of carrying on a business (the relevant section, when enacted, will abolish the sheriff's power to seize tenancies of other properties). This can result in a delay of a number of months between an order for possession being granted and it being effected. Once possession of the Property has been obtained, the relevant mortgagee has a duty to the Borrower to take reasonable care to obtain a proper price for the Property. Any failure to do so will put the relevant mortgagee at risk of an action for breach of such duty by the Borrower, although it is for the Borrower to prove breach of such duty. There is also a risk that a Borrower may take court action to force the relevant mortgagee to sell the Property within a reasonable time. Subject to the terms of any order under section 97 or 98 of the 2009 Act, a mortgagee in possession will be obliged by law to sell the Property, at the best price obtainable, within a reasonable time, or if it would be inappropriate to sell the Property, to lease it within a reasonable time.

If a mortgagee takes possession it will, as mortgagee in possession, have an obligation to account to the Borrower for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property, and in certain circumstances, may be obliged to make improvements or may incur certain financial liabilities in respect of the Property. Actions for possession are regulated by statute and the courts have certain powers to adjourn possession proceedings, to stay any possession order or postpone the date for delivery of possession; those powers are reiterated in the 2009 Act.

The court will exercise such powers in favour of a Borrower, broadly, where it appears to the court that such Borrower is likely to be able, within a reasonable period, to pay any sums due under the Mortgage or to remedy any default consisting of a breach of any other obligation arising under or by virtue of the Mortgage.

Proceedings for the repossession of the relevant property are generally initiated when the Borrower is more than six months in arrears on the mortgage payments. Any delay in taking possession may affect the Issuer's ability to make payments on the Notes when due.

Mortgage Arrears Code

In accordance with its powers under the Central Bank Acts 1942 to 1998, the Financial Regulator published a Code of Conduct on Mortgage Arrears (the "**Mortgage Arrears Code**") which came into force in February 2009.

The Mortgage Arrears Code applies to mortgage lending activities to consumers in respect of their principal private residence in Ireland. It imposes detailed requirements setting out how a mortgage lender should manage mortgage arrears cases. For example, it imposes time restrictions on when a mortgage agreement can be enforced and provides that a lender must wait at least six months from the time the arrears first arise before applying to court for an order for possession of the home. It also requires mortgage lenders to make every reasonable effort to resolve an arrears problem before resorting to repossession proceedings.

If it is determined that the Seller has breached the Mortgage Arrears Code, such breach may result in the imposition of administrative sanctions including a direction to pay monetary penalties. Any such sanction may impact adversely on the Issuer's ability to make payments on the Notes.

The Seller has subscribed to the Irish Banking Federation/MABS Operational Protocol: Working Together to Manage Debt (effective from the 28 September 2009) which sets out a process by which the Seller and a MABS advisor agree to approach arrears problems experienced by individual customers. A MABS advisor acts as the contact with the Seller on behalf of a client where they have been engaged by the client to agree a revised repayment plan in relation to the customer's indebtedness with the Seller. The protocol does not prevent enforcement action and indeed the rights of creditors are clearly reserved "in circumstances where the creditor deems the application of the Protocol is not appropriate". It also acknowledges that if a customer defaults or is no longer working with the MABS adviser, the Seller may have no alternative depending on the situation and level of arrears but to pursue its remedies against the Borrower.

Searches, Investigations and Warranties in Relation to the Loans

The Seller will give certain warranties to each of the Issuer and the Security Trustee regarding the Loans and their Related Security, comprised in the Initial Portfolio sold to the Issuer on the Closing Date and will give similar warranties to each of the Issuer and the Security Trustee regarding any New Loans and their Related Security sold to the Issuer on any Sale Date or in relation to any Further Advances and Product Switches at the relevant Advance Date or Switch Date, as applicable (see "*Summary of Key Transaction Documents — Mortgage Sale Agreement*" below for a summary of these).

Neither the Security Trustee nor the Issuer has undertaken, or will undertake, any investigations, searches or other actions of any nature whatsoever in respect of any Loan or its Related Security in the Portfolio and each relies instead on the warranties given in the Mortgage Sale Agreement by the Seller. The primary remedy of the Issuer against the Seller if any of the warranties made by the Seller is materially breached or proves to be materially untrue as at the Closing Date, the Sale Date, the Advance Date or the Switch Date (as applicable), which breach is not remedied within 20 Business Days of receipt by the Seller of a notice from the Issuer, shall be to require the Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the Seller will have the financial resources to honour such obligations under the Mortgage Sale Agreement. This may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

It should also be noted that any warranties made by the Seller in relation to a New Portfolio, Further Advances and/or Product Switches may be amended from time to time without the consent of the Noteholders provided that the Security Trustee has given its consent to such amendments (and for such purpose, the Security Trustee may, but is not obliged to, have regard to whether the Rating Agency has confirmed that it will not downgrade, withdraw or qualify the ratings of the Notes as a result of those

amendments (and, for the avoidance of doubt, the Rating Agency will not be required to provide such confirmation)). Any amendment to such warranties will be notified to the Rating Agency by the Seller. Changes to the warranties may affect the quality of Loans in the Portfolio and accordingly the ability of the Issuer to make payments due on the Notes.

Interest-Only Loans

Each Loan in the Portfolio may be repayable either on a capital repayment basis, an interest-only basis or a combination capital repayment/interest payment 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, for residential loan applications after 1 January 2008 the repayment mechanism must be identified at application. However, the Seller does not take security over this repayment mechanism. The Seller also strongly recommends that the Borrower take out a life insurance policy in relation to the Loan but, as with certain of the repayment mechanisms, the Seller may not have the benefit of security over all such life policies.

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 (as defined in "*The Loans — Repayment Terms"* below) 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, 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.

Product Switches and Further Advances

The Seller or the Servicer (on behalf of the Seller) may offer a Borrower, or a Borrower may request, a Further Advance or a Product Switch from time to time. Any Loan which has been the subject of a Further Advance or a Product Switch following an application by the Borrower will remain in the Portfolio unless the Issuer subsequently determines that any Loan Warranty made with respect to a Loan which is subject to a Further Advance or a Product Switch was materially untrue as at the relevant Advance Date or Switch Date (as applicable), and such default is not remedied within 20 Business Days of the Seller (or the Servicer on its behalf) receiving notice from the Issuer. In these circumstances, the Seller will be required to repurchase the relevant Loan and its Related Security (see further "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances and Product Switches*").

The Seller or the Servicer (on behalf of the Seller) having proposed making a Further Advance or Product Switch (as applicable) may, despite the circumstances set out in "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances and Product Switches*", as alternatives to selling the Further Advance to the Issuer or keeping the Loan which is the subject of the Product Switch remaining in the Portfolio (as applicable), elect to repurchase the Loan and its Related Security as set out in "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Further Advances and Product Switches*".

It should be noted that any warranties made by the Seller in relation to a Further Advance and/or a Product Switch may be amended from time to time and such changes will be notified to the Rating Agency. The consent of the Noteholders in relation to such amendments will not be obtained if the Security Trustee has given its prior consent to such amendment. Where the Seller is required to repurchase because the warranties are not true, there can be no assurance that the Seller will have the financial resources to honour its repurchase obligations under the Mortgage Sale Agreement. Either of these circumstances may affect the quality of the Loans and their Related Security in the Portfolio and accordingly the ability of the Issuer to make payments on the Notes.

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

Further, there may be circumstances in which:

(a) a Borrower might seek to argue that any Loan, Further Advance or Product Switch is wholly or partly unenforceable by virtue of non-compliance with the Consumer Credit Act 1995 as further discussed under "*Risk Factors – Certain Regulatory Consideration*" below; or

(b) security for certain Further Advances may rank behind the security created by a Borrower after the date upon which the Borrower entered into its Mortgage with the Seller.

If either of the circumstances set out in (a) or (b) above occurs, then this could adversely affect the Issuer's ability to make payments due on the Notes or redeem the Notes.

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

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

Default risks relating to buy-to-let Properties in the Portfolio

Buy-to-let loans are included in the Portfolio. Buy-to-let loans are loans where the relevant Properties are not owner-occupied and may be let by the relevant Borrower to tenants. The Borrower's ability to service payment obligations in respect of such Loans is likely to depend on the Borrower's ability to lease the relevant Properties on appropriate terms. However, there can be no guarantee that each such Property will be the subject of an existing tenancy when the relevant Loan is acquired by the Issuer or that any tenancy which is granted will subsist throughout the life of the Loan and/or that the rental income achievable from such tenancy will be sufficient (or that there will not be any default of payment in rent) to provide the Borrower with sufficient income to meet the Borrower's interest obligations in respect of the Loan. This dependency on leasing income may increase the likelihood during difficult market conditions that the rate of delinquencies and losses on buy-to let mortgages will be higher than for owner-occupied mortgages.

Upon enforcement of a Mortgage in respect of a Property which is the subject of an existing tenancy, the Servicer may not be able to obtain vacant possession of the Property in which case the Servicer will only be able to sell the Property as an investment property with one or more sitting tenants. This may affect the amount which the Servicer could realise upon enforcement of the Mortgage and a sale of the Property.

However, enforcement procedures in relation to such Mortgages include appointing a receiver of rent in which case such a receiver must collect any rents payable in respect of the Property and apply them accordingly in payment of any interest and arrears accruing under the Mortgage.

Title Insurance

The Master Insurance Policy (as more fully described in the section herein entitled "*The Loans – Title Insurance*") contains a number of restrictions and exceptions in relation to the title insurance cover provided by First Title Insurance plc in respect of certain of the Mortgages. Any failure by First Title Insurance plc to make payment, in full or in part, under the terms of the Master Insurance Policy could adversely affect the Issuer's ability to make payments due on the Notes or redeem the Notes.

Legal considerations may restrict certain investments

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

Obligations of the Issuer are not Guaranteed by the Irish Government under a Scheme to Cover Certain Liabilities of Covered Institutions

Pursuant to the terms of a scheme (the "**Scheme**") prepared by the Irish government under the Credit Institutions (Financial Support) Act 2008 (the "**CIFS Act**"), the Irish government will provide a guarantee (the "**Guarantee**"), for the period from 30 September 2008 to 29 September 2010 inclusive, in respect of the "**covered liabilities**" (as defined in the Scheme) of credit institutions that join the Scheme ("**covered institutions**"). "Covered liabilities" include all retail, corporate and interbank deposits (to the extent not covered by existing deposit protection schemes), senior unsecured debt, asset covered securities and dated subordinated debt of a relevant covered institution.

As the Issuer is not a covered institution, neither the CIFS Act, the Scheme, or any financial support thereunder will apply to the Issuer's obligations under the Notes. BoSI has elected not to enter into the Scheme and accordingly BoSI is not a covered institution for the purpose of the Scheme.

Insurance Policies

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

Denominations

The Notes are issued in the denominations of €50,000 per Note. However, for so long as the Notes are represented by a Global Note, and Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable in minimum nominal amounts of €50,000 and integral multiples of €1,000 thereafter.

If Definitive Notes are required to be issued in respect of the Notes represented by Global Notes, they will only be printed and issued in denominations of €50,000 and any amount in excess thereof in integral multiples of €1,000 up to and including €99,000. No Definitive Notes will be issued with a denomination above €99,000. 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 Notes such that their holding amounts to the minimum authorised denomination. If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination or for any amount in excess thereof in integral multiples of €1,000 up to and including €99,000 may be illiquid and difficult to trade.

Change of Law

The structure of the transaction and, *inter alia*, the issue of the Notes and the ratings which are to be assigned to the Notes are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the parties to the transaction and the Portfolio, and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to such law (including any change in regulation which may occur without a change in primary legislation) 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.

Unfair Terms in Consumer Contracts Regulations

In Ireland, the European Communities (Unfair Terms in Consumer Contracts) Regulations 1995 and 2000 (**"UTCCR"**) apply to all the Loans. The UTCCR generally provide that:

- a borrower may challenge a term in an agreement on the basis that it is an "unfair" term within the regulations and therefore unenforceable against the borrower; and

- the Director of Consumer Affairs or a consumer organisation (as defined in the UTCCR) may seek to prevent a business from relying on unfair terms.

The UTCCR will not generally 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 Seller is permitted to do) is found to be unfair, the borrower will not be liable to pay interest at the increased rate or, to the extent that the borrower has paid it, will be able, as against the lender, or any assignee such as the Issuer, to claim repayment of the extra interest amounts paid or to set-off the amount of the claim against the amount owing by the borrower under the loan or any other loan that the borrower has taken. Any such non-recovery, claim or set-off in relation to the Loans may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

Distance Marketing

With effect from 15 February 2005, the Distance Marketing of Financial Services Directive has been implemented in Ireland by the European Communities (Distance Marketing of Consumer Financial Services) Regulations 2004 as amended (the "**DM Regulations**"). The DM Regulations 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).

The DM Regulations require suppliers of financial services by way of distance communication to provide certain information to consumers. This information generally has to be provided before the consumer is bound by a distance contract for supply of the financial services in question and includes, but is not limited to, general information in respect of the supplier and the financial service, contractual terms and conditions and whether or not there is a right of cancellation.

In certain circumstances, if a supplier fails to comply with its obligations under the DM Regulations, the distance contract may not be enforceable against the customer. The discretion as to the enforceability of a distance contract lies with the courts. If the court is satisfied that the supplier's non-compliance was not deliberate, the consumer has not been prejudiced by such non compliance and it is just and equitable, the court may decide that the distance contract is enforceable, notwithstanding the non-compliance. Certain of the Loans in the Portfolio may have been originated in such a manner as to qualify as distance contracts. The

Seller will warrant in the Mortgage Sale Agreement that to the extent any Loans qualify as distance contracts, the Seller has complied in all material respects with the DM Regulations. However, if it is determined that the Seller has not satisfied its obligations under the DM Regulations, the affected Loans may be held to be unenforceable and this may in certain circumstances adversely affect the Issuer's ability to make payments on the Notes.

Consumer Credit Act

The Consumer Credit Act 1995 (the "**CCA**") implements Council Directive 87/102/EEC (the "**First Consumer Credit Directive**"), as amended by Council Directive 90/88/EEC. The CCA applies to any creditor granting credit under a credit agreement. A "consumer" is defined as a natural person acting outside the course of their business, which includes their trade and profession.

Included in the definition of credit agreements for the purposes of the CCA are housing loan agreements. The CCA regulates the manner in which housing loans are provided. The CCA applies to all the Loans.

The CCA imposes restrictions on written communications and on visits and telephone calls. It also creates a duty to supply documents and information and contains provisions relating to redemption fees; valuation reports; insurance provisions; warnings to be included in documents and advertisements; the disclosure of fees; charges; interest rates and provisions relating to penalties on arrears. It also imposes specific requirements for the format and content of housing loan agreements and specific criteria for the calculation of APR.

Early repayment charges (or redemption fees) are permitted under the CCA but restrictions are imposed on how and when such fees are permitted and on the level of such fees. The CCA prohibits redemption fees on variable housing loans and states that redemption fees shall not apply to housing loans unless the loan in question is:

(a) fixed; or

(b) fixed over a period of at least one year; or

(c) fixed for a period of not less than five years at rate that does not exceed the rate at the date of the mortgage by more than 2%.

The CCA also states that, where redemption fees are payable, a statement to that effect specifying how the amount of the fee is to be calculated shall be included in or attached to any information document, any application form, and any documents sent to the applicant approving the loan. Even where an early repayment charge is permitted by the CCA, it will still be subject to the UTCCR (which would be breached if, for example, the fee was too high) and subject to the common law rules relating to penalties. In addition, all charges, including early redemption fees must be notified to the Financial Regulator under the CCA. Early redemption fees are only charged in the cases of an early repayment of a Fixed Rate Loan.

If it is determined that the Seller has breached the CCA, for example, by not including the information required by the CCA in its homeloan documents, such a breach could result in repercussions including conviction of an offence leading to monetary sanctions in the form of fines. Any such sanction may impact adversely on the Issuer's ability to make payments on the Notes. In addition, if any clause in the Loans imposing a redemption fee is found to amount to a penalty, the clause may be deemed unenforceable and the Borrower may be entitled to make a claim, which may adversely affect the Issuer's ability to make payments on the Notes (the consequences of such a redemption fee clause being found to be unfair are set out above in the paragraphs relating to the UTCCR).

Unfair Commercial Practices Directive

On 11 May 2005 the European Council and European Parliament adopted a directive on unfair commercial practices, which was transposed into Irish law by the Consumer Protection Act 2007 (the "**2007 Act**"). Under the 2007 Act, a commercial practice is to be regarded as unfair if it is:

(a) contrary to the requirements of professional diligence; and

(b) materially distorts or is likely to materially distort the economic behaviour of the average consumer.

There are two main categories of unfair commercial practices: "misleading" practices and "aggressive" practices which are assessed in light of the above criteria. In addition, there is a blacklist of practices which will in all cases be considered unfair, without applying the average consumer test. The 2007 Act is stated to be without prejudice to contract law and the rules of the validity, formation or effect of a contract.

The 2007 Act affects all consumer contracts including housing loan agreements. If it is determined that the Seller has engaged in an unfair commercial practice, i.e. omitted or concealed material information that the Borrower would require or provided material information in a manner that was unclear, unintelligible or ambiguous, this can result in a number of possible sanctions (criminal and civil) including penalties and fines; prohibition orders; compliance orders; and undertakings to compensate the Borrower and/or reimburse monies received from him in connection with the Loan. In addition, the Borrower may have a right of action for damages. Any such finding of unfair commercial practices may impact adversely on the Issuer's ability to honour its obligations regarding payment on the Notes.

Consumer Protection Code

In accordance with its powers under the Central Bank Acts 1942 to 1998, the Financial Regulator published a Consumer Protection Code ("**CPC**") on 25 July 2006. CPC came into force on 1 August 2006 with certain provisions applying from that date and the remaining provisions came into force on 31 August 2006 and 1 July 2007.

CPC contains provisions covering all aspects of a regulated entity's relationship with a consumer, from advertising and marketing, to knowing the consumer and offering suitable products, to ensuring that consumers are treated fairly. CPC contains rules relating to warnings to be included in consumer materials, the provision of details as to charges, changes in interest rates, arrears, guarantees, payment protection insurance, the consolidation of loans, all of which are relevant to a range of banking products, including mortgages.

If it is determined that the Seller has breached CPC by, for example, failing to provide the Borrower with the details of relevant charges or by failing to provide the Borrower with the necessary details in relation to mortgage arrears, such breach may result in the imposition of administrative sanctions including a direction to refund or withhold all or part of the money charged or paid for the provision of the Loan or other monetary penalties. Any such sanction may impact adversely on the Issuer's ability to make payments on the Notes.

European Directive on Consumer Credit

In April 2008, the European Parliament and the Council adopted a second directive on consumer credit, Directive 2008/48/EC of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC (the "**Consumer Credit Directive**"), which provides that, subject to exemptions, loans of at least €200 and not exceeding €75,000 between credit providers and consumers will be regulated. This directive requires member states to implement the directive by measures coming into force by, 11 June 2010.

Loans secured by a land mortgage 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, setting out its tasks for 2008 to 2010 including, among other things, an assessment of the

regulation of early repayment charges, pre-contract disclosure and interest rate restrictions. The European Commission has stated that, in its view, without further study, it is too early to decide on whether a mortgage directive would be appropriate and it is still evaluating the different options which can be adopted towards mortgage credit.

Until the final text of any initiatives resulting from the White Paper process are decided and the details of Ireland's 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 mortgage credit would have on the Loans, the Seller, the Issuer, the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

TRS scheme

Tax relief at source ("**TRS**") for mortgage interest was introduced in Ireland in the tax year 2002 (the "**TRS Scheme**"). The Irish Revenue Commissioners published guidelines indicating how the TRS Scheme will operate (the "**Guidelines**") and the Seller has been operating the TRS Scheme based on the Guidelines since then.

Under the TRS Scheme mortgage borrowers are permitted to pay interest net of the relevant tax relief to the relevant mortgage lender and the relevant mortgage lender, once it constitutes a qualifying lender, claims payment of the tax relief directly from an account of the Irish Revenue Commissioners. On the Closing Date, the Seller will be the lender with respect to the Portfolio and the Seller will be a qualifying lender for the purpose of the TRS scheme.

The operation of TRS does not have any negative impact on the Seller's cash flows as it makes claims for repayment of the tax relief granted from the Irish Revenue Commissioners' funding account on a direct debiting monthly (estimated) basis.

If legal title to the Portfolio is perfected to the Issuer, BoSI will no longer be the lender with respect to the Portfolio. However, the Guidelines indicate that provided BoSI acts as Servicer in relation to the Portfolio, it will be regarded as the qualifying lender for the purpose of the TRS scheme or it can nominate the securitisation vehicle (the Issuer) or its agent (the Security Trustee or another nominee) as a qualifying lender for the purpose of the TRS scheme. BoSI will covenant in the Servicing Agreement that if it is replaced as Servicer it will appoint such other person as may be selected or approved by the Issuer and the Security Trustee as a qualifying lender for the purposes of the TRS scheme provided that such person has been registered as a qualifying lender by the Revenue Commissioners in connection with the TRS Scheme. The Servicing Agreement will include a power of attorney enabling the Security Trustee to make this nomination on behalf of BoSI as its attorney.

In addition, under the terms of the Master Agreement (as defined below), Trust Deed, Deed of Charge and Agency Agreement, the parties to the those documents, including the Security Trustee and the Note Trustee have agreed that, if requested by the Issuer, they will do all things and make any changes to any Transaction Documents to deal with, or alleviate the burden of, any TRS scheme in Ireland, provided that such changes are not materially prejudicial to the interests of Noteholders or BoSI. The Note Trustee will act in accordance with any such request if it is advised by a financial advisor or other professional advisor of recognised standing that the matters contemplated by such request are not materially prejudicial to the interests of Noteholders. If such advice cannot be obtained, the Note Trustee will act in accordance with any such request if approved by an Extraordinary Resolution (as defined in the Trust Deed) of both classes of Noteholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union, from 1 January 2010, is required to provide to the tax authorities of another Member State details of payments of interest (or 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 entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria may instead operate 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 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 territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the European Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system, or through another country that has adopted similar measures, and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.

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 not self-implementing and, accordingly, the implementation measures and dates in participating countries are dependant on the relevant national implementation process in those countries.

In July 2009, the Basel Committee finalised certain revisions to the Framework, including changes intended to enhance certain securitisation requirements (e.g. increased risk weights for "resecuritisation" exposures). In addition, the European Parliament has approved certain amendments to the Capital Requirements Directive (the "**CRD")** (including investment restrictions and due diligence requirements in respect of securitisation exposures) and the European Commission has put forward further securitisation related amendments to the European Parliament and the Council of Ministers for consideration (including increased capital charges for relevant trading book exposures and for resecuritisation exposures). As and when implemented, the Framework (and any relevant changes to it or to any 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 implications for them of the application of the Framework and any relevant implementing measures.

Lloyds Banking Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant material adverse effect on Lloyds Banking Group's operating results, financial conditions and prospects.

Lloyds Banking Group conduct its businesses subject to ongoing regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies, voluntary codes of practice and interpretations in the UK and the other markets where it operates. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector, which the Lloyds Banking Group expects to continue for the foreseeable future. Future

changes in regulation, fiscal or other policies are unpredictable and beyond the control of Lloyds Banking Group and could materially adversely affect the Lloyds Banking Group's businesses.

Areas where changes could have an adverse impact include, but are not limited to:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy, or changes in regulatory regimes that may significantly influence investor decisions in particular markets in which the Lloyds Banking Group operate, may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- changes to prudential regulatory rules relating to capital adequacy and liquidity frameworks;
- external bodies applying or interpreting standards or laws differently to those applied by the Lloyds Banking Group historically;
- changes in competition and pricing environments;
- further developments in requirements relating to financial reporting, corporate governance, conduct of business and employee compensation;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Lloyds Banking Group's products and services.

In the United Kingdom and elsewhere, there is also increased political and regulatory scrutiny of the banking industry and, in particular retail banking. Increased regulatory intervention may lead to requests from regulators to carry out wide ranging reviews of past sales and/or sale practices. In the United Kingdom, the Competition Commission and the Office of Fair Trading (**OFT**) are carrying out several inquiries. In recent years, regulators have increased their focus on consumer protection and there have been several issues in the UK financial services industry in which the FSA has intervened directly, including the sale of investment products, personal pensions and mortgage related endowments.

In light of the ongoing market uncertainty, the Lloyds Banking Group expects to face increased regulation and political and regulatory scrutiny of the financial services industry. The UK Government, the FSA or other regulators in the United Kingdom or overseas may intervene further in relation to the areas of industry risk already identified, or in new areas, which could adversely affect the Lloyds Banking Group. Any such regulatory developments or changes may have a negative impact on Lloyds Banking Group's results and may have an impact on the ability of BoSI and BoS UK to perform their obligations under the transaction documents and ultimately adversely affect your interests.

In addition, the Lloyds Banking Group faces increased political and regulatory scrutiny as a result of the acquisition of the HBOS Group. Such scrutiny may focus on or include review of the historical or future operations of the HBOS Group as well as the characteristics of the enlarged Lloyds Banking Group and future operation of the markets concerned.

Such increased scrutiny may result in part from the Lloyds Banking Group increased size and systematic importance following the Acquisition. For example, in clearing the acquisition of the HBOS Group without a reference to the Competition Commission, the Secretary of State noted that there were some competition concerns identified by the OFT in the markets for personal current accounts and mortgages in Great Britain and the market for SME banking in Scotland. The Secretary of State then asked the OFT to keep relevant markets under review in order to protect the interests of UK consumers and the British economy. Partly in response to this request, in April 2009 the OFT launched a consultation on its plans for keeping UK financial markets under review. At this time, the OFT has indicated its intention to focus its efforts in the financial services markets on the banking sector, including credit, leasing and debt recovery activities. The OFT has

also reiterated that it will consider whether to refer any banking markets to the Competition Commission if it identifies any prevention, restriction or distortion of competition. On 29 July 2009, following consultation on its proposed plans, the OFT published a final plan for its activities in the financial services markets in 2009. The outcome of any reviews by the OFT or referrals to the Competition Commission could adversely affect the Lloyds Banking Group.

Compliance with any changes in regulation or with any regulatory intervention resulting from political or regulatory scrutiny may significantly increase the Lloyds Banking Group's costs, impede the efficiency of their internal business processes, limit their ability to pursue business opportunities, or diminish their reputation. Any of these consequences could have a material adverse effect on the Lloyds Banking Group's operating results, financial condition and prospects.

The Lloyds Banking Group is exposed to various forms of legal and regulatory risk including the risk of mis-selling financial products, acting in breach of legal or regulatory principles or requirements and giving negligent advice, any of which could have a material adverse effect on its results or its relations with its customers

The Lloyds Banking Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

(a) certain aspects of the Lloyds Banking Group's business may be determined by the authorities, the Financial Ombudsman Service (**FOS**) or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of FOS, with what is fair and reasonable in the Ombudsman's opinion;

(b) the possibility of alleged mis-selling of financial products or the mishandling of complaints related to the sale of such products by or attributed to a member of Lloyds Banking Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers; all of which may require additional provisions;

(c) contractual obligations may either not be enforceable as intended or may be enforced against Lloyds Banking Group in an adverse way;

(d) the Lloyds Banking Group hold accounts for a number of customers that might be or are subject to interest from various regulators and authorities, including the Serious Fraud Office, those in the U.S. and others. The Lloyds Banking Group is not aware of any current investigation into the Lloyds Banking Group as a result of any such enquiries but cannot exclude the possibility of the Lloyds Banking Group's conduct being reviewed as part of any such investigations;

(e) the intellectual property of Lloyds Banking Group (such as its trade names) may not be adequately protected; and

(f) Lloyds Banking Group may be liable for damages to third parties harmed by the conduct of its business.

In addition, Lloyds Banking Group face risk where legal or regulatory proceedings, complaints made by FOS or other complaints are brought against it in the UK High Court or elsewhere, or in jurisdictions outside the UK, including other European countries and the United States (which may include class action lawsuits). For example, a major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with US economic sanctions. The outcome of any proceeding or complaint is inherently uncertain and could have a material adverse effect on Lloyds Banking Group's operations and/or financial condition especially to the extent the scope of any such proceedings expands beyond original focus.

Failure to manage these risks adequately could impact Lloyds Banking Group adversely, both financially and reputationally through an adverse impact on the Lloyds Banking Group's brands.

Risks relating to the Issuer

The Issuer is subject to certain legal risks, including the location of its COMI, the appointment of an examiner in the event the Issuer experiences financial difficulties, the claims of preferred creditor under Irish law and floating charges.

COMI

The Issuer has its registered office in Ireland. As a result there is a rebuttable presumption that its centre of main interest ("**COMI**") is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice ("**ECJ**") in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings, that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect". As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI is not located in Ireland, and is held to be in a different jurisdiction within the European Union, Irish insolvency proceedings would not be applicable to the Issuer.

Examinership

Examinership is a court procedure available under the Irish Companies (Amendment) Act 1990, as amended (the "**1990 Act**") to facilitate the survival of Irish companies in financial difficulties.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one-tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the High Court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and the High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer is a special purpose entity and that all its liabilities are of a limited recourse nature means that it is unlikely that an examiner would be appointed to the Issuer.

If however, for any reason, an examiner were appointed while any amounts due by the Issuer under the Notes were unpaid, the primary risks to the holders of Notes would be as follows:

(i) the Security Trustee would not be able to enforce rights against the Issuer during the period of examinership; and

(ii) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

Preferred Creditors under Irish Law

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

(i) under the terms of the Deed of Charge, the Issuer will charge the Security to the Security Trustee on behalf of Noteholders and other Secured Parties by way of first fixed charge as security for its payment obligations in respect of the Notes. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE and VAT; and

(ii) under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge, such as the Security, may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and

(iii) in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

Limited recourse and non-petition

The Notes will be limited recourse obligations of the Issuer. The ability of the Issuer to meet its obligations under the Notes will be dependent upon the receipt by it in full of (a) principal and interest from the Borrowers under the Loans and their Related Security in the Portfolio (b) payments (if any) due from the Interest Rate Swap Provider or the Guarantor, (c) interest income on the Bank Accounts, (d) the receipt of funds (if available to be drawn) under the Liquidity Facility Agreement, (e) the receipt of funds under the Pre-Funding Loan Agreement and (f) amounts standing to the credit of the Reserve Fund at any time. Other than the foregoing, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes.

Upon enforcement of the Security by the Security Trustee, if:

(a) there is no Charged Property remaining which is capable of being realised or otherwise converted into cash;

(b) all amounts available from the Charged Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Deed of Charge; and

(c) there are insufficient amounts available from the Charged Property to pay in full, in accordance with the provisions of the Deed of Charge, amounts outstanding under the Notes (including payments of principal premium (if any) and interest),

then the Secured Parties (which include the Noteholders) shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal and/or interest in respect of the Notes) and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease. It should be noted that, in certain limited circumstances, the Issuer will not be able to make any further drawings under the Liquidity Facility Agreement.

All of the parties to the Transaction Documents have agreed that only the Security Trustee may pursue the remedies under the general laws or under the Deed of Charge and no other party to any Transaction Documents shall be entitled to proceed directly against the Issuer to enforce the Security.

SUMMARY OF THE KEY TRANSACTION DOCUMENTS

Mortgage Sale Agreement

Initial Portfolio

Under the Mortgage Sale Agreement, on the Closing Date the Seller will sell to the Issuer its interests in a portfolio of residential mortgage loans (the "**Initial Loans**") and their associated mortgages (the "**Initial Mortgages**" and, together with the other security for the Initial Loans, the "**Initial Related Security**"). The Initial Loans and Initial Related Security and all monies derived therefrom from time to time are referred to herein as the "**Initial Portfolio**". Prior to 1 July 2004, the Loans were originated by BoS UK and such Loans were sold to BoSI pursuant to the BoS UK Mortgage Sale Agreement.

The sale by the Seller to the Issuer of the Loans in the Initial Portfolio will be given effect by equitable assignments (and any sale of Loans in the future will be given effect by further equitable assignments). The consideration due to the Seller is the aggregate of:

(a) €3,100,000,000 (the "**Initial Consideration**");

(b) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the Initial Portfolio; and

(c) an amount equal to any fees received as a consequence of the early termination of a Fixed Rate Loan ("**Early Repayment Charges**") and certain other fees incurred by the Servicer in respect of its servicing of the Loans which are not reimbursed to it pursuant to the Servicing Agreement (together, the "**Servicing Related Fees**") which shall be paid to the Seller as and when they are received and identified by the Issuer.

The consideration attributable to Accrued Amounts and Servicing Related Fees on the Initial Loans will be paid (as and when received and identified) from the payments made by Borrowers in respect of the Initial Loans on or after the Closing Date. The Deferred Consideration will be paid in accordance with the priority of payments set out in the section headed "*Cashflows — Application of Available Revenue Receipts Prior to the Service of a Note Acceleration Notice on the Issuer*" below.

New Loans

After the Closing Date and until 26 February 2010 (such period, the "**Revolving Period**"), the Issuer may apply amounts standing to the credit of the Retained Principal Receipts Fund to purchase from the Seller new residential mortgage loans (the "**New Loans**") together with their associated mortgages (the "**New Mortgages**" and together with the "**Initial Mortgages**", as the context requires, the "**Mortgages**"), and other security for the New Loans (the "**New Related Security**" and, together with the Initial Related Security, as the context requires, the "**Related Security**"). The Loans and the Related Security and all monies derived therefrom from time to time are referred to herein as the "**Portfolio**". The Loans and Related Security are further defined in "*Transaction Overview*".

The consideration for the sale of such New Loans and their New Related Security to the Issuer will consist of:

(a) the Issuer paying to the Seller an amount equal to the Principal Balance of the New Loans (the "**New Portfolio Purchase Price**");

(b) a covenant by the Issuer to pay the Deferred Consideration in respect of the sale of the New Loans;

(c) any principal, interest and expenses accrued as at the relevant Sale Date on the New Loans ("**Accrued Amounts**") as and when they are received and identified by the Issuer; and

(d) the Issuer paying to the Seller an amount equal to any Servicing Related Fees as and when they are received and identified by the Issuer.

The Seller will select the New Loans to be offered to the Issuer during the Revolving Period using an internally developed system containing defined data on each of the qualifying New Loans in the Seller's overall portfolio of loans available for selection. This system allows the setting of exclusion criteria, among others, corresponding to relevant representations and warranties that the Seller makes in the Mortgage Sale Agreement in relation to the Loans (see "*Summary of the Transaction Documents — Mortgage Sale Agreement — Representations and Warranties*" below). Once the criteria have been determined, the system identifies all loans owned by the Seller that are consistent with the criteria. From this subset, New Loans are selected at random until the target balance for New Loans has been reached or the subset has been exhausted. After a portfolio of New Loans is selected in this way, the constituent New Loans are monitored so that they continue to comply with the relevant criteria on the date of transfer.

The sale of New Loans and the New Related Security to the Issuer will in all cases also be subject to certain conditions as at the relevant date the New Loans are sold (in respect of any Loan, its "**Sale Date**" or "**Relevant Sale Date**"). The conditions are that:

(a) the Issuer will have sufficient amounts standing to the credit of the Retained Principal Receipts Fund on the Sale Date to finance the New Portfolio Purchase Price.

(b) there is no Event of Default occurring as at the Relevant Sale Date;

(c) there is no Seller Insolvency Event occurring as at the Relevant Sale Date; and

(d) there has been no failure by the Seller of its obligations to repurchase any Loan pursuant to the Mortgage Sale Agreement;

During the Revolving Period the Seller will use its best efforts to offer to sell New Portfolios to the Issuer. For the avoidance of doubt, the Seller shall not be obliged to sell New Portfolios if, in the Seller's opinion, it would adversely effect the business of the Seller.

It is not intended that the Seller will sell New Portfolios to the Issuer after the Revolving Period.

Title to the Mortgages, registration and notifications

The completion of the transfer or conveyance of the Loans and Related Security (and where appropriate their registration) to the Issuer is, save in the limited circumstances referred to below, deferred. Legal title to the Loans and Related Security therefore remains with the Seller. The transfer of the legal title to the Loans and the Related Security to the Issuer will be completed on or before the thirtieth (30^{th}) Business Day after the earliest to occur of the following:

(a) the Seller being required to perfect the Issuer's legal title to the Loans, or to procure that any notifications or registrations with respect to the Loans (required to perfect the Issuer's legal title to the Loans) are made, by an order of a court of competent jurisdiction or by any regulatory authority of which the Seller is a member or any organisation whose members comprise (but are not necessarily limited to) mortgage lenders and with whose instructions it is customary for the Seller to comply; or

(b) it becoming necessary by law to make the notifications or registrations referred to in paragraph (a) above; or

(c) the notification to the Rating Agency of the termination of the Seller's role as Servicer under the Servicing Agreement, unless otherwise agreed in writing by the Security Trustee; or

(d) the Seller calling for perfection by serving notice in writing to that effect on the Issuer and the Security Trustee; or

(e) unless otherwise agreed with the Rating Agency and the Security Trustee, the date on which the Seller ceases to be assigned a long term unsecured, unsubordinated debt obligation rating from the Rating Agency of at least Baa3 (a "**BoSI Downgrade Event**"); or

(f) the Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (g) below, ceases or, through an authorised action of the board of directors of the Seller, threatens to cease to carry on all or substantially all of its business or its mortgages administration business or the Seller is deemed unable to pay its debts as and when they fall due (within the meaning of Section 214 of the Companies Act 1963 or Section 2(3) of the Companies (Amendment) Act 1990); or

(g) an order is made or an effective resolution is passed for the winding-up of the Seller except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction with or by Lloyds Banking Group or any of its subsidiaries the terms of which have previously been approved by the Security Trustee in writing acting on an Extraordinary Resolution of the Noteholders; or

(h) proceedings shall be initiated against the Seller under any applicable liquidation, insolvency, bankruptcy, composition, reorganisation (other than a reorganisation where the Seller is solvent) or other similar laws (including, but not limited to, presentation of a petition for an examinership order, the filing of documents with the court for the appointment of an examiner, the service of notice of intention to appoint an examiner or the taking of any steps to appoint an examiner) and (except in the case of presentation of a petition for an examinership order, the filing of documents with the court for the appointment of an examiner, the service of notice of intention to appoint an examiner or the taking of any steps to appoint an examiner) such proceedings are not, in the reasonable opinion of the Security Trustee, being disputed in good faith with a reasonable prospect of success, or an examinership order shall be granted or the appointment of an examiner takes effect, a receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to the Seller or in relation to the whole or any substantial part of the undertaking or assets of the Seller, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of the Seller, 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 Seller 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 Seller (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 takes steps with a view to obtaining a moratorium in respect of any indebtedness,

each of (f), (g) and (h) above being a "**Seller Insolvency Event**".

The title deeds and customer files relating to the Portfolio (the "**Mortgage Deeds**" and "**Loan Files**" respectively) are currently held by or, on behalf of the Seller by BoS UK or to the order of the Seller by solicitors acting for the Seller in connection with the origination of the Loans. The Seller has undertaken that all the Mortgage Deeds and Loan Files which are at any time in its possession or under its control or held to its order will be held to the order of the Issuer or as the Issuer directs.

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

Representations and Warranties

The Seller has represented and warranted (or, as the case may be, will represent and warrant) in relation to the Portfolio to the Issuer and the Security Trustee in the Mortgage Sale Agreement in the form of "**Loan Warranties**" (as defined below):

(a) in respect of each Initial Loan and Initial Related Security as at the Closing Date (excluding the Loan Warranties set out in Part II (*New Loans*) and Part III (*Further Advances and Product Switches*));

(b) in respect of each New Loan and New Related Security in the New Portfolio, as at the relevant Sale Date, as if references in the Loan Warranties to the "Loan" include the relevant "New Loan" and to the "New Portfolio" include the relevant "New Portfolio" (without prejudice to any of those Loan Warranties explicitly stated not to apply to New Loans) (including the Loan Warranties set out in Part II (*New Loans*) but excluding the Loan Warranties set out in Part III (*Further Advances and Product Switches*));

(c) in relation to any Further Advance, as at the relevant Advance Date, as if references in the Loan Warranties to the "Loan" include the relevant Loan subject to a Further Advance (each such Loan together with the Further Advance, the "**Increased Loan**"), as if references in the Loan Warranties to "New Loans" in Part II (*New Loans*) include the relevant Increased Loan and as if references to "Sale Date" are to the Advance Date (without prejudice to the matters stated not to apply to Further Advances in Part I as applicable); and

(d) in relation to each Loan which is subject to a Product Switch as at the relevant Switch Date, as if references in the Loan Warranties to the "Loan" are to the relevant Loan subject to a Product Switch, as if references to "New Loans" in Part II (*New Loans*) include the relevant Loan subject to a Product Switch and as if references to "Sale Date" are to the Switch Date (including the Loan Warranties set out in Part III (*Product Switches*) as applicable).

Without prejudice to any subsequent determination of a breach of Loan Warranty, the Loan Warranties applicable to New Loans, Further Advances and Product Switches will initially be tested on the Calculation Date immediately following the relevant Sale Date, Advance Date or Switch Date (as applicable), by reference to the circumstances existing as at that relevant Sale Date, Advance Date or Switch Date (as applicable).

"**High Income Earner Buy-to-Let Loan**" means a Buy-to-Let Loan available to Borrowers whose income met with minimum thresholds (€60,000 gross income for single persons and €80,000 gross income for married couples) and who were underwritten under the residential affordability model. Certain professions are not subject to minimum income thresholds.

"**Interest Coverage Ratio**" means the ratio of annual income in respect of a Buy-to-Let Property to the annual interest payable in respect of the relevant Buy-to-Let Loan.

"**Origination Date**" means the date on which a Loan was made by BoSI to the Borrower thereof, and in relation to a Further Advance, means the relevant Advance Date.

"**Relevant Date**" means the Closing Date or the relevant Sale Date, Advance Date or Switch Date in relation to any Loan.

The **Loan Warranties** are that, *inter alia*:

Part I - Mortgage Warranties to be given in respect of each Loan forming part of the Portfolio

1. Each Loan is secured by a first legal mortgage of residential property in Ireland and has been originated substantially on the terms of the Lending Criteria as at the relevant Origination Date, save

for such changes thereto or waivers thereof as would be acceptable to a Reasonable, Prudent Mortgage Lender in Ireland.

2. The details of the Initial Portfolio set out in Appendix 1 of the Mortgage Sale Agreement, are true and accurate in all material respects as at 2 December 2009.

3. The Initial Portfolio does not contain any lifetime mortgages.

4. Subject only to fulfilment of a Solicitor's Undertaking to complete stamping at the Revenue Commissioners if necessary, and registration at the Land Registry or the Registry of Deeds, each Mortgage constitutes a legal, valid binding, enforceable and subsisting first legal mortgage or charge over the relevant Property.

5. At the time of sale to the Issuer, each Loan and its Related Security and all other rights and benefits being sold pursuant to the Mortgage Sale Agreement is the absolute property of the Seller free and clear of any mortgage, sub-mortgage, charge, sub-charge, assignment by way of security or other such Encumbrance. All steps necessary to perfect the Seller's title to each Loan and Related Security have been duly taken or are in the process of being taken in a manner as may be acceptable to a Reasonable, Prudent Mortgage Lender. The Seller has not assigned, charged, transferred, disposed of or dealt with the benefit of any Loan or Related Security or any of the property rights, titles, interests or benefits therein or thereunder.

6. In relation to each Mortgage, (i) if the Property does not comprise Registered Land, the Borrower has good and marketable title to the fee simple absolute in possession or to a term of years certain expiring not less than 30 (thirty) years after the term of the Loan and (ii) if the Property comprises Registered Land, it has been or is, subject to fulfilment of the relevant Solicitor's Undertaking, in the course of being registered with title absolute, in the case of freehold property and absolute or good leasehold title, in the case of leasehold title, save for any part of the Property where the Seller, having exercised the level of skill and care that it would have exercised in relation to the origination of such Mortgage whether or not such Mortgages are or are intended to become Mortgages forming part of the Portfolio, considers that a possessory title to such part of the Property will not have a material effect on valuation.

7. Each Loan was due to be repaid in full not later than 40 (forty) years from the relevant Origination Date.

8. No Loans have been approved where BoSI or any member of the Lloyds Banking Group has previously repossessed a property owned by the applicant or where BoSI is aware of a judgment registered against such applicant.

9. No Loans have been approved where the applicant is or has been the subject of a legal action for debt recovery or where BoSI was aware that the applicant is or had been declared bankrupt.

10. Other than in respect of High Income Earner Buy-to-Let Loans, at the Origination Date the minimum Interest Coverage Ratio was 1.2 times for Buy to Let Properties with an LTV of less than 70 per cent and 1.4 times for Buy to Let Properties with an LTV of between 70 and 80 per cent.

11. The Seller has not received actual notice of any litigation or claim calling into question in any way its title to any of the Loans or the Related Security or any other rights or benefits sold pursuant to the Mortgage Sale Agreement.

12. Where a Property is subject to a second or subsequent mortgage or charge (other than a second or subsequent mortgage or charge in favour of the Seller), the relevant Mortgage has priority as a first mortgage for the full amount of the Initial Advance (and any Further Advances made before the second or subsequent mortgage or charge) made or to be made together with interest and costs owed under it.

13. All the Mortgage Deeds and the Loan Files relating to the Mortgages are held by or on behalf of the Seller or to the order of the Seller by solicitors acting for the Seller in connection with the origination of the Loans or have been lodged by or on behalf of the Seller at the Land Registry or the Registry of Deeds.

14. Each Loan and Related Security constitutes the legal, valid, binding and enforceable obligations of the parties thereto enforceable in accordance with their terms.

15. Prior to making the Loan, the applicable Lending Criteria in place at the Origination Date were satisfied, so far as applicable subject to such amendments and waivers as would have been acceptable to a Reasonable, Prudent Mortgage Lender.

16. No Borrowers are employees or officers of the Seller.

17. Prior to granting a Loan (other than a Further Advance), the Seller carried out or caused to be carried out on its behalf the investigations, searches and other actions in relation to the Loans and the Related Security as a Reasonable, Prudent Mortgage Lender would and the results thereof would, in the circumstances, have been acceptable to a Reasonable, Prudent Mortgage Lender for the purposes of the Loan.

18. Other than in the case of a Further Advance, on or before the Origination Date as would accord with the Seller's usual practice, the Seller received (a) a Certificate of Title Insurance under a Master Insurance Policy held with First Title Insurance p.l.c., or (b) from solicitors acting for it or the Borrower, an undertaking to furnish, as soon as practicable, a certificate of title in an acceptable form or a certificate of title to the relevant Property which either initially or after further investigation disclosed nothing which would cause the Seller to decline to proceed with the relevant Loan on the proposed terms, the Seller having exercised the level of skill and care that it would have exercised in relation to origination of mortgages whether or not such Loans are or are intended to become a mortgage forming part of the Initial Portfolio.

19. Other than in the case of a Further Advance, on, after or no more than six months prior to the relevant Approval Date or such longer period as would accord with the Seller's usual practice, the Seller received from a valuer (holding such professional qualifications as the Seller acting prudently believes to be suitable) acting for it a valuation of the relevant Property which either initially or after further investigation disclosed nothing which would cause the Seller to decline to proceed with the relevant Loans on the proposed terms the Seller having exercised the level of skill and care that it would have exercised in relation to the origination of mortgages whether or not such mortgages are or are intended to become Loans forming part of the Portfolio) and the principal amount of each Loan (excluding any Further Advances) will not at the Relevant Date exceed 100 per cent. of the amount of the most recent valuation.

20. The LTV on the Loans to which any Further Advance relates (calculated by reference to the Principal Balance) will not on the approval date of such Further Advance exceed 95 per cent. if applicable based on the indexed value of the Property which is based on the most recent independent valuation available to the Seller.

21. The Seller has exercised in originating each Loan the level of skill and care that it would have exercised in relation to origination of mortgages whether or not such mortgages are or are intended to become Loans forming part of the Portfolio.

22. The Loan Files relating to each Loan show substantially all the transactions, payments, receipts and proceedings relating to that Loan and are held by the Seller or to its order.

23. The Seller has taken all reasonable steps to ensure that, on the Origination Date, the relevant Property was insured by the Borrower under a buildings insurance policy with an insurance company against fire and other risks usually covered by a comprehensive insurance policy for an amount not

less than the full reinstatement value determined by a valuer approved by the Seller and that the Seller's interest has been noted thereon by the insurers and the Seller has not received notice of any circumstances giving the insurer thereunder the right to avoid or terminate the policy.

24. Prior to the completion of each Mortgage and provided the Seller had notice, any person who has made a contribution in any manner to the purchase price of the Property or who is the spouse of the mortgagor or who has a right of residence in the Property is either named as a party to the Mortgage or has executed a deed of postponement or deed of confirmation or has waived in writing all rights in relation to the Property.

25. The Seller has not waived any of its rights under or in relation to each Loan (including, without limitation, against any valuer, solicitor or the professional who has provided information), other than by such waivers as the Seller would have made in respect of mortgages whether or not such mortgages are or are intended to become Loans forming part of the Portfolio.

26.

(a) The Mortgage Conditions applicable to each Loan (other than a Fixed Rate Loan or a Tracker Rate Loan) provide for the interest rate applicable thereto from time to time to vary and to be set by the Seller (without reference to the Principal Balance thereof) subject to the restrictions in the Mortgage Conditions and interest is payable monthly.

(b) The Mortgage Conditions applicable to each Fixed Rate Loan provide for the interest applicable thereto to be calculated by reference to a fixed rate or series of fixed rates for a fixed period or periods and interest is payable monthly.

(c) The Mortgage Conditions applicable to Tracker Rate Loans provide for the interest rate applicable thereto from time to time to be calculated by reference to the European Base Rate plus an agreed margin and interest is payable monthly.

27. Each Loan has been originated upon the appropriate Approved Documentation in place on the Origination Date.

28. Each Loan was originated by the Seller or by BoS UK for its own account and was not purchased by the Seller or BoS UK from any other party save for those Loans which were purchased by the Seller from BoS UK pursuant to the BoS UK Mortgage Sale Agreement.

29. No Loan has been redeemed.

30. In relation to each Loan, at least 1 Monthly Payment has fallen due and been paid in full.

31. No Loan has a final maturity beyond the date falling two years prior to the final maturity of the Notes.

32. The Mortgage Conditions in respect of each Loan do not contain an obligation on the part of the Seller to make any Further Advances.

33. Each Loan, at the relevant Origination Date, was granted to a Borrower in respect of a private dwelling house property ("**PDH Property**") or Buy-to-Let Property.

34. Each Loan is a Variable Rate Loan or a Fixed Rate Loan or a Tracker Rate Loan or a combination thereof.

35. To the extent that the Consumer Credit Act 1995, the Consumer Protection Code 2006, the Consumer Protection Act 2007 and the Code of Conduct on Mortgages Arrears applies in respect of a Loan:-

(a) the Mortgage Conditions comply in all material respects with the requirements of the Consumer Credit Act, 1995, the Consumer Protection Code 2006 and the Consumer Protection Act 2007; and

(b) the Seller has complied in all material respects with the requirements of the Consumer Credit Act 1995, the Consumer Protection Code 2006, the Consumer Protection Act 2007 and the Code of Conduct on Mortgage Arrears in relation to that Loan.

36. To the extent that the European Communities (Unfair Terms in Consumer Contracts) Regulations, 1995 and 2000 (the **"UTCCR"**) apply in respect of any Loan:

(a) the Mortgage Conditions comply in all material respects with the requirements of the UTCCR; and

(b) the Seller has complied in all material respects with the requirements of the UTCCR in relation to that Loan.

37. Prior to the advance of any money under any of the Loans and the execution of the Loan by the Borrower, all necessary consents required under the Family Home Protection Act, 1976 were duly and validly obtained.

38. All documents that may be needed (i) to enforce each Loan and the Related Security or (ii) to be produced in evidence in connection with any proceedings relating to each Loan or the Related Security in the courts of Ireland have been duly stamped and (where appropriate) adjudicated or the Seller holds an undertaking from a solicitor to ensure the relevant documents are duly stamped.

39. All Borrowers are individuals.

40. To the best of the Seller's knowledge, information and belief, on the Origination Date in respect of each Loan, in instances where (i) there is only one Borrower, that Borrower is not unemployed or in full time education, and (ii) there is more than one Borrower, at least one Borrower is not unemployed or in full time education.

41. No Loan in the Initial Portfolio is more than three months in arrears.

42. To the best of the Seller's knowledge, information and belief, no fraud, misrepresentation or concealment has been perpetrated in respect of a Loan by:

(a) any person who prepared a valuation of a property;

(b) any solicitor who acted for the Seller in relation to any Loan;

(c) any insurance broker or agent in relation to any Insurance Contract;

(d) any Borrower or any guarantor or surety in respect of any Mortgage; or

(e) any other party within the knowledge of the Seller.

which would result in any monies owed by any of the Borrowers not being or being unlikely to be repaid in full under the terms of any of the Mortgage. It being agreed in each case, that any disputes in good faith and any arrears in respect of a Loan are not to be considered to fall within the warranties set out in (a) to (e) above.

43. All Loans are governed by the laws of Ireland.

44. To the extent that the European Communities (Distance Marketing of Consumer Financial Services) Regulations 2004 (S.I. No. 853 of 2004) (the "**DM Regulations"**) apply in respect of any Loan, the Seller has complied in all material respects with the DM Regulations.

45. The Seller has received from each Borrower a variable direct debit instruction in favour of the Seller signed by the relevant Borrower and addressed to its bank, variable as to the amount payable by such Borrower by unilateral notice given from time to time by the Seller to such Borrower's bank without further instruction or consent from such Borrower or such other method of payment as may be acceptable to a Reasonable, Prudent Mortgage Lender.

Part II - New Loans

The following additional Loan Warranties are (except as otherwise specified) made as at the relevant Sale Date (as tested on the immediately following Calculation Date) in respect of the New Loans sold to the Issuer on that Sale Date.

46. If any of the New Loans do not correspond to a type of loan product offered by the Seller on the Closing Date (a "**New Loan Product**") and such New Loan Product does not form part of the Portfolio, the Rating Agency has been notified.

47. No Seller Insolvency Event shall have occurred which is continuing.

48. There has been no failure by the Seller of its obligations to repurchase any Loan pursuant to this Agreement.

49. The total outstanding principal balance of Loans constituting the Portfolio, in respect of which the aggregate amount in arrears is more than three times the monthly payment then due, is less than 8 per cent. of the aggregate Principal Balance of Loans constituting the Portfolio.

50. The Principal Deficiency Ledger shall not have a debit balance outstanding at the most recent Interest Payment Date.

51. The inclusion of the relevant New Loan in the Portfolio does not result in the yield on the Portfolio, (taking into account the average yield on the Loans which are Tracker Rate Loans, Fixed Rate Loans and Variable Rate Loans and the margin on the Interest Rate Swap), being lower than the yield on the Portfolio at the Closing Date (taking into account the average yield on the Loans which are Tracker Rate Loans, Fixed Rate Loans and Variable Rate Loans and the margin on the Interest Rate Swap) in each case as at the relevant Sale Date.

52. On the Calculation Date (other than the Calculation Date immediately prior to the First Interest Payment Date) following the relevant Sale Date, the amounts standing to the credit of the General Reserve Ledger is greater than or equal to 100 per cent. of the General Reserve Required Amount.

53. The inclusion of the relevant New Loan in the Portfolio does not result in Loans with an outstanding principal balance larger than €1,000,000 accounting for more than 15 per cent. of the aggregate principal amount outstanding of the Loans constituting the Portfolio.

54. The inclusion of the relevant New Loan in the Portfolio does not result in Loans that have been in arrears in the last six months accounting for more than 15 per cent. of the aggregate principal amount outstanding of the Loans constituting the Portfolio.

55. The inclusion of the relevant New Loan in the Portfolio does not result in Buy-to-Let Loans accounting for more than 20 per cent. of the aggregate principal amount outstanding of Loans constituting the Portfolio;

56. The inclusion of the relevant New Loan in the Portfolio does not result in Fixed Term Interest Only Loans and/or Interest Only Loans accounting for more than 58 per cent. of the aggregate principal amount outstanding of Loans constituting the Portfolio; and

57. The inclusion of the relevant New Loans in the Portfolio does not result in the weighted average LTV Ratio at the point of origination of the Portfolio being more than 0.5 per cent. higher than the weighted average LTV Ratio at the point of origination of the Initial Portfolio.

Part III –Product Switches

The following additional Loan Warranties are made as at the relevant Switch Date in respect of Product Switches.

58. The Product Switch will be effected by such means as would be adopted by the Seller, for the purpose of ensuring the validity and priority of the Loan, were such switch in respect of a loan advanced by the Seller which is not part of the Portfolio.

59. The Product Switch will be similar to switches offered to the Seller's mortgage borrowers whose mortgages do not form party of the Portfolio.

Further Advances and Product Switches

The Seller shall be solely responsible for funding all future Further Advances in respect of Loans constituting the Portfolio. As used in this Prospectus, "**Initial Advance**" means all amounts advanced by the Seller to a Borrower under a Loan other than a Further Advance. Subject to the satisfaction of certain conditions described generally below, the Issuer will acquire Further Advances.

Further Advances: The Issuer shall purchase Further Advances from the Seller on the date that the relevant Further Advance is advanced to the relevant Borrowers by the Seller (the "**Advance Date**"). The Issuer will pay the Seller an amount equal to the principal amount of the relevant Further Advance (the "**Further Advance Purchase Price**") on the Business Day following the Advance Date (the "**Further Advance Payment Date**") to the extent that the Issuer has sufficient amounts standing to the credit of the Retained Principal Receipts Fund and/or sufficient Principal Receipts to make such payment, to the extent such amounts are insufficient, the Issuer will pay the Seller the remainder of the Further Advance Purchase Price by utilising the proceeds of a drawing under the Liquidity Facility in respect of such Further Advance Shortfall. Where the Issuer (or the Cash Manager on its behalf) determines that the amount of available drawings under the Liquidity Facility in respect of such Further Advance Shortfall would not be sufficient to fund such Further Advance Purchase Price, the Issuer may not complete the purchase of the relevant Further Advance and the Seller must promptly repurchase the related Loan and its Related Security.

Neither Seller nor Servicer (as applicable) shall be permitted to issue any offer for a Further Advance to any Borrower with a Loan which is more than one month in arrears.

Product Switches: The Seller (or the Servicer on behalf of the Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request the conversion of a Loan from one type of loan product offered by the Seller to another (or a combination of loan products) ("**Product Switch**"). Any Loan which has been subject to a Product Switch will remain in the Portfolio on the date that the Product Switch is made (the "**Switch Date"**).

Repurchase by the Seller

The Seller will be required to repurchase any New Loan, Further Advance or Product Switch sold pursuant to the Mortgage Sale Agreement if any Loan Warranty made by the Seller in relation to that New Loan, Further Advance or Product Switch (as applicable) and/or its Related Security proves on the Calculation Date following the relevant Sale Date, Advance Date or Switch Date (as applicable) (and for the purposes of this paragraph only the "**Relevant Date**") to be materially untrue as at the Relevant Date, and that default

has not been remedied within 20 Business Days of receipt of notice from the Issuer (or such shorter period as may be agreed by the Seller and the Issuer), then the relevant New Loan, Further Advance or Product Switch (as applicable), its related Loan and its Related Security must be repurchased by the Seller on the next Business Day following receipt by the Seller of a Loan Repurchase Notice or such other date as may be specified in the Loan Repurchase Notice, provided that the date so specified shall not be later than 15 days after the date on which the Loan Repurchase Notice was received by the Seller.

If a Further Advance Shortfall Advance has been made to the Issuer and the Issuer (or the Cash Manager on its behalf) determines on the Business Day before the following Distribution Date that it will be unable to repay such all or part of such advance on the Distribution Date, the Seller shall be required to repurchase the Loan and the Related Security relating to the Further Advance in respect to which the Further Advance Shortfall Advance was made on the Distribution Date.

Prior to the occurrence of a Seller Insolvency Event, the Seller may at any time offer to repurchase a Loan and its Related Security from the Issuer. The Issuer (or the Servicer acting on its behalf) may at its absolute discretion accept such offer.

Governing Law

The Mortgage Sale Agreement, and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

Servicing Agreement

Introduction

On the Closing Date, the Seller will enter into the Servicing Agreement with the Issuer and the Security Trustee, whereby the Seller will be appointed by the Issuer to be its agent to service the Loans and their Related Security (in this capacity the "**Servicer**").

Obligations of the Servicer

The Servicer must comply with any proper directions and instructions that the Issuer or, following service of a Note Acceleration Notice, the Security Trustee may from time to time give to it in accordance with the provisions of the Servicing Agreement. The Servicer is required to:

(a) administer the Loans and the Related Security as if the same had not been sold to the Issuer but had remained with the Seller;

(b) administer all the Portfolio with the same level of care and diligence as would a Reasonable, Prudent Residential Mortgage Lender;

(c) use its reasonable endeavours to keep in force all licences, approvals, authorisations, permissions and consents which may be necessary in connection with the performance of the Services and prepare and submit all necessary applications and requests for any further approval, authorisation, permission, consent or licence required in connection with the performance of the Services and in particular any necessary registrations under the Data Protection Acts 1988 and 2003 (as amended) (the **"Data Protection Acts"**);

(d) not knowingly fail to comply with any material legal requirements in the performance of the Services;

(e) not amend or terminate any of the Transaction Documents save in accordance with their terms;

(f) forthwith upon becoming aware of any event which may reasonably give rise to an obligation of the Seller to repurchase any Loan pursuant to the Mortgage Sale Agreement, notify the Seller and the Issuer in writing of such event;

(g) set the variable rates for the Variable Rate Loans (including in relation to those mortgage loans not comprised in the Portfolio and remaining with the Seller) in accordance with the terms of the interest rate covenant in the Servicing Agreement; and

(h) comply with the other terms of the Servicing Agreement;

(the "**Servicing Standards**").

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

Powers of the Servicer

Subject to the Servicing Standards set forth in the preceding section, the Servicer has the power, among other things:

- to exercise the rights, powers and discretions of the Issuer in relation to the Loans and their Related Security and to perform their duties in relation to the Loans and their Related Security; and

- to do or cause to be done any and all other things which it reasonably considers necessary or convenient or incidental to the servicing of the Loans and their Related Security or the exercise of such rights, powers and discretions.

Undertakings by the Servicer

The Servicer has undertaken, among other things to:

1. keep records and books of account for the Issuer in relation to the Loans and the Related Security comprised in the Portfolio;

2. keep records for all taxation purposes and VAT;

3. notify relevant Borrowers of any change in their Monthly Payments;

4. assist the auditors of the Issuer and provide information to them upon reasonable request;

5. provide a redemption statement upon the request of a Borrower, an authorised representative of a Borrower or the Borrower's solicitor;

6. notify relevant Borrowers of any other matter or thing which the applicable Mortgage Conditions require them to be notified of in the manner and at the time required by the relevant Mortgage Conditions or any applicable law;

7. subject to the provisions of the Servicing Agreement (including without limitation Clause 6.1 thereof) take all reasonable steps to recover all sums due to the Issuer, including (without limitation) by the institution of proceedings and/or the enforcement of any Loan comprised in the Portfolio or any Related Security; and

8. take all other action and do all other things which it would be reasonable to expect a Reasonable, Prudent Mortgage Lender to do in administering the Loans and the Related Security.

Setting of Interest Rates on the Loans

The interest rates payable by Borrowers in respect of the Mortgages will vary according to the relevant type of Loan. The Loans in the Initial Portfolio will comprise Tracker Rate Loans, Fixed Rate Loans and Variable Rate Loans. The ability at any time of the Servicer, the Issuer or any other party to vary the rates payable in respect of the Loans will be subject to:-

(i) the relevant Mortgage Conditions which restrict the ability to vary interest rates including (a) in the case of Variable Rate Loans, by restricting the rate which can be imposed to the Sellers published variable rate from time to time referred to in the relevant Mortgage Conditions, (b) in the case of Fixed Rate Loans, to the fixed rate of interest specified for the relevant fixed rate period and (c) in the case of Tracker Rate Loans, to the specified fixed margin over the European Base Rate;

(ii) the applicable Central Bank and other regulatory requirements from time to time, including without limitation, the Central Bank Code of Practice on the Transfer of Mortgages which provides that where the Seller would no longer control the setting of interest rates in the ordinary course of business, the Borrowers consent must be obtained notwithstanding any previous consent given by the Borrowers.

The Servicer has undertaken, pursuant to the Servicing Agreement, to determine and set the Variable Rates and any margins applicable to any Tracker Rate Loans chargeable to Borrowers from time to time in accordance with the Mortgage Conditions. The Servicer shall not at any time, without the prior consent of the Issuer, set or maintain:

(i) a margin in respect of any Tracker Rate Loan (in respect of which the Mortgage Conditions for that Loan set the margin above the interest rate of the European Central Bank in respect of main refinancing operations ("**European Base Rate**") or other relevant variable rate) at a rate which is higher or lower than the margin above the European Base Rate or other relevant variable rate then applying to Tracker Rate Loans then applying to Loans with such offer conditions as are beneficially owned by the Seller outside the Portfolio;

(ii) a margin above the European Base Rate or other relevant variable rate in respect of any other Tracker Rate Loan at a rate which is higher than the margin above the European Base Rate or other relevant variable rate which would then be set in accordance with the Seller's policy from time to time in relation to that Tracker Rate Loan if such Loan had remained beneficially owned by the Seller outside the Portfolio; and

(iii) the variable rate applicable to Variable Rate Loans in the Portfolio at a rate which is higher than the Variable Rates which would then be set in accordance with the policy of the Seller from time to time in relation to that Variable Rate Loan if such Loan had remained beneficially owned by the Seller outside the Portfolio,

unless the Servicer is required to do so pursuant to Clause 5.4 of the Servicing Agreement (as described below), and, subject to that requirement, it shall not change the Variable Rate or any margins applicable to any Tracker Rate Loans other than in accordance with all applicable Central Bank & Financial Services Authority of Ireland ("**Central Bank**") and other regulatory requirements and to the applicable Mortgage Conditions. The Issuer shall be bound by the Variable Rate and any margins applicable to any Tracker Rate Loans set in accordance with the Servicing Agreement.

In particular, the Servicer shall determine on each Calculation Date having regard to the aggregate of:

(a) the income which the Issuer would expect to receive during the Interest Period in which that Calculation Date falls;

(b) the Variable Rates and any margin applicable to any Tracker Rate Loans which the Servicer proposes to set under the Servicing Agreement; and

(c) the other resources available to the Issuer, including the Interest Rate Swap Agreement and the General Reserve Fund,

whether the Issuer would receive an amount of revenue during that Interest Period which is less than the amount which is the aggregate of the amount of interest which will be payable in respect of the Class A Notes on the Interest Payment Date following the end of that Interest Period and amounts which rank in priority thereto under the Pre-Acceleration Revenue Priority of Payments.

If the Servicer determines that there would be a shortfall in the foregoing amounts, it will give written notice to the Issuer and the Security Trustee, within one Business Day of such determination, of the amount of such shortfall and the Variable Rates and any margins applicable to any Tracker Rate Loans which would (taking into account the applicable Mortgage Conditions), in the Servicer's reasonable opinion, need to be set in order for no shortfalls to arise, having regard to the date(s) on which any changes to the Variable Rates and the margins applicable to any Tracker Rate Loans would take effect and at all times acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender as regards the competing interests of Borrowers with Variable Rate Loans and Borrowers with Tracker Rate Loans.

If the Issuer notifies the Servicer (with a copy to the Security Trustee) that, having regard to the obligations of the Issuer, the Variable Rates and/or any margins applicable to any Tracker Rate Loans should be increased, then the Servicer will, subject to all applicable Central Bank or other regulatory requirements and to the applicable Mortgage Conditions, take all steps which are necessary to increase the Variable Rates and/or margins applicable to any Tracker Rate Loans, including publishing any notice which is required in accordance with the applicable Mortgage Conditions and any regulatory requirements.

The Issuer (prior to the delivery of a Note Acceleration Notice) with the prior written consent of the Security Trustee and (following delivery of a Note Acceleration Notice) the Security Trustee may, subject to all applicable Central Bank and other regulatory requirements and to the applicable Mortgage Conditions, terminate the authority of the Servicer to determine and set the Variable Rates and any margin applicable to any Tracker Rate Loans on or after the occurrence of a Servicer Termination Event as defined under "*Removal or Resignation of the Servicer*" below, in which case the Issuer shall, subject to all applicable Central Bank and other regulatory requirements and to the applicable Mortgage Conditions, set the Variable Rates and any margin applicable to any Tracker Rate Loans itself in accordance with the above provisions.

Reasonable, Prudent Mortgage Lender

There is a requirement for any action to be taken by the Servicer according to the standards of a Reasonable, Prudent Mortgage Lender. For the avoidance of doubt, any action taken by the Servicer to set Variable Rates and (if applicable) any margins applicable in relation to any Tracker Rate Loans which are lower than that of the competitors of the Seller will be deemed to be in accordance with the standards of a Reasonable, Prudent Mortgage Lender.

Compensation of the Servicer

The Issuer pays to the Servicer a servicing fee for servicing the Loans and their Related Security (inclusive of VAT, if any) of 0.025 per cent. per annum, on the aggregate Principal Balance of all Loans in the Portfolio as at the opening of business on the preceding Interest Payment Date (or, as applicable, the Closing Date). The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

Removal or Resignation of the Servicer

If any of the following events (each a "**Servicer Termination Event"**) shall occur:

(a) default is made by the Servicer in the payment on the due date of any payment due and payable by it under the Servicing Agreement and such default continues unremedied for a period of five (5)

Business Days after it has received written notice of such default from the Issuer or the Security Trustee; or

(b) default is made by the Servicer in the performance or observance of any of its other covenants and obligations under the Servicing Agreement, which in the reasonable opinion of the Issuer (prior to the delivery of a Note Acceleration Notice) or the Security Trustee (after the delivery of a Note Acceleration Notice) is materially prejudicial to the interests of the Noteholders and such default continues unremedied for a period of twenty (20) Business Days after the Servicer becomes aware of such default provided however that where the relevant default occurs as a result of a default by any person to whom the Servicer has sub-contracted or delegated part of its obligations hereunder, such default shall not constitute a Servicer Termination Event if, within such period of ten (10) Business Days of receipt of such notice from the Issuer or the Security Trustee, the Servicer terminates the relevant sub-contracting or delegation arrangements and takes such steps as the Issuer or the Security Trustee may in their absolute discretion specify to remedy such default or to indemnify and/or secure the Issuer and/or the Security Trustee against the consequences of such default; or

(c) the occurrence of an Insolvency Event (in this context "**Insolvency Event**" has the same meaning as Seller Insolvency Event but any reference to the Seller shall be deemed to be a reference to the Servicer),

then the Issuer (prior to the delivery of a Note Acceleration Notice) with the written consent of the Security Trustee, or the Security Trustee itself (after delivery of a Note Acceleration Notice):

(i) in the case of (a) or (b), may, at once or at any time thereafter while such default continues, by notice in writing require the Servicer to delegate its powers and authorities under the Servicing Agreement to a substitute servicer identified by the Issuer with the consent of the Security Trustee subject to all applicable Central Bank and other regulatory requirements; and

(ii) in the case of (c), shall, at once by notice in writing to the Servicer and the Rating Agency terminate the Servicer's appointment as Servicer under the Servicing Agreement with effect from a date (not earlier than the date of the notice) specified in the notice. Upon termination of the appointment of the Servicer as servicer under the Servicing Agreement, the Issuer and the Seller shall use their reasonable endeavours to appoint a substitute servicer whose appointment is approved by the Security Trustee.

If a substitute servicer is appointed the provisions of the Servicing Agreement will continue to apply to such substitute servicer as if all references therein to the Servicer were references to such substitute servicer. However, for the avoidance of doubt, any substitute servicer shall be required to (A) administer the Loans and the Related Security comprised in the Portfolio in a manner consistent with the manner in which they had been previously administered by the Servicer; and (B) set the interest rates in relation to the Loans in accordance with the rates applicable, from time to time, to similar categories of loans contained in the BoSI Mortgage Book and in accordance with the Mortgage Conditions.

Subject to the fulfilment of a number of conditions (including the appointment of a replacement servicer), the Servicer may voluntarily resign by giving not less than 12 months' notice to the Issuer and, the Security Trustee. The Issuer and the Security Trustee must consent in writing to such termination. Any substitute servicer shall be appointed, and such appointment shall be effective not later than the date of such termination and the Servicer shall notify the Rating Agency of the identity of the substitute servicer. Any substitute servicer is required to have experience of administering mortgages in Ireland and to enter into a servicing agreement with the Issuer, the Seller and the Security Trustee substantially on the same terms as the Servicing Agreement, to the extent it relates to the Servicer. It is a further condition precedent to the resignation of the Servicer that the current ratings of the Notes are not downgraded, withdrawn or qualified as a result of the resignation, unless the Noteholders otherwise agree by Extraordinary Resolution.

If the appointment of the Servicer is terminated or the Servicer resigns, the Servicer must deliver the Mortgage Deeds and Loan Files relating to the Loans and Related Security to, or at the direction of, the Issuer or the Security Trustee. The Servicing Agreement will terminate when the Issuer ceases to have any interest in the Portfolio.

Right of Delegation by the Servicer

The Servicer may sub-contract or delegate the performance of its duties under the Servicing Agreement subject to all applicable Central Bank and other regulatory requirements, provided that it meets particular conditions, including that:

(a) the Rating Agency, the Issuer, and the Security Trustee are given prior written notification of the proposed sub-contracting or delegation; and

(b) the Issuer and the Security Trustee and the Note Trustee have no liability for any costs, charges or expenses in relation to the proposed sub-contracting or delegation.

If the Servicer sub-contracts or delegates the performance of its duties, it will nevertheless remain responsible for the performance of those duties to the Note Trustee, the Issuer and the Security Trustee.

The Servicer has delegated post drawdown mortgage service and support, including custody and control of any loan files and mortgage deeds, to BoS UK. BoS UK holds such loan files and mortgage deeds in Scotland. The Servicer, through its offices located in Dublin, retains responsibility for all collections, arrears and default procedures in respect of any loans.

Liability of the Servicer

The Servicer will indemnify the Issuer and the Security Trustee against all losses, liabilities, claims, expenses or damages incurred as a result of negligence or wilful default of the Servicer in carrying out its respective functions under the Servicing Agreement or any other Transaction Document or as a result of a breach of the terms of the Servicing Agreement or such other Transaction Documents to which the Servicer is a party (in its capacity as such) in relation to such functions.

Governing Law

The Servicing Agreement, and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

Parent Support

Pursuant to the Parent Support Deed, BoS UK has undertaken to ensure BoSI (or another member of the Lloyds Banking Group) fulfils the obligations of the Servicer under the Servicing Agreement.

The Parent Support Provider, at any time, without the consent of any party (including the Security Trustee), may require the Servicer to delegate its powers and authorities under the Servicing Agreement to another entity within the Lloyds Banking Group which the Parent Support Provider considers has the necessary experience in servicing mortgage loans. The Servicer will promptly notify the Rating Agency and the Security Trustee of any such delegation of its functions.

Cash Management Agreement

Introduction

On or about the Closing Date, the Issuer, the Cash Manager and the Security Trustee will enter into a cash management agreement (the **"Cash Management Agreement"**)

Cash Management Services to be Provided to the Issuer

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

(a) apply, or cause to be applied Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and Available Principal Receipts in accordance with the applicable Pre-Acceleration Principal Priority of Payments;

(b) make withdrawals from the General Reserve Fund and the Retained Principal Receipts Fund as and when required;

(c) make payments of the consideration for a Further Advance or New Portfolio to the Seller;

(d) make drawings under the Liquidity Facility Agreement; and

(e) make withdrawals from the Pre-Funding Loan Ledger as and when required.

In addition, the Cash Manager will:

1. maintain the following ledgers (the "**Ledgers**") on behalf of the Issuer:

1.1 the "**Principal Ledger**", which records all Principal Receipts received by the Issuer and the distribution of the Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);

1.2 the "**Revenue Ledger**", which records all Revenue Receipts received by the Issuer and distribution of the same in accordance with the Pre-Acceleration Revenue Priority of Payments or the Post-Acceleration Priority of Payments (as applicable);

1.3 the "**General Reserve Ledger**", which records amounts credited to the general reserve fund (the "**General Reserve Fund**") from the proceeds of Tranche B of the Subordinated Loan Agreement and from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and withdrawals from the General Reserve Fund on each Distribution Date (see "*Credit Structure — General Reserve Fund*" below);

1.4 the "**Retained Principal Receipts Ledger**", which records amounts credited to the Retained Principal Receipts Fund from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments on each Distribution Date during the Revolving Period and withdrawals from the Retained Principal Receipts Fund on any Sale Date or Advance Date (as applicable) during the Revolving Period or on each Distribution Date during the Revolving Period that amounts have been standing to the credit thereof for two consecutive Interest Periods (see "*Credit Structure — Retained Principal Receipts Fund*" and "*Cashflows – Definition of Available Principal Receipts*" below);

1.5 the "**Principal Deficiency Ledger**" which will comprise two sub-ledgers, being the **"Class A Principal Deficiency Sub-Ledger"** and the **"Class B Principal Deficiency Sub-Ledger"** and which records deficiencies arising from Losses on the Portfolio. The Principal Deficiency Ledger will record as a credit Available Revenue Receipts applied pursuant to items (g) and (i) of the Pre-Acceleration Revenue Priority of Payments (if any) (which amounts shall, for the avoidance of doubt, thereupon become Available Principal Receipts);

1.6 the "**Liquidity Facility Ledger**", which will comprise two sub-ledgers, being the "**Interest Shortfall Advance Ledger**" and the "**Further Advance Shortfall Advance Ledger**". The

Interest Shortfall Advance Ledger shall record drawings by way of an Interest Shortfall Advance under the Liquidity Facility (as a credit) and the amount of all repayments of an Interest Shortfall Advance (as a debit). The Further Advance Shortfall Advance Ledger shall record all drawings by way of a Further Advance Shortfall Advance under the Liquidity Facility (as a credit) and all repayments of such drawings (as a debit);

1.7 the "**Liquidity Facility Stand-by Ledger**" which records the amount of any Stand-by Loan drawn by the Issuer under the terms of the Liquidity Facility Agreement;

1.8 the "**Start-Up Costs Ledger**" which records amounts credited to the Reserve Account from the proceeds of Tranche A of the Subordinated Loan Agreement;

1.9 the "**Class B Interest Deferral Ledger**" which records amounts of interest on Class B Notes which have been deferred in accordance with Condition 4(i); and

1.10 the "**Subordinated Loan Interest Deferral Ledger**" which records any amounts of interest deferred in accordance with the Subordinated Loan Agreement.

1.11 the "**Pre-Funding Loan Ledger**" which records amounts credited to the Transaction Account from the proceeds of the Pre-Funding Loan.

2. calculate on each Calculation Date the amount of Available Revenue Receipts and Available Principal Receipts to be applied on the relevant Distribution Date;

3. provide the Issuer, the Note Trustee, the Security Trustee and the Rating Agency with quarterly reports in relation to the Portfolio;

4. within 180 days following the Closing Date open and maintain an additional euro denominated demand deposit account (the "**Deposit Account**"), in the name of the Issuer, with an entity with the Requisite Rating. If at any time, such entity is downgraded below the Requisite Rating, the Cash Manager shall, within 30 days of such downgrade, (i) transfer the Deposit Account, and any amounts standing to the credit thereof, to another entity, or (ii) procure an appropriate guarantee, in a form acceptable to the Security Trustee, of the operation of the Deposit Account and the monies standing to the credit thereof.

5. 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 Servicer subject to the following provisions:

5.1 any such Authorised Investment shall be made in the name of the Issuer;

5.2 any costs properly and reasonably incurred in making and changing Authorised Investments will be reimbursed to the Cash Manager by the Issuer;

5.3 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; and

5.4 any Bank Accounts Excess must be invested by the Cash Manager in Authorised Investments.

"**Bank Accounts Excess**" means the aggregate amount standing to the credit of the Transaction Account and the Reserve Account in excess of the Bank Accounts Maximum Balance.

"**Bank Accounts Maximum Balance**" means €550 million, or such other amount as may be agreed by the Issuer, the Guarantor and the Security Trustee, from time to time.

Remuneration of Cash Manager

The Cash Manager receives a fee for its cash management services under the Cash Management Agreement. The Issuer pays to the Cash Manager a cash management fee (inclusive of VAT, if any) of 0.025 per cent. per annum, on the Principal Balance of all Loans in the Portfolio as at the opening of business on the preceding Interest Payment Date (or, as applicable, the Closing Date). The fee is payable quarterly in arrear on each Interest Payment Date in the manner contemplated by and in accordance with the Pre-Acceleration Revenue Priority of Payments or, as the case may be, the Post-Acceleration Priority of Payments.

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 (which period will depend on the nature of the default) or an Insolvency Event occurs in relation to the Cash Manager or (while the Cash Manager is BoSI) a BoSI Downgrade Event occurs, then the Issuer (prior to the delivery of a Note Acceleration Notice and with the written consent of the Security Trustee) or the Security Trustee (following delivery of a Note Acceleration Notice) 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. (In this context "**Insolvency Event**" has the same meaning as Seller Insolvency Event (as defined in "*Summary of Key Transaction Documents — Mortgage Sale Agreement — Title to Mortgages, Registration and Notification*" above) but any reference to a Seller shall be deemed to be a reference to the Cash Manager.)

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

(a) the Security Trustee and the Issuer consent in writing to such termination, such consent not to be unreasonably withheld or delayed;

(b) another person shall be appointed as a substitute cash manager, such appointment to be effective not later than the date of such termination;

(c) such substitute cash manager enters into an agreement substantially on the same terms as the relevant provisions of the Cash Management Agreement and the Cash Manager shall not be released from its obligations under the relevant provisions of the Cash Management Agreement until such substitute cash manager has entered into such new agreement, has assumed the roles of the Cash Manager and the rights of the Security Trustee and the Issuer under such agreement are charged in favour of the Security Trustee on terms satisfactory to the Security Trustee; and

(d) such substitute cash manager has experience of performing services of the same general nature as the Cash Management Services.

Liability of the Cash Manager

The Cash Manager will indemnify the Issuer and the Security Trustee and their respective directors, officers and employees upon demand against all losses, liabilities, claims, expenses or damages incurred as a result of negligence, fraud or wilful default of the Cash Manager in carrying out its respective functions under the Cash Management Agreement or any other Transaction Document or as a result of a breach of the terms of the Cash Management Agreement or such other Transaction Documents to which the Cash Manager is a party (in its capacity as such) in relation to such functions.

Governing law

The Cash Management Agreement, and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

Parent Support

Pursuant to the Parent Support Deed, BoS UK has undertaken to ensure BoSI (or another member of the Lloyds Banking Group) fulfil the obligations of the Cash Manager under the Cash Management Agreement.

The Parent Support Provider may, at any time, without the consent of any party (including the Security Trustee), require the Cash Manager to delegate its powers and authorities under the Cash Management Agreement to another entity within the Lloyds Banking Group which the Parent Support Provider considers has the necessary experience in providing cash management services. The Cash Manager will promptly notify the Rating Agency and the Security Trustee of any such delegation of its functions.

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) a charge and assignment by way of first fixed security for the payment and discharge of the Issuer Obligations, to the Security Trustee all the Issuer's right, title, interest and benefit present and future in, to and under the Loans from time to time and the proceeds thereof and the Issuer's interest in the Properties intended to constitute the security for the Portfolio and the benefit of all covenants and all rights, powers and remedies of the Issuer relating thereto and any rights or remedies of the Issuer relating thereto and any rights or remedies of the Issuer for enforcing the same including, without limitation, any rights against guarantors therefore and all its rights, title interest and benefit, present and future, in the Related Security granted in respect of each Loan forming part of the Portfolio;

(b) a charge and assignment (subject to the proviso for redemption contained in the Deed of Charge) to the Security Trustee by way of first fixed security all the Issuer's right, title, interest and benefit present and future in, to and under any Insurance Contracts, the sums thereby insured and all bonuses and clauses and other moneys payable to or to become payable under the same together with the full benefit thereof and all powers and provisions contained in or conferred by the same to the extent only that Insurance Contracts apply to any Loan forming part of the Portfolio, in each case to the extent that the Insurance Contracts and other items have been assigned to the Issuer pursuant to the Mortgage Sale Agreement;

(c) a charge, mortgage, conveyance, transfer and assignment to and in favour of the Security Trustee all of its right, title, interest and benefit, present and future, in, to and under:

(i) the Mortgage Sale Agreement;

(ii) the Declaration of Trust;

(iii) the Trust Deed;

(iv) the Notes Purchase Agreement;

(v) the Agency Agreement;

(vi) the Interest Rate Swap Agreement and Confirmations;

(vii) the Guarantee;

(viii) the Parent Support Deed;

(ix) the Bank Account Agreement;

(x) the Liquidity Facility Agreement;

(xi) the Pre-Funding Loan Agreement;

(xii) the Subordinated Loan Agreement;

(xiii) the Servicing Agreement;

(xiv) the Cash Management Agreement;

(xv) the Corporate Services Agreement; and

(xvi) all other Transaction Documents.

and including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof to hold the same unto the Security Trustee for the Secured Parties absolutely, a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in the Bank Accounts maintained with the Account Bank and any sums standing to the credit thereof;

(d) a charge and assignment to and in favour of the Security Trustee all its right, title, interest and benefit, present and future, in and to all sums of money which may now be or hereafter are from time to time standing to the credit of the Bank Accounts, together with all interest accruing from time to time thereon and the debts represented thereby to hold the same unto the Security Trustee for the benefit of the Secured Parties absolutely, a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in the Authorised Investments permitted to be made by the Issuer;

(e) a charge and assignment to and in favour of the Security Trustee and all its right, title, interest and benefit, present and future, in and to all sums of money representing the net issue proceeds in respect of the Notes and which may now be or hereafter are from time to time held to its order by the Common Safekeeper pending acquisition by the Issuer of the Assigned Obligations and all rights represented thereby to hold the same unto the Security Trustee for the benefit of the Secured Parties absolutely;

(f) a charge and assignment by way of first fixed security to the Security Trustee, all its right, title, interest and benefit present and future in, to and under any Authorised Investments or other investments of the Issuer; and

(g) a charge and assignment to the Security Trustee by way of first floating security the whole of its undertaking and all its property and assets whatsoever and wheresoever, present and future, including without limitation its uncalled capital, including, but not limited to, its property or assets from time to time or for the time being charged by Clauses 3.1 to 3.6 (inclusive) of the Deed of Charge but excluding the Issuer Domestic Account if and insofar as such charges or any part or parts of the same shall be for any reason ineffective as specific or fixed charges.

"**Authorised Investment**" means Euro denominated demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper) provided that in all cases either such investments (i) mature on or before the next following Distribution Date or (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Distribution 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 are rated at least P-1 by the Rating Agency.

"**Assigned Obligations**" means all present and future liabilities whatsoever (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Issuer which become due, owing or payable by the Issuer to each or any of the Secured Parties under or in respect of, and subject to the terms and conditions of the Transaction Documents to which the Issuer is a party.

"Issuer Obligations" means the aggregate of all moneys and other liabilities for the time being due or owing by the Issuer to:

(a) the Seller under the Mortgage Sale Agreement;

(b) the Security Trustee, under the Deed of Charge;

(c) the Security Trustee, the Note Trustee, the Class A Noteholders, the Class A Couponholders (if any), the Class B Noteholders, the Class B Couponholders (if any), under or pursuant to the Deed of Charge, the Class A Notes, the Class B Notes, the Trust Deed (and any deed supplemental thereto), the Conditions, the Agency Agreement or any other Transaction Documents;

(d) the Agent Bank and the Paying Agents under the Agency Agreement and the Deed of Charge;

(e) the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(f) the Liquidity Facility Provider under the Liquidity Facility;

(g) the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement;

(h) the Cash Manager under the Cash Management Agreement;

(i) the Servicer under the Servicing Agreement;

(j) the Subordinated Loan Provider under the Subordinated Loan; and

(j) the Corporate Services Provider under the Corporate Services Agreement.

"**Seller Power of Attorney**" means the power of attorney executed by the Seller pursuant to the terms of the Mortgage Sale Agreement;

"**Transaction Documents**" means the Servicing Agreement, the Agency Agreement, the Bank Account Agreement, the Corporate Services Agreement, the Deed of Charge (and any documents entered into pursuant to the Deed of Charge), the Interest Rate Swap Agreement, the Guarantee, the Declaration of Trust, the Liquidity Facility Agreement, the Pre-Funding Loan Agreement, the Mortgage Sale Agreement, the Cash Management Agreement, the Seller Power of Attorney, the Subordinated Loan Agreement, the Notes Purchase Agreement, the Trust Deed, the Parent Support Deed, the Master Agreement 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.

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 chargor'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. Noteholders should assume that there is a floating charge only over the charged assets.

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.

"**Secured Parties**" means the Security Trustee, the Note Trustee, the Noteholders, the Seller, the Servicer, the Liquidity Facility Provider, the Pre-Funding Loan Provider, the Cash Manager, the Interest Rate Swap Provider, the Account Bank, the Subordinated Loan Provider, the Corporate Services Provider, the Principal Paying Agent, the Agent Bank, the Parent Support Provider and any other person who is expressed in any deed supplemental to the Deed of Charge to be a secured party.

The interest of the Secured Parties in property and assets over which there is a floating charge will rank behind the expenses of any examiner or liquidator and the claims of certain preferential creditors on enforcement of the Security. This means that the expenses of any examiner, liquidator or the claims of preferential creditors (including the Irish Revenue Commissioners) will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders.

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 pursuant to Condition 9 (an "**Event of Default**") occurs. A crystallised floating charge will rank ahead of the claims of unsecured creditors but will rank behind the expenses of any examiner or liquidator and the claims of preferential creditors and in the case of fixed charges over book debts, may rank behind the claims of the Revenue Commissioners for PAYE and VAT.

In addition, the interests of the Secured Parties in property and assets over which there is fixed charges rank behind certain capital gains tax liabilities where the fixed charge is over book debts, certain PAYE and V.A.T. liabilities and the expenses of any examiner.

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 9 *(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 Issue*" 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 9 *(Events of Default*) of the Notes, declaring the Notes to be immediately due and payable, the Security Trustee 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 9 *(Events of Default)* of the Notes provided that, if the Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Security

Trustee will not be entitled to dispose of the assets comprised in the Security or any part thereof unless either a sufficient amount would be realised to allow discharge in full 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 Post-Acceleration Priority of Payments) or, once all of the Class A Noteholders have been repaid, to the Class B Noteholders (and all persons ranking in priority thereto) or the Security Trustee is of the opinion that the cashflow expected to be received by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Class A Noteholders (and all persons ranking in priority to the Class A Noteholders as set out in the Post-Acceleration Priority of Payments) or, once all of the Class A Noteholders have been repaid, to the Class B Noteholders (and all persons ranking in priority thereto), which opinion shall be binding on the Secured Parties and reached after considering at anytime and from time to time the advice of any financial adviser (or such other professional adviser selected by the Security Trustee for the purpose of giving such advice).

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

Governing Law

The Deed of Charge and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

Parent Support Deed

Pursuant to a support deed (the Parent Support Deed), the Parent Support Provider has undertaken to use its best efforts to procure that, for so long as BoSI (or another company within the Lloyds Banking Group) is the Servicer or Cash Manager, BoSI (or another company within the Lloyds Banking Group) shall perform its obligations under the Servicing Agreement and Cash Management Agreement (as applicable) until:

(a) termination of the Servicing Agreement or Cash Management Agreement,or any agreements governing the appointment of another company within the Lloyds Banking Group as substitute servicer or substitute cash manager, in accordance with the provisions thereof (other than as a result of the occurrence of an Insolvency Event in respect of BoSI or the relevant company within the Lloyds Banking Group);

(b) the appointment of a suitable substitute servicer or cash manager (other than a company within the Lloyds Banking Group) in accordance with the terms of the Servicing Agreement or the Cash Management Agreement, as applicable;

(c) the obtaining by BoSI (or its successors or assigns within the Lloyds Banking Group) of long term, unguaranteed and unsecured credit ratings from the Rating Agency of not less than A3; or

(d) the Notes being redeemed in full.

Other Agreements

For a description of the Interest Rate Swap Agreement, Liquidity Facility Agreement, the Pre-Funding Loan Agreement, the Guarantee 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, any of the Seller, the Interest Rate Swap Provider, the Guarantor, the Arranger, the Liquidity Facility Provider, the Pre-Funding Loan Provider, the Servicer, the Cash Manager, the Account Bank, the Agent Bank, the Principal Paying Bank, the Note Trustee, the Security Trustee, the Parent Support Provider, any company in the same group of companies as any such entities or any other party to the Transaction Documents. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by any of the Seller, the Interest Rate Swap Provider, the Guarantor, the Arranger, the Liquidity Facility Provider, the Pre-Funding Loan Provider, the Servicer, the Cash Manager, the Account Bank, the Agent Bank, the Principal Paying Bank, the Note Trustee, the Security Trustee, the Parent Support Provider or by any other person other than the Issuer.

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

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

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

   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 Distribution Date towards reducing any Principal Deficiency Ledger entries which may arise from Losses on the Portfolio.

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

2. **General Reserve Fund**

   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 from the proceeds of Tranche B of the Subordinated Loan in the sum of €126,480,000 (being an amount equal to 4.08 per cent. of the Principal Amount Outstanding of the Notes as at the Closing Date). The General Reserve Fund will be credited to the Reserve Account (with a corresponding credit to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the Reserve Account in Authorised Investments.

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

   After the Closing Date, the General Reserve Fund will be funded up to the General Reserve Required Amount from Available Revenue Receipts and will be replenished from Available Revenue Receipts in accordance with the provisions of the Pre-Acceleration Revenue Priority of Payments.

The General Reserve Fund constitutes Available Revenue Receipts which will be applied on each Distribution Date in accordance with the Pre-Acceleration Revenue Priority of Payments.

The "**General Reserve Required Amount**" will be an amount equal to €124,000,000 (being an amount equal to 4.00 per cent. of the Principal Amount Outstanding of the Notes as at the Closing Date).

On any Interest Payment Date the General Reserve Fund will be applied to pay or provide for payment of the items described in (a) to (j) of the Pre-Acceleration Revenue Priority of Payments.

On any Interest Payment Date on which the Notes are redeemed in full, the General Reserve Fund will be applied to repay Tranche B of the Subordinated Loan only. If there are still amounts held in the General Reserve Fund once the Subordinated Loan has been repaid, the excess will then form part of the Available Revenue Receipts.

3. **Liquidity Facility**

If the Cash Manager determines:

(a) that on the Calculation Date immediately preceding a Distribution Date (the "**Interest Shortfall Date**"), there will be insufficient Available Revenue Receipts to pay or provide for payment of the items described in (a) to (f) of the Pre-Acceleration Revenue Priority of Payments (the extent of such deficiency being the "**Interest Shortfall**"); and/or

(b) that on the date one Business Day after an Advance Date (the "**Further Advance Shortfall Date**"), there are insufficient funds standing to the credit of the Retained Principal Receipts Fund or otherwise insufficient Principal Receipts to pay the relevant Further Advance Purchase Price (the extent of such deficiency being the "**Further Advance Shortfall**" and together with the Interest Shortfall, the "**Liquidity Shortfall**"),

then the Cash Manager must direct the Issuer to request separate drawings under the Liquidity Facility (each a "**Liquidity Facility Drawing**") in the amount of:

(a) the relevant Interest Shortfall (such Liquidity Facility Drawing, an **Interest Shortfall Advance**); and/or

(b) the relevant Further Advance Shortfall (such Liquidity Facility Drawing, a "**Further Advance Shortfall Advance**"),

to be advanced to the Issuer (in the case an Interest Shortfall Advance) on the relevant Interest Shortfall Date or (in the case of a Further Advance Shortfall Advance) on the relevant Further Advance Shortfall Date.

The drawing in respect of any Interest Shortfall Advance will be the lesser of the amount of the Interest Shortfall and the undrawn part of the amount specifically available for drawings of Interest Shortfall Advances under the Liquidity Facility being €93,000,000 (the "**Interest Shortfall Commitment**"). The drawing in respect of any Further Advance Shortfall Advance will be the lesser of the amount of the relevant Further Advance Shortfall and the undrawn part of the amount specifically available for Further Advance Shortfall Advances under the Liquidity Facility being zero (the "**Further Advance Shortfall Commitment**", together with the Interest Shortfall Commitment, the "**Commitment**"). A drawing may only be made by a duly completed drawdown notice signed by an authorised signatory of the Issuer. With respect to an Interest Shortfall Advance only, no drawing may be made if an event of default exists under the Liquidity Facility or if the amount debited to the Class A Principal Deficiency Sub-Ledger on both the date of the request and the utilisation date is equal to or greater than 50 per cent. of the then Principal Amount Outstanding of the Class A Notes.

Any drawings made under the Liquidity Facility Agreement in respect of a Further Advance Shortfall will be paid by the Issuer to the Seller on the relevant Further Advance Shortfall Date pursuant to the obligation of the Issuer to pay the Further Advance Purchase Price in accordance with the Mortgage Sale Agreement.

The Liquidity Facility Agreement will provide that if:

(a) the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider cease to be rated at least P-1 by Moody's (the "**Requisite Rating**"); or

(b) the Liquidity Facility Provider does not agree to renew the Liquidity Facility beyond each 364-day commitment period,

then the Issuer may require the Liquidity Facility Provider to pay an amount equal to the then undrawn commitment under the Liquidity Facility Agreement (the "**Stand-by Loan**") into the Reserve Account with a respective credit to the designated ledger for such purpose (the "**Liquidity Facility Stand-by Ledger**"). Amounts standing to the credit of the Liquidity Facility Stand-by Ledger will be available for drawing during the period that the Liquidity Facility is available in the circumstances described and for investing in short-term authorised investments.

The Stand-by Loan will be drawn down in full by the Issuer on the Closing Date.

All interest accrued on the amount on deposit in the Liquidity Facility Stand-by Ledger will belong to the Issuer.

The Issuer may require that the Liquidity Facility Provider transfer its rights and obligations under the Liquidity Facility Agreement to a replacement liquidity facility provider which has the Requisite Rating.

Interest will be payable to the Liquidity Facility Provider on the principal amount drawn under the Liquidity Facility. This interest is payable at a rate based on EURIBOR for one-month euro deposits as displayed on Reuters Screen Page EURIBOR01 ("**One-Month EURIBOR**"), save that for the interest rate applicable in respect of the first Liquidity Facility Interest Period, One-Month EURIBOR will be determined by reference to a linear interpolation (rounded to four decimal places with the mid-point rounded up) of the rate for two-week and one-month euro deposits, plus a margin of 0.50 per cent. (for a Liquidity Facility Loan) or 0.40 per cent. (for a Stand-by Loan). Unpaid interest will be added to the principal amount owed to the Liquidity Facility Provider and interest accrues on that amount. A commitment fee is also payable at the rate of 0.20 per cent. per annum on the undrawn, uncancelled amount of the Liquidity Facility. The commitment fee is payable monthly in arrear on each Distribution Date. Interest in respect of a drawing under the Liquidity Facility and fees on the Liquidity Facility are senior to amounts due to the Noteholders under the Pre-Acceleration Revenue Priority of Payments and under the Post-Acceleration Priority of Payments.

If an Interest Shortfall Advance has been made, then the amount of that Interest Shortfall Advance will be due for repayment on the following Distribution Date from Available Revenue Receipts. All interest payable on the Liquidity Facility Loans or Stand-by Loans will also be paid on each Distribution Date from Available Revenue Receipts. If there are insufficient Available Revenue Receipts for this purpose, then the Issuer may re-draw the Liquidity Facility to fund that borrowing.

If a Further Advance Shortfall Advance has been made, then the principal amount of the relevant Further Advance Shortfall Advance will be due for repayment on the following Distribution Date from Available Principal Receipts provided that the Issuer shall make repayment of any part of the Further Advance Shortfall Advance from Principal Receipts on any Business Day after the relevant drawing date until the following Distribution Date. If the Issuer determines on the Business Day prior to the Distribution Date immediately following a Further Advance Date that it will not have

sufficient Available Principal Receipts on the Distribution Date to repay any Further Advance Shortfall Advance then the Seller will repurchase the Loan relating to such Further Advance Shortfall Advance on the following Distribution Date.

There will be limited events of default under the Liquidity Facility, including:

(a) the Issuer does not pay on the due date any amount payable by it under the Liquidity Facility Agreement in circumstances where it has the requisite funds to pay such amount pursuant to the Deed of Charge but fails to make payment thereof and such failure continues for a period of 15 Business Days after notice of such failure requiring its remedy has been given to the Issuer by the Liquidity Facility Provider; and

(b) a Note Acceleration Notice is served; or

(c) an examiner or a liquidator is appointed to the Issuer or an order is made or an effective resolution is passed for the winding-up of the Issuer (other than a solvent winding-up for the purposes of merger, amalgamation or reconstruction), the terms of which shall have been previously approved by the Security Trustee in writing where the surviving entity assumes the obligations under the Liquidity Facility Agreement) or a petition is presented for an examiner to be appointed in respect of the Issuer.

After the occurrence of an event of default under the Liquidity Facility Agreement, the Liquidity Facility Provider may by notice to the Issuer:

(a) cancel the Commitment; and/or

(b) demand that all or part of the loans made to the Issuer under the Liquidity Facility, together with accrued interest and all other amounts accrued under the Liquidity Facility Agreement, be immediately due and payable, in which case they shall become immediately due and payable.

The Liquidity Facility Provider will be a Secured Creditor of the Issuer pursuant to the Deed of Charge. All amounts owing to the Liquidity Facility Provider other than Subordinated Liquidity Facility Amounts will, on the service of a Note Acceleration Notice on the Issuer, rank in priority to the payment of all amounts of interest and principal in respect of the Class A Notes.

The Liquidity Facility Agreement and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

"**Liquidity Facility Interest Period**" means a period of one month's duration except that:

(i) the first Liquidity Facility Interest Period for each Liquidity Facility Drawing shall end on the Distribution Date immediately succeeding the date of such Liquidity Facility Drawing; and

(ii) any Liquidity Facility Interest Period which would otherwise end on a day which is not a Business Day shall instead end on the next day which is a Business Day.

"**Liquidity Facility Loan**" means at any time, the aggregate principal amount of all Liquidity Facility Drawings but excluding Stand-by Loans made under the Liquidity Facility for the time outstanding.

4. Pre-Funding Loan

The Pre-Funding Loan Provider will make a pre-funding loan (the "**Pre-Funding Loan**") to the Issuer on or before the Closing Date pursuant to the Pre-Funding Loan Agreement. The Pre-Funding Loan will be in an amount equal to €155,000,000 and will be used to make provisions or payments

in accordance with the Pre-Acceleration Priority of Payments, if there is a shortage of Available Principal Receipts or Available Revenue Receipts to meet such amounts as a result of any Principal Receipts Shortage or Revenue Receipts Shortage and will be credited to the Transaction Account (with a corresponding credit to the "**Pre-Funding Loan Ledger**").

On each Distribution Date, following application of the amounts standing to the credit of the Pre-Funding Loan Ledger in accordance with the provisions of the Pre-Funding Agreement, the Issuer shall repay to the Pre-Funding Loan Provider any amounts standing to the credit of the Pre-Funding Loan Ledger in excess of the Pre-Funding Loan Maximum Amount (as determined on the immediately preceding Calculation Date).

On each Calculation Date the Cash Manager shall credit the Pre-Funding Loan Ledger with any amount received into the Transaction Account attributable to any Principal Receipts Shortage and/or Revenue Receipts Shortage in relation to which monies have previously been debited from the Pre-Funding Loan Ledger.

The Pre-Funding Loan Agreement is governed by Irish law.

The Cash Management Agreement provides that on each Calculation Date, the Cash Manager shall determine on behalf of the Issuer:

(i) the Principal Receipts Shortage for the immediately preceding Collection Period and arrange for an amount equal to such Principal Receipts Shortage to be debited from the Pre-Funding Loan Ledger and credited to the Principal Ledger; and

(ii) the Revenue Receipts Shortage for the immediately preceding Collection Period and arrange for an amount equal to such Revenue Receipts Shortage to be debited from the Pre-Funding Loan Ledger and credited to the Revenue Ledger.

"**Notional Amount**" means in respect of the Interest Period commencing on the Closing Date, €3,100,000,000 and, thereafter, the aggregate Principal Amount Outstanding of the Notes, as calculated on the relevant Calculation Date;

"**Pre-Funding Loan Maximum Amount**" means the amount equal to 30 per cent. of the Notional Amount, divided by 6;

"**Principal Receipts Shortage**" means for each Collection Period, the aggregate amount of Principal Receipts received into the Clearing Accounts which have not been transferred to the Transaction Account in accordance with the terms of the Servicing Agreement; and

"**Revenue Receipts Shortage**" means for each Collection Period, the aggregate amount of Revenue Receipts received into the Clearing Accounts which have not been transferred to the Transaction Account in accordance with the terms of the Servicing Agreement.

5. Retained Principal Receipts Fund

The Issuer shall establish a fund called the Retained Principal Receipts Fund. The Retained Principal Receipts Fund will be funded on the first Distribution Date with Available Principal Receipts for the first Collection Period and on each subsequent Distribution Date during the Revolving Period with Available Principal Receipts for the immediately preceding Collection Period after repaying any Principal Amount Outstanding under the Liquidity Facility and any amounts previously applied from the Pre-Funding Loan Ledger in respect of a Principal Receipts Shortage. The Retained Principal Receipts Fund will be credited to the Reserve Account (with a corresponding credit to the Retained Principal Receipts Ledger). The Issuer may invest the amounts standing to the credit of the Reserve Account in Authorised Investments.

The Cash Manager will maintain a ledger pursuant to the Servicing Agreement to record the balance from time to time of the Retained Principal Receipts Fund (the "**Retained Principal Receipts Ledger**").

During the Revolving Period, amounts standing to the credit of the Retained Principal Receipts Fund may be applied by the Issuer during the immediately following two consecutive Interest Periods after such credit was made first, towards Further Advance Purchase Price payable to the Seller in respect of the sale of Further Advances to the Issuer during such period, and secondly towards New Portfolio Purchase Price payable to the Seller in respect of a sale of any New Portfolio to the Issuer during such period (and for this purpose, any amounts standing to the credit of the Retained Principal Receipts Fund will be applied in the order in which such amounts were credited to the Retained Principal Receipts Fund (i.e. on a 'first in, first out' basis)). If not so applied, any such amounts that remain standing to the credit of the Retained Principal Receipts Fund on the Interest Payment Date immediately following the end of such two consecutive Interest Periods will comprise Available Principal Receipts in respect of such Interest Payment Date to be applied by the Issuer (after repaying any Further Advance Shortfall Advance under the Liquidity Facility) to redeem the Notes in accordance with items (c) and (d) of the Pre-Acceleration Principal Priority of Payments on such Interest Payment Date.

6. **Principal Deficiency Ledger**

The Principal Deficiency Ledger, comprising two sub-ledgers, known as the Class A Principal Deficiency Sub-Ledger (relating to the Class A Notes) and the Class B Principal Deficiency Sub-Ledger (relating to the Class B Notes) (each a "**Principal Deficiency Sub-Ledger**"), will be established on the Closing Date in order to record any Losses on the Portfolio.

On each Distribution Date, Available Revenue Receipts shall, after making the payments or provisions required to be met in priority to item (g) of the Pre-Acceleration Revenue Priority of Payments, be applied in an amount necessary to reduce to nil the balance on the Class A Principal Deficiency Sub-Ledger. Then once the balance on the Class A Principal Deficiency Sub-Ledger is reduced to nil (in accordance with the Pre-Acceleration Revenue Priority of Payments), Available Revenue Receipts shall be applied:

(a) as long as any Class A Notes will remain outstanding following such Distribution Date, to reduce to nil the balance on the Class B Principal Deficiency Sub-Ledger and then shall be applied to pay any interest due and payable on the Class B Notes; or

(b) when no Class A Notes will remain outstanding following such Distribution Date, to pay any interest due and payable on the Class B Notes and then shall be applied to reduce to nil the balance on the Class B Principal Deficiency Sub-Ledger.

7. **Available Funds**

To the extent that the Available Revenue Receipts and Available Principal Receipts are sufficient on any Distribution Date, they shall be paid to the persons entitled thereto (or a relevant provision made) in accordance with the relevant 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 General Reserve Fund and Retained Principal Receipts Fund).

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient Available Revenue Receipts, to pay the interest otherwise due on the Class B Notes, then the Issuer will be entitled under Condition 4(i) *(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 B Notes.

Failure to pay interest on the Class A Notes (or the Class B 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.

8. **Reserve Account**

Pursuant to the Bank Account Agreement the Account Bank will pay interest on funds in the Reserve Account at a guaranteed rate per annum equal to Three Month EURIBOR (the "**Reserve Account**"). The Issuer may invest amounts standing to the credit of the Reserve Account in Authorised Investments.

For such time as the short term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are rated below P-1 by Moody's, the Account Bank shall be required to ensure that the Guarantee, insofar as it relates to its obligations under the Bank Account Agreement, remains in effect. If the Guarantee shall cease to have effect, insofar as it relates to the obligations of the Account Bank under the Bank Account Agreement, and the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank remain rated below P-1, the Issuer will be required to transfer (at its own cost) the Reserve Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Bank Account Agreement, in order to maintain the ratings of the Class A Notes at their then current ratings.

The Bank Account Agreement, and any non-contractual rights arising out of or in connection therewith, will be governed by the laws of Ireland.

9. **Subordinated Loan**

The Subordinated Loan Provider will make a subordinated loan (the "**Subordinated Loan**") to the Issuer on the Closing Date pursuant to the Subordinated Loan Agreement, consisting of two tranches. The first tranche of the Subordinated Loan ("**Tranche A**") will be in an amount up to €750,000 and will be used for meeting the costs and expenses of the Issuer arising in connection with the sale of the Initial Portfolio to the Issuer and other closing expenses and will be credited to the Reserve Account (with a corresponding credit to the "**Start Up Costs Ledger**"). The second tranche of the Subordinated Loan ("**Tranche B**") will be in an amount of €126,480,000 and will be used to fund the General Reserve Fund on the Closing Date and will be credited to the Reserve Account (with a corresponding credit to the General Reserve Ledger). The Issuer may invest amounts standing to the credit of the Reserve Account in Authorised Investments.

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 and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

10. **Interest Rate Swap**

Some of the Loans in the Portfolio pay a variable rate of interest set by the Seller applicable to any Variable Rate Loan in the Portfolio or a variable interest rate linked to the European Base Rate. Other loans pay a fixed rate of interest for a period of time. However, the interest rate payable by the Issuer with respect to the Notes is an amount calculated by reference to Three-Month EURIBOR.

To provide a hedge against the possible variance between:

(a) the Variable Rate payable on the Variable Rate Loans, the rates of interest payable on the Tracker Rate Loans and the fixed rates of interest payable on the Fixed Rate Loans; and

(b) Three-Month EURIBOR,

the Issuer will enter into the Interest Rate Swap Agreement on the Closing Date.

Under the Interest Rate Swap Agreement, on each Calculation Date the following amounts will be calculated:

(a) the amount produced by applying Three-Month EURIBOR plus a spread for the relevant Calculation Period to the notional amount of the Interest Rate Swap (known as the **Calculation Period Swap Provider Amount**); and

(b) the amount produced by applying a rate equal to the weighted average of:

(i) the European Base Rate in respect of the Variable Rate Loans and the Tracker Rate Loans; and

(ii) the rates of interest payable on the Fixed Rate Loans,

for the relevant Calculation Period to the notional amount of the Interest Rate Swap (known as the "**Calculation Period Issuer Amount**").

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

(a) if the sum of the Calculation Period Swap Provider Amounts calculated in respect of an Interest Period is greater than the sum of the Calculation Period Issuer Amounts calculated in respect of such Interest Period, then the Interest Rate Swap Provider will pay the difference to the Issuer;

(b) if the sum of the Calculation Period Issuer Amounts calculated in respect of an Interest Period is greater than the sum of the Calculation Period Swap Provider Amounts calculated in respect of such Interest Period, then the Issuer will pay the difference to the Interest Rate Swap Provider; and

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

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

The notional amount of the interest rate swap under the Interest Rate Swap Agreement (the **"Interest Rate Swap**") in respect of a Calculation Period during an Interest Period will be an amount in euro equal to:

(a) the aggregate Principal Amount Outstanding of the Notes during the relevant Calculation Period, less

(b) the balance of the Principal Deficiency Ledger during the relevant Calculation Period, less

(c) the amount of the Principal Receipts in the Transaction Account during the relevant Calculation Period.

Unless an Early Termination Event occurs, the Interest Rate Swap will terminate on the date on which the aggregate Principal Amount Outstanding of the Notes is reduced to zero. In the event that the Interest Rate Swap is terminated prior to the service of a Note Acceleration Notice or the Final Maturity Date of the Notes the Issuer shall enter into a replacement Interest Rate Swap on terms acceptable to the Rating Agency and with a swap provider whom the Rating Agency has previously confirmed in writing to the Issuer will not cause the then current ratings of the Class A Notes to be

downgraded, withdrawn or qualified. If the Issuer is unable to enter into a replacement Interest Rate Swap on terms acceptable to the Rating Agency, this may affect amounts available to pay interest on the Notes.

Under the terms of the Interest Rate Swap Agreement, in the event that the relevant rating of the Interest Rate Swap Provider and the Guarantor, is downgraded by the Rating Agency below the Required Swap Rating, the Interest Rate Swap Provider or, where applicable, the Guarantor, will, in accordance with the Interest Rate Swap Agreement, be required to elect to take certain remedial measures within the timeframe stipulated in the Interest Rate Swap Agreement and at its own cost which may include providing collateral for its obligations under the Interest Rate Swap Agreement, arranging for the obligations of the Interest Rate Swap Provider, under the Interest Rate 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 Interest Rate Swap Agreement or taking such other action that would result in the Rating Agency continuing the then current rating of the Class A Notes.

An Interest Rate Swap may be terminated in certain circumstances, including the following, each as more specifically defined in the Interest Rate Swap Agreement (each an "**Early Termination Event**"):

(a) if there is a failure by a party to pay amounts due under the Interest Rate Swap Agreement and any applicable grace period has expired;

(b) if certain insolvency events occur with respect to the Interest Rate Swap Provider;

(c) if a breach of a provision of the Interest Rate Swap Agreement by the Interest Rate Swap Provider is not remedied within the applicable grace period;

(d) if a change of law results in the obligations of one of the parties becoming illegal;

(e) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under an Interest Rate Swap or if certain tax representations by either the Issuer or the Interest Rate Swap Provider prove to have been incorrect or misleading in any material respect;

(f) if the Interest Rate Swap Provider fails to comply with the requirements of the downgrade provisions contained in the Interest Rate Swap Agreement and described above;

(g) if the Note Trustee serves a Note Acceleration Notice on the Issuer pursuant to Condition 9 *(Events of Default)* of the Notes; and

(h) if there is a redemption of the Notes pursuant to Condition 5(e) *(Optional Redemption for Tax reasons)*.

Upon an early termination of an Interest Rate Swap, the Issuer or the Interest Rate Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in euro. The amount of any termination payment will be based on the market value of the terminated transaction as determined on the basis of quotations sought from leading dealers as to the costs of entering into a transaction with the same terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment obligations of the parties (or based upon a good faith determination of total losses and costs (or gains) if an insufficient number of quotations can be obtained or if basing the valuation on quotations would not produce a commercially reasonable result) and will include any unpaid amounts that became due and payable prior to the date of termination. Any such termination payment could be substantial and may affect the funds available to pay amounts due to the Noteholders.

The Interest Rate Swap Provider may, subject to certain conditions specified in the Interest Rate Swap Agreement, transfer its obligations under the Interest Rate Swap Agreement to another entity with the Required Swap Rating. It is expected that any entity to which the Interest Rate Swap Agreement is transferred will accede to the Deed of Charge as a Secured Party.

If a withholding or deduction for or on account of taxes is imposed on payments made by either party under an Interest Rate Swap, neither party shall be obliged to gross up those payments. The Interest Rate Swap may be terminated in such circumstances.

The Interest Rate Swap Agreement, and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

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 "A2" (long-term) or "P-1" (short-term) by the Rating Agency.

11. **Guarantee**

BoS UK has entered into a deed of guarantee with the Issuer, BoSI and the Security Trustee (the "**Guarantee**") under the terms of the Guarantee, BoS UK (in this capacity, the "**Guarantor**") has unconditionally and irrevocably guaranteed:

(A) the payment of all amounts payable by BoSI in respect of the Interest Rate Swap Agreement or the delivery of collateral as and when the same shall become due and payable (subject to Clause 2(a)(ii) of the Guarantee) in accordance with the Interest Rate Swap Agreement; and

(B) all amounts standing, from time to time, to the credit of the Transaction Account and the Reserve Account subject to the Bank Accounts Maximum Balance and the prompt payment in full of the debt represented thereby and the payment of all amounts payable, from time to time, from the Transaction Account and the Reserve Account and the payment of the debt represented thereby, when the same shall become due and payable (subject to Clause 2(a)(ii) of the Guarantee) in accordance with the Transaction Documents; and

Notwithstanding (a) and (b) above, the obligations of the Guarantor under the Guarantee will extend to all the obligations of BoSI, as (i) Interest Rate Swap Provider contained in the Interest Rate Swap Agreement; and (ii) Account Bank contained in the Bank Account Agreement and the Guarantor undertakes, in the performance of its obligations under the Guarantee, to perform and observe all of the terms, conditions, covenants and agreements of BoSI contained in the Interest Rate Swap Agreement and the Bank Account Agreement.

The Guarantee and any non-contractual obligations arising out of or in connection therewith, will be governed by the laws of Ireland.

CASHFLOWS

Definition of Revenue Receipts

"Revenue Receipts" means payments received by the Issuer directly or from the Seller recognised by the Seller as representing:

1. payments of interest on the Loans (including arrears of interest and accrued interest but excluding capitalised interest, capitalised expenses and capitalised arrears) and fees paid from time to time under the Loans and other amounts received by the Issuer in respect of the Loans other than the Principal Receipts;

2. recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) from defaulting Borrowers under Loans being enforced;

3. 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;

4. the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement to the extent such proceeds are 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; and

5. any early repayment charges which have been paid by the Borrower in respect of the Loans (but excluding any Servicing Related Fees).

Definition of Available Revenue Receipts

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

1. Revenue Receipts received during the immediately preceding Collection Period;

2. interest payable to the Issuer on the Bank Accounts and income from any Authorised Investments in each case received during the immediately preceding Collection Period;

3. amounts received by the Issuer under the Interest Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) the return or transfer of any collateral, as set out under the Interest Rate 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 Interest Rate Swap Provider) on such Distribution Date;

4. the amounts standing to the credit of the General Reserve Fund as at the immediately preceding Collection Period End Date;

5. the amounts (if any) drawn under the Liquidity Facility on a Distribution Date which is an Interest Payment Date in respect of any Interest Shortfall arising in the immediately preceding Collection Period (other than amounts standing to the credit of the Liquidity Facility Stand-by Ledger except to the extent that a withdrawal from the Liquidity Facility Stand-by Ledger would be a deemed Liquidity Facility Loan for the purpose of funding an Interest Shortfall);

6. any amounts credited to the Revenue Ledger on the immediately preceding Calculation Date in respect of any Revenue Receipts Shortage; and

7. other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts (except for amounts deemed to be Available Revenue Receipts in accordance with paragraph (e) of the Pre-Acceleration Principal Priority of Payments) and without double-counting the amounts described in paragraphs 1 to 6 above,

minus:

8. amounts applied from time to time during the immediately preceding Collection Period in making payment of certain moneys which properly belong to third parties (including the Seller) such as (but not limited to):

    (i) Servicing Related Fees;

    (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;

    (iii) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller (together with the fee amounts listed at (i) and (ii) above, the "**Third Party Amounts**"); and

    (iv) any amount received into the Transaction Account attributable to any Revenue Receipts Shortage in relation to which monies have previously been debited from the Pre-Funding Loan Ledger.

Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Reserve Account to make payment to the persons entitled thereto.

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

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

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

    (i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Distribution 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; and

    (ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Distribution 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 and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Distribution 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 Distribution 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 (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (m) below);

(iii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Distribution Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and

(iv) any Transfer Costs which the Seller has failed to pay;

(c) *third*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) all amounts (including interest and fees) due to the Liquidity Facility Provider under the Liquidity Facility Agreement (except for Subordinated Liquidity Facility Amounts and payments of principal in relation to any Liquidity Facility Loans utilised to fund any Further Advance Shortfall Advances); and

(ii) all amounts (including interest and fees) due and payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement (except for any Subordinated Pre-Funding Loan Amounts and any amounts in respect of principal payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement);

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) a provision for amounts due on the next Interest Payment Date with respect to (or, if the relevant Distribution Date is also an Interest Payment Date, to pay) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;

(ii) a provision for amounts due on the next Interest Payment Date with respect to (or, if the relevant Distribution Date is also an Interest Payment Date, to

pay) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of this Agreement, together with VAT (if payable) thereon as provided therein; and

(iii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Distribution Period under the provisions of the Bank Account Agreement, together with VAT (if payable) thereon as provided therein;

(e) *fifth*, to pay or make provision for amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Interest Rate Swap Excluded Termination Amount to the extent it is not satisfied by the payment by the Issuer to the Interest Rate Swap Provider of any Replacement Swap Premium);

(f) *sixth*, to provide for amounts due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, to pay, *pro rata* and *pari passu* the interest due and payable on the Class A Notes;

(g) *seventh*, (so long as the Class A Notes will remain outstanding following such Distribution Date) to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

(h) *eighth*, (in relation to Distribution Dates falling in the first Interest Period only and/or when no Class A Notes will remain outstanding following such Distribution Date) to provide for amounts due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, to pay, *pro rata* and *pari passu* the interest due and payable on the Class B Notes;

(i) *ninth*, (so long as the Class B Notes will remain outstanding following such Distribution Date) credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

(j) *tenth*, to credit the General Reserve Ledger up to the General Reserve Required Amount;

(k) *eleventh*, (other than in respect of Distribution Dates falling in the first Interest Period and/or so long as the Class A Notes will remain outstanding following such Distribution Date) to provide for amounts due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, to pay, *pro rata* and *pari passu* the interest due and payable on the Class B Notes;

(l) *twelfth*, to pay *pro rata* and *pari passu*:

(i) the Interest Rate Swap Provider in respect of an Interest Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to the Interest Rate Swap Provider by the Issuer of any Replacement Swap Premium);

(ii) any Subordinated Liquidity Facility Amounts; and

(iii) any Subordinated Pre-Funding Loan Amount;

(m) *thirteenth*, if the Distribution Date is also an Interest Payment Date, to pay the Issuer an amount equal to €250 to be retained by the Issuer as profit in respect of the business of the Issuer;

(n) *fourteenth*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, pay to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(o) *fifteenth*, provided that, on such Distribution Date, there are no amounts of principal outstanding on the Class A Notes or the Class B Notes, to pay the principal amounts outstanding to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(p) *sixteenth*, if the Distribution Date is also an Interest Payment Date to pay any deferred consideration due and payable under the Mortgage Sale Agreement to the Seller (the "**Deferred Consideration**"); and

(q) *seventeenth*, the excess (if any) to the Issuer,

provided that no payment shall be made out of the Bank Accounts which would thereby cause or result in the Bank Accounts becoming overdrawn.

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 under the Deed of Charge (as applicable) to discharge any of its functions;

"Distribution Period" means the period from and including one Distribution Date (or, in the case of the first Distribution Period, the Closing Date) to but excluding the next Distribution Date;

"Interest Rate Swap Excluded Termination Amount" means, in relation to the Interest Rate Swap Agreement, the amount of any termination payment due and payable to the Interest Rate Swap Provider as a result of an Interest Rate Swap Provider Default or Interest Rate Swap Provider Downgrade Event;

"Interest Rate Swap Provider Default" means the occurrence of an Event of Default (for the purposes of this definition only, as defined in the Interest Rate Swap Agreement) where the Interest Rate Swap Provider is the Defaulting Party (as defined in the Interest Rate Swap Agreement);

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

"**Pre-Funding Loan Interest Period**" means the three month period between each Interest Payments Date, except that:

(i) the first Pre-Funding Loan Interest Period shall end on the Interest Payment Date immediately succeeding the Closing Date; and

(ii) any Pre-Funding Loan Interest Period which would otherwise end on a day which is not a Business Day, shall instead end on the next day which is a Business Day;

"Principal Amount Outstanding" means, in respect of:

(a) a Note on any date, the initial principal amount of such Note less the aggregate amount of all Note Principal Payments in respect of such Note that have become due and payable and on or prior to such date have been paid; and

(b) the Notes, the aggregate Principal Amount Outstanding of the Notes as determined in accordance with (a) above.

"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 Interest Rate Swap Provider;

"**Reserve Asset Costs**" means such additional percentage as a lender determines to be necessary to compensate it for the provision of lending facilities or for maintaining such lending facilities, by reason of any liquidity reserve ratio, special deposit or other regulatory requirements whether or nor required by law;

"Subordinated Liquidity Facility Amounts" means all amounts payable under, or in any way in connection with, the Liquidity Facility Agreement, other than:

1. principal and interest in respect of a Liquidity Facility Loan, except that part of the interest (in each case, for the relevant Interest Period):

    1.1 on a Loan which represents Reserve Asset Costs in excess of 0.20 per cent. per annum on the maximum amount then available to be drawn under the Liquidity Facility Agreement; and

    1.2 on a Stand-by Loan which is in excess of an amount equal to the interest actually earned on the Liquidity Facility Stand-by Ledger plus the Liquidity Facility Commitment Fee that would have been due on the undrawn portion of the Liquidity Facility Commitment had that Stand-by Loan not been utilised; and

2. the Liquidity Facility Commitment Fee.

"**Subordinated Pre-Funding Loan Amounts**" means any interest (for the relevant Pre-Funding Loan Interest Period) on the Pre-Funding Loan which is in excess of the amount of interest actually earned on the Pre-Funding Loan Ledger during the relevant Pre-Funding Loan Interest Period;

"Transfer Costs" means the Issuer's costs and expenses associated with the transfer of servicing to a replacement servicer.

Definition of Principal Receipts

"Principal Receipts" means payments received by the Issuer directly or from the Seller recognised by the Seller as representing:

1. principal repayments under the Loans (including capitalised interest, capitalised expenses and capitalised arrears but excluding accrued interest and arrears of interest);

2. recoveries of principal from defaulting Borrowers under Loans being enforced (including the proceeds of sale of the relevant Property);

3. any payment pursuant to an insurance policy assigned to the Issuer (in respect of which the Issuer has a beneficial interest) in respect of a Property in connection with a Loan in the Portfolio; and

4. the proceeds of the repurchase of any Loan by the Seller from the Issuer pursuant to the Mortgage Sale Agreement (excluding amounts attributable to Revenue Receipts).

Definition of Available Principal Receipts

"Available Principal Receipts" means for any Distribution Date an amount equal to the aggregate of:

1. all Principal Receipts (i) received by the Issuer during the immediately preceding Collection Period (less (A) an amount equal to the aggregate of all Further Advance Purchase Prices payable in such Collection Period but not exceeding such Principal Receipts, (B) the repurchase price received by the Issuer in respect of a repurchase of Loans and their Related Security subject to Further Advances on the immediately preceding Distribution Date that were repurchased under Clause 5.1(g) of the Mortgage Sale Agreement due to the Issuer having insufficient funds to fully repay any Further Advance Shortfall Advance and (C) any amount applied during the immediately preceding Distribution Period towards repayment of any Further Advance Shortfall Advances), (ii) received during the immediately preceding Collection Period in respect of a repurchase of Loans subject to Further Advances in that Collection Period and their Related Security to the extent that there are insufficient funds available by way of the Liquidity Facility to pay for the relevant Further Advance Purchase Price and (iii) received on such Distribution Date the repurchase price received by the Issuer in respect of a repurchase of Loans and their Related Security subject to Further Advances on such Distribution Date that were repurchased under Clause 5.1(g) of the Mortgage Sale Agreement due to the Issuer having insufficient funds to fully repay any Further Advance Shortfall Advance;

2. (in respect of the first Distribution Date only) the amount paid into the Reserve Account on the Closing Date from the excess of the proceeds of the Notes over the Initial Consideration;

3. any amounts credited to the Principal Ledger on the immediately preceding Calculation Date in respect of (i) any Principal Receipts Shortage or (ii) any amounts of principal due and payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement;

4. (in respect of each Distribution Date during the Revolving Period) amounts standing to the credit of the Retained Principal Receipts Fund for two consecutive Interest Periods following the date that such sums are credited to the Retained Principal Receipts Fund (and for this purpose, any amounts standing to the credit of the Retained Principal Receipts Fund will be applied first towards any Further Advance Purchase Price and secondly towards any New Portfolio Purchase Price in accordance with the terms of the Transaction Documents in the order in which such amounts were credited to the Retained Principal Receipts Fund (i.e. on a first in first out basis)); and

5. (in respect of the Distribution Date immediately following the end of the Revolving Period only) all amounts standing to the credit of the Retained Principal Receipts Fund,

minus

6. any amount received into the Transaction Account attributable to any Principal Receipts Shortage in relation to which monies have previously been debited from the Pre-Funding Loan Ledger.

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 the service of a Note Acceleration Notice on the Issuer

Prior to the service of a Note Acceleration Notice on the Issuer, the Issuer is required pursuant to the terms of the Cash Management Agreement to apply Available Principal Receipts on each Distribution Date (except in the case of amounts applied pursuant to item (a) below which shall be applied on any Business Day during the Distribution Period and item (b) below which may be applied on any Business Day during the Distribution Period) in the following order of priority (the "**Pre-Acceleration Principal Priority of Payments"**) (in each case only if and to the extent that payments or provisions of higher priority have been paid in full):

(a) *firstly* in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) the principal amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of any Further Advance Shortfall Advances made under the Liquidity Facility Agreement (which, for the avoidance of doubt, excludes any Interest Shortfall Advance or any Subordinated Liquidity Facility Amounts); and

(ii) amounts in respect of principal due and payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement (which, for the avoidance of doubt, excludes any Subordinated Pre-Funding Loan Amount and any amounts in respect of interest payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement);

(b) *second*, during the Revolving Period, towards a credit to the Retained Principal Receipts Fund in an amount equal to all remaining Available Principal Receipts less the amount calculated in accordance with paragraph (4) of the definition of Available Principal Receipts;

(c) *third*, towards providing for repayment (or if such Distribution Date is an Interest Payment Date, making payment) of any Principal Amount Outstanding on the Class A Notes;

(d) *fourth*, towards providing for repayment (or if such Distribution Date is an Interest Payment Date, making payment) of any Principal Amount Outstanding on the Class B Notes; and

(e) *fifth*, the excess (if any) to be applied as Available Revenue Receipts,

provided that no payment shall be made out of the Bank Accounts which would thereby cause or result in the Bank Accounts becoming overdrawn.

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

Following the service of a Note Acceleration Notice (which has not been withdrawn) 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 which shall be returned directly to the Interest Rate Swap Provider under the Interest Rate Swap Agreement and (b) in respect of the Interest Rate Swap Provider, prior to the designation of an early termination date under the Interest Rate 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 Interest Rate Swap Provider to the Issuer pursuant to the Interest Rate Swap Agreement and any interest or distributions in respect thereof) 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 (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the "**Priority of Payments**"):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee 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 fees, 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 and the Paying Agents 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 fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;

(c) *third*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof:

(i) all amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement (except for Subordinated Liquidity Facility Amounts); and

(ii) all amounts due to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement (except for Subordinated Pre-Funding Loan Amounts);

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and

(iii) any amounts then due and payable to the Account Bank and any fees, 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;

(e) *fifth*, to pay amounts due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Interest Rate Swap Excluded Termination Amount);

(f) *sixth*, to pay *pro rata* and *pari passu* the interest and principal due and payable on the Class A Notes;

(g) *seventh*, to pay interest and principal due and payable on the Class B Notes;

(h) *eighth*, to pay the Interest Rate Swap Provider in respect of an Interest Rate Swap Excluded Termination Amount;

(i) *ninth*, to pay *pro rata* and *pari passu*:

(i) any Subordinated Liquidity Facility Amounts; and

(ii) any Subordinated Pre-Funding Loan Amounts;

(j) *tenth*, to pay *pro rata* and *pari passu* 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;

(k) *eleventh*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller; and

(l) *twelfth*, the excess (if any) to the Issuer.

THE LOANS

Introduction

The Loans comprised in the Portfolio as of 31 August 2009 (the "**Reference Date**") (the "**Provisional Portfolio**") comprised Mortgage Accounts (as defined below) drawn solely from the mortgage book of Bank of Scotland (Ireland) Limited (being all euro-denominated mortgage loans originated by the Seller and BoS UK in respect of properties in Ireland to Borrowers resident in Ireland at the time of origination and their related security administered on the Seller's UNISYS as at the date of this Prospectus and having an aggregate Principal Balance of €3,168,801,745.51 as at that date) (the **"BoSI Mortgage Book"**).

BoS UK Mortgage Sale Agreement

Pursuant to the BoS UK Mortgage Sale Agreement, BoS UK, as legal and beneficial owner, agreed to sell a portfolio of mortgage loans and their related security to BoSI. These Loans form part of the Portfolio.

The Loans in the Provisional Portfolio were originated by the Seller or BoS UK as the case may be, no earlier than 27 October 1999 and no later than 19 August 2009, of the Loans in the Provisional Portfolio, 76.61 per cent. by value are Tracker Rate Loans, 11.97 per cent. by value are Fixed Rate Loans, and 11.42 per cent. by value are Variable Rate Loans.

Each Loan may incorporate one or more of the features referred to in this section. Each Borrower may have more than one Loan incorporating different features, including more than one Loan secured on a single Property (as defined below) (each such Loan or collection of Loans secured on a single Property, a "**Mortgage Account"**).

Each Loan is secured by a first legal mortgage over a residential property in Ireland (collectively the "**Properties"** and individually a "**Property"**).

The Loans are governed by the laws of Ireland.

Except for the Initial Portfolio, each Loan is not more than one month in arrears in the last three months prior to the date it is purchased by the Issuer.

For a description of the conditions which a New Loan must meet prior to its inclusion in the Portfolio, see "*Summary of the Key Transaction Documents — Mortgage Sale Agreement — Sale of New Portfolios*", above.

All references in this section to "by value" of the Loans means the percentage by the Principal Balance as at 31 August 2009.

Characteristics of the Loans

The following is a description of some of the characteristics of the Loans currently or previously originated by the Seller or BoS UK as the case may be, including details of Loan types, the underwriting process lending criteria and selected statistical information.

Origination Channels

The Seller currently derives its mortgage-lending business through intermediaries, the Halifax retail branch network in Ireland and a small volume through direct channels.

The Seller is subject to regulation by the Financial Regulator.

Interest Payments and Interest Rate Setting

The Seller currently offers the following home loan products:

(a) Fixed Rate Loans; and

(b) Variable Rate Loans.

The Seller previously offered Tracker Rate Loans (together with Fixed Rate Loans and Variable Rate Loans, the "**Home Loan Products**"). The Seller is able to combine the Home Loan Products to suit the requirements of the Borrower.

Discounted rates in respect of Tracker Rate Loans were offered for a predetermined period, usually between one and two years, at the commencement of the loan (the "**Product Period"**). The fixed rate of interest in respect of Fixed Rate Loans, is offered for a pre-determined period, usually between six months and five years, at the commencement of the Loan (also a "**Product Period**"). The margins applicable to Tracker Rate Loans other than in relation to discounted tracker rate loans were offered for the duration of the relevant Loan. Early repayment fees are payable by the Borrower if a Fixed Rate Loan is redeemed within the relevant Product Period. See "*– Early Repayment of the Loans*" below

Interest is calculated on a daily basis rather than on an annual basis. Any payment by the Borrower will reduce the Borrower's balance on which interest will be calculated the following day.

The Seller may change the interest rate under a Variable Rate Loan by altering the Variable Rate and giving the Borrowers notice, on any part of the Loan, unless otherwise agreed in the relevant Mortgage Conditions and subject to any restrictions set forth in the relevant Mortgage Conditions. The Seller may also change the Borrowers' monthly payments, the repayment period and the accounting period by giving the Borrowers notice.

The terms and conditions to which a Loan is subject, as the case may be, including any application form, letter of offer, offer letter's terms and conditions or agreement to make a loan to a Borrower and if, pursuant to such letter of offer or agreement, a Mortgage was effected, including the mortgage and charge and mortgage terms and conditions (collectively the "**Mortgage Conditions"**) applicable to all of the Variable Rate Loans provide that the Variable Rate may be varied if and whenever the Seller considers it desirable and to such an extent as the Seller in its absolute discretion determines. The Mortgage Conditions also provide that, with regard to any such variation the following applies:-

(a) Notice of such variation shall be given by the Seller to the Borrower either by notice in writing served on the Borrower in accordance with the Mortgage Conditions or by advertisement published in at least one daily newspaper in Ireland and such notice or advertisement shall state the applicable interest rate as varied and the date from which the varied rate will be charged;

(b) Any such variation in the applicable interest rate will take effect from the dates specified in the notice or advertisement;

(c) In consequence of any such variation the Seller may in its absolute discretion vary the amount of any monthly or other periodical payment or payments (whether of combined principal and interest or of interest only) payable by the Borrower; and

(d) The Mortgage Conditions in relation to payment of interest shall, from the date of variation, be construed and take effect as applying to the varied rate.

In some of the Seller's offer letters in respect of the Variable Rate Loans additional specific terms were included, which provide that the Seller, under its "price promise" (the "**Price Promise**"), promises the Borrower that the Variable Rate will never be more than 1.5% above the European Base Rate. At the date hereof, this Price Promise has been withdrawn for new loans originated after 31 October 2008, for loans originated through the intermediary channel, and 31 January 2009, for loans originated through the Halifax retail branch channel, but the Price Promise continues to apply to any Loan in the Portfolio where it is contained in the Mortgage Conditions. These offer letters then go on to state that, for administrative reasons, in the event of an increase or decrease in the published European Base Rate, the Seller requires up to one

month from the date of such an announcement to fully implement any amendment to the Variable Rate in respect of the Borrower's Loan.

If applicable, the Servicer will be responsible for setting any margins in respect of new Tracker Rate Loans that are sold to the Issuer in the future. However, in maintaining, determining or setting these margins, except in the limited circumstances as set out in "*The Servicing Agreement – Undertakings by the Servicer*" above, the Servicer has undertaken to maintain, determine or set the margins at a level which is not higher than the margins set in accordance with all applicable Central Bank and other regulatory requirements and the applicable Mortgage Conditions. There will be no differential in margins between the loans included in the Portfolio and those not included in the Portfolio.

Repayment Terms

Each Loan in the Portfolio is repayable on one of the following bases:

- repayment: the Borrower makes monthly payments of both interest and principal so that, when the Loan matures, the full amount of the principal of the Loan will have been repaid ("**Repayment Loans"**);

- full term interest-only: the Borrower makes monthly payments of interest but not of principal so that, when the Loan matures, the entire principal amount of the Loan is still outstanding and is payable in one lump sum ("**Interest-Only Loans"**). This basis of repayment was withdrawn for Loan applications initiated after 1 June 2009;

- fixed term interest only: the Borrower makes monthly payments of interest but not of principal for a fixed period (between 6 and 120 months), reverting to full repayment (capital interest) after the fixed period matures ("**Fixed Term Interest Only Loans**"). This basis of repayment was withdrawn on 1 June 2009 for Home Loan Product applications through the Intermediary channel. The maximum interest only period for Home Loan Products applications through Halifax retail branches remains at 24 months; or

- a combination of these options.

In the case of either Repayment Loans or Interest-Only Loans, the required monthly payment may alter from month to month for various reasons, including changes in interest rates.

For applications received for full-term Interest-Only Loans after 1 January 2008, an appropriate repayment mechanism must have been identified at application. However, the Seller does not take security over these repayment mechanisms or currently validate thereafter over the life of the Loan.

Principal prepayments may be made in whole or in part at any time during the term of a Fixed Rate Loan, subject to the payment of any repayment fees (as described in "*– Early Repayment of the Loans*" below). A prepayment of the entire Balance of all Loans under a Mortgage Account discharges the Mortgage. Any prepayment in full must be made together with all accrued interest, arrears of interest, any unpaid expenses and any applicable repayment fee(s).

Payment Methods

All payments on the Loans in the Initial Portfolio must be made in Euro and most payments are made by a direct debit ("**DDR**") instruction through the Irish direct debit system from another bank or building society account. A valid DDR instruction must be in place prior to completion.

Product Range

The Initial Portfolio will consist of Loans categorised by the Seller as prime loans being residential loans (backed by first ranking security, for the purchase or re-mortgage of owner-occupied residential property

("**PDH Property**", such Loans being "**PDH Loans**")) and loans backed by first ranking security, for the purchase or re-mortgage of residential property for letting purposes ("**Buy-to-Let Property**" such Loans being "**Buy-to-Let Loans**").

Other types of loan product may be sold to the Issuer in the future, the Servicer shall notify the Rating Agency of any new other types of loan products which have been sold to the Issuer.

Sub-prime loans will not be sold to the Issuer.

Early Repayment of the Loans

Principal prepayments may be made in whole or in part at any time during the term of a Loan unless the Mortgage Conditions relating to the Loan states otherwise. A prepayment of the whole of the Principal Balance of all Loans under a Mortgage Account discharges the Mortgage in question but must be made together with all outstanding charges, arrears of interest and accrued interest thereon.

Currently, any lump sum capital prepayment made in respect of a Mortgage Account is credited after repayment of any outstanding charges, arrears of interest and accrued interest thereon to reduce the outstanding balance of the relevant Mortgage Account. Unless otherwise specified in the Mortgage Conditions, the minimum prepayment amount is €1,000. Once a lump sum capital prepayment is made, a new monthly interest payment/repayment will be calculated based on the reduced outstanding balance.

Early Repayment Charges will be charged to a Borrower making a lump sum prepayment on a Fixed Rate Loan.

The Issuer has agreed to reimburse the Seller any Servicing Related Fees received in relation to the Loans.

Further Advances

None of the Loans obliges the Seller to make Further Advances. If a Borrower wishes to take out a further loan secured by the same mortgage, the Borrower will need to repeat the application process and the Seller will apply the Lending Criteria in determining whether to approve the application.

Where an application is made for a Further Advance and there have been no arrears or other difficulties in relation to the existing Mortgage Account, the Seller retains the discretion to provide a Further Advance and to determine the amount of the Further Advance on the basis of the value of the Property as well as other lending criteria.

The minimum amount of a Further Advance is €25,000.

Lending Criteria

The Loans were originated according to the Seller's lending policy or BoS UK's lending policy, as the case may be, at the relevant time. The current lending criteria of the Seller (the **"Lending Criteria"**) are set out below. The Lending Criteria and underwriting policies are subject to change within the Seller's sole discretion. New Loans may only be included in the Portfolio if they were originated in accordance with the Lending Criteria applicable at the time the New Loan is offered and the representations and warranties contained in "*Summary of the Transaction Documents — Mortgage Sale Agreement — Sale of New Loans*", were correct as of the relevant Advance Date, Sale Date or Switch Date (as applicable). It should be noted that the Seller ceased to process new Buy-To-Let applications with effect from May 2008. References to this product relate to before that date.

Tenure of Property

Properties may be either freehold or leasehold. In the case of leasehold properties, the minimum requirement is that the unexpired portion of the lease must normally be at least, as at the date of application, of such length to ensure that at least 30 years unexpired remain after the term of the Loan.

Valuations

A valuer from the Seller's panel of professionally qualified valuers must carry out a professional valuation prior to any offer being made. A valuation must be completed before an offer can be made. For all of the Seller's loans, properties are required to be valued on-site by a qualified surveyor chosen from a panel of the Seller's approved valuation firms.

Term of Loan

The minimum term in respect of a Loan is 5 years. The maximum term is 35 years, in the case of PDH Loans and was 30 years in respect of Buy-to-Let Loans prior to their withdrawal as a Home Loan Product.

Age of Applicant

All Borrowers must be aged 18 or older, or 21 or older in the case of first time buyers and Buy-to-Let Loans.

The maximum age limit at the end of the mortgage term for PDH Loans is 70 years, or if self-employed 75 years. (The maximum age limit at the end of the mortgage term for Buy-to-Let Loans was 80 years (75 years if reliant on the Buy-to-Let Property for post-retirement income). If the Borrower is retired, the Seller will consider the Borrower's ability to support the Loan.

Loan Amount

The minimum amount that can be borrowed under a PDH Loan is €50,000 and the minimum amount that could be borrowed under a Buy-to-Let Loan was €100,000. The maximum loan amount is €7 million for PDH Loans and €2 million for Buy-to-Let Loans. Loans above a maximum level of €5 million will not be eligible for the Portfolio.

Security

Security for each Loan consists of a first legal mortgage on freehold properties in Ireland, leasehold properties in Ireland with, as at the application date, at least 30 years remaining unexpired after the term of the Loan.

The Seller requires that a property of less than 10 years old is covered by a valid National Housing Guarantee Scheme HB47 Certificate and, where applicable, a set of architect's certificates acceptable to the Seller.

Loan-to-Value Ratio

The maximum original loan-to-value ratio ("**LTV Ratio"**) of Loans is as at the date hereof 80 per cent. in respect of new/second-hand residential houses, in respect of apartments in prime locations, 75 per cent and in respect of all other apartments, 70 per cent. These loan-to-value parameters apply to properties with a maximum value of €750,000.

The maximum LTV Ratio in relation to Buy-to-Let Loans, when last offered as a Home Loan Product in April 2008, was 90 per cent for the high income earner Home Loan Product (80 per cent outside main cities/towns) and 80 per cent for multiple property investor Home Loan Product(s).

In the case of a property which is being purchased, the "value" for the purposes of the LTV Ratio is determined on the lower of the valuer's valuation and the full purchase price of the property excluding stamp duty and fees.

Deposits

The Borrower must have sufficient funds, upfront, to close the property purchase. This is always validated to ensure that the funds are not sourced through additional borrowing. Savings and/or parental gifts are

considered acceptable. Where there is a purchase at undervalue, the maximum loan will be based on the discounted purchase price. The valuer, who is nominated by the Seller, must be aware of any incentive and refer to this in the valuation report.

Status of Applicant(s)

The maximum amount of the aggregate Loan(s) under a Mortgage Account is determined by the application of an affordability model. This model delivers an individualised result that reflects the applicant's net income, existing credit commitments and burden of family expenditure. The model also calculates the full debt servicing cost at a stressed rate of interest before comparing this cost to the net disposable income that the applicant has available. Credit scoring (as described below) also influences the decision of how much to lend using the principle that high credit scores infer a proven ability to manage financial affairs. The Seller as a general rule allows 5 per cent. of basic income as overtime and/or bonus, subject to validation, and 20 per cent. of basic income as regular commission, also subject to validation.

The Seller may take income from a second job into account in determining affordability for PDH Loan applications subject to the underwriter's discretion. When there are two applicants, the Seller adds joint incomes together for the purpose of calculating the applicants' total income. When there are more than two applicants, the Seller will consider which incomes will be taken into account on a case by case basis.

Employed applicants will be expected to have been employed for a minimum of 2 years in their current role. Self-employed applicants would normally be expected to have been self-employed for a minimum of 2 years.

The Seller may exercise discretion within its Lending Criteria in applying those factors that are used to determine the maximum amount of the Loan(s). Accordingly, these parameters may vary for some loans. The Seller may take the following into account when exercising discretion: credit score result, existing customer relationship, percentage of LTV Ratio, stability of employment and career progression, availability of living allowances and/or mortgage subsidy from the employer, employer's standing, regularity of overtime and bonus (up to a maximum of 5 per cent. of basic income for each) and regular commission income (up to a maximum of 20 per cent. of basic income), credit commitments, quality of security (such as type of property, repairs, location or saleability) and the increase in income needed to support the Loan.

All local authority tenants must provide rent payment history for the last 12 months. The conduct of an existing mortgage holder will be confirmed from the credit search and if not on the Irish Credit Bureau, from 12 months' mortgage statements. All employed PDH Loan applicants must provide three months' bank statements, latest P60 and/or a letter from their employer certifying income and two recent payslips. A self-employed applicant for a PDH Loan must provide the last two years' audited accounts/accounts certified by an accountant or statement of affairs certified by an Accountant or Revenue Commissioners self-assessment forms together with 3 month's business and personal bank statements. Self-employed Borrowers under the "70 per cent LTV Letter of Serviceability Home Loan Product" must provide 3 month's business and personal bank statements as well as a statement of affairs certified by an accountant. The "60 per cent LTV Letter of Serviceability Home Loan Product" was withdrawn in October 2008.

Buy-to-Let Loans

Buy-to-let Loans were available where, at the time of a multi-property investor application, the expected annual rental income equates to a minimum of 1.2 times the annual interest only mortgage payment, using the rate applicable to the mortgage on application. A minimum of 1.4 times cover was required for Buy-to-Let Loans where the LTV is greater than 70 per cent and not more than 80 per cent. Confirmation of expected rental income was required from an independent valuer approved by the Seller and/or an independent check of market rents by the Seller and/or tenancy agreement and/or bank statements and/or certified statements or affairs. If the application was for a High Income Earner Buy-to-Let Loan, affordability was assessed using the PDH Loan model with any shortfall arising from the rental property included as a stressed commitment. As at the date of this Prospectus, Buy-to-Let Loans have been withdrawn as a Home Loan Product. The maximum LTV Ratio for Buy-to–Let Loans, when last available, was 80 per cent. A Borrower was permitted to borrow up to €2 million for an individual Buy-to-Let Property, with a

limit of €7 million Buy-to-Let exposure. The minimum acceptable property value or purchase price (whichever is the lower) was €125,000. Buy-to-Let loans were available to Irish residents and to non-Irish residents where a clear intention to take up residency was established in the application process.

Credit Search

Credit searches are carried out in respect of all applicants' residential addresses for the 5 years prior to the date of application of the Loan. Applications may be declined where an adverse credit history is revealed which falls outside the criteria for prime customers.

Credit Scoring

In respect of PDH Loans, the Seller uses some of the criteria described here and various other criteria to produce an overall score for the application that reflects a statistical analysis of the risk of advancing the loan. The lending policies and processes are determined centrally to ensure consistency in the management and monitoring of credit risk exposure. Full use is made of software technology in credit scoring new applications. Credit scoring applies statistical analysis to publicly available data and customer-provided data to assess the likelihood of an account going into arrears. The Seller uses credit scoring on an inform basis to aid an underwriting decision.

Buildings Insurance

It is the Borrower's responsibility to ensure that insurance cover under normal terms (including subsidence and flooding cover) with an insurance company previously approved by the Seller is writing is in place upon an index-linked basis throughout the term of their mortgage to cover the full reinstatement value of the property, together with professional fees. The interest of the Seller must be noted on the policy.

In the case of most leasehold properties, the insurance will be effected by the landlord in accordance with the terms of the relevant lease.

The Mortgage Conditions provide that if the Borrower fails to continue to keep up buildings insurance, the Seller may take out or renew such insurance policy in any sum and on any terms which the Seller may, in its discretion, think fit and any money spent by the Seller in this regard shall be repayable by the Borrower as an expense under the conditions of the Mortgage.

When a mortgaged property is taken into possession by the Seller, individual insurance policies will be taken out by the Seller to ensure that the appropriate insurance cover is provided on the property. The Seller may claim under such policy for any damage occurring to the property while in the Seller's possession.

Title Insurance

BoSI and First Title Insurance Plc ("**First Title**") have entered into a re-mortgage scheme agreement dated 19 November 2008 (the "**Agreement**"). The Agreement provides for arrangements related to the application, processing and insuring of mortgages in Ireland (excluding Northern Ireland) under the policy of title insurance and endorsement (the "**Master Insurance Policy**"). First Title's liabilities under the Master Insurance Policy are reinsured by First American Title Insurance Company.

Under the Master Insurance Policy, First Title has agreed to indemnify BoSI against actual loss sustained or incurred by BoSI in relation to the "**Covered Risks**" (as defined in the Master Insurance Policy). First Title has further agreed to defend the title to the relevant Property and/or any Mortgage, which is covered by the Master Insurance Policy, for the Covered Risks and pay specified expenses that it incurs in such defence.

Covered Risks include: (i) title to the Property; (ii) validity, enforceability and priority of the insured Mortgage; (iii) restrictions, encroachments and use of fixtures on the Property; (iv) local authority powers; (v) post policy coverage; (vi) forgery in the future; and (vii) alterations and encroachments in the future.

Approximately 15 per cent of the Provisional Portfolio is covered by the Master Insurance Policy. Under the terms of the Mortgage Sale Agreement the Master Insurance Policy will be assigned to the Issuer by the Seller. Notification of such assignment will be provided to First Title.

CHARACTERISTICS OF THE PORTFOLIO

The statistical and other information contained in this Prospectus has been compiled by reference to the Loans in the Provisional Portfolio as at the Reference Date. Columns may not add up to the total due to rounding. A Loan will be removed from the Portfolio if in the period from (and including) the Reference Date up to (but excluding) the Closing Date such Loan is repaid in full or if such Loan does not comply with the terms of the Mortgage Sale Agreement on the Closing Date. Except as otherwise indicated, these tables have been prepared using the current balance as at the Reference Date, which includes all principal and accrued interest for the Loans in the Provisional Portfolio.

Principal Balance of the Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
€ 0.00 - € 24,999.99	92	0.81%	1,185,679.25	0.04%
€ 25,000.00 - € 49,999.99	169	1.49%	6,500,847.02	0.21%
€ 50,000.00 - € 74,999.99	372	3.28%	23,832,896.61	0.75%
€ 75,000.00 - € 99,999.99	560	4.94%	49,739,259.47	1.57%
€ 100,000.00 - € 124,999.99	713	6.29%	80,295,286.11	2.53%
€ 125,000.00 - € 149,999.99	856	7.55%	117,969,127.61	3.72%
€ 150,000.00 - € 174,999.99	956	8.43%	155,482,618.54	4.91%
€ 175,000.00 - € 199,999.99	985	8.68%	185,003,126.83	5.84%
€ 200,000.00 - € 224,999.99	1,010	8.90%	214,856,664.51	6.78%
€ 225,000.00 - € 249,999.99	990	8.73%	235,270,277.36	7.42%
€ 250,000.00 - € 274,999.99	827	7.29%	216,485,273.04	6.83%
€ 275,000.00 - € 299,999.99	689	6.07%	198,066,323.70	6.25%
€ 300,000.00 - € 349,999.99	975	8.60%	315,014,501.80	9.94%
€ 350,000.00 - € 399,999.99	580	5.11%	216,125,931.33	6.82%
€ 400,000.00 - € 449,999.99	351	3.09%	148,575,264.11	4.69%
€ 450,000.00 - € 499,999.99	247	2.18%	116,997,592.73	3.69%
€ 500,000.00 - € 599,999.99	278	2.45%	151,903,559.51	4.79%
€ 600,000.00 - € 699,999.99	195	1.72%	125,711,317.33	3.97%
€ 700,000.00 - € 799,999.99	117	1.03%	87,147,367.70	2.75%
€ 800,000.00 - € 899,999.99	86	0.76%	73,027,033.46	2.30%
€ 900,000.00 - € 999,999.99	49	0.43%	46,201,450.50	1.46%
€ 1,000,000.00 - €1,999,999.99	184	1.62%	242,100,743.42	7.64%

€ 2,000,000.00 - €2,999,999.99	51	0.45%	123,311,973.37	3.89%
€ 3,000,000.00 - €3,999,999.99	9	0.08%	29,248,979.64	0.92%
€ 4,000,000.00 - €4,999,999.99	2	0.02%	8,748,650.56	0.28%
Totals	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

Minimum			**5,084.84**	
Maximum			**4,497,856.09**	
Average			**279,361.87**	

Original Loan-to-Value of the Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
0 - 25.00%	783	6.90%	105,867,760.84	3.34%
25.00 - 30.00%	432	3.81%	75,209,098.13	2.37%
30.00 - 35.00%	493	4.35%	104,027,263.27	3.28%
35.00 - 40.00%	577	5.09%	121,937,442.04	3.85%
40.00 - 45.00%	575	5.07%	127,878,074.46	4.04%
45.00 - 50.00%	849	7.48%	229,185,742.29	7.23%
50.00 - 55.00%	621	5.47%	180,463,721.97	5.70%
55.00 - 60.00%	822	7.25%	280,433,162.93	8.85%
60.00 - 65.00%	722	6.37%	207,013,239.55	6.53%
65.00 - 70.00%	1,163	10.25%	388,890,129.76	12.27%
70.00 - 75.00%	1,197	10.55%	360,547,977.25	11.38%
75.00 - 80.00%	773	6.81%	263,351,381.03	8.31%
80.00 - 85.00%	693	6.11%	232,164,353.51	7.33%
85.00 - 90.00%	652	5.75%	193,774,180.77	6.12%
90.00 - 95.00%	562	4.95%	179,562,416.44	5.67%
95.00 - 96.00%	40	0.35%	12,013,007.52	0.38%
96.00 - 97.00%	27	0.24%	7,850,648.89	0.25%
97.00 - 98.00%	30	0.26%	8,280,452.25	0.26%

98.00 - 99.00%	28	0.25%	8,107,462.90	0.26%
99.00 - 100.00%	304	2.68%	82,244,229.71	2.60%
Totals	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

Minimum Original LTV			**3.33%**	
Maximum Original LTV			**100.00%**	
Weighted Average Original LTV			**64.97%**	

Years to Maturity of the Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
< 1 year	21	0.19%	1,196,110.35	0.04%
1 - < 5 Years	204	1.80%	36,466,687.00	1.15%
5 - < 10 Years	651	5.74%	134,443,810.07	4.24%
10 - < 15 Years	1,481	13.06%	363,728,397.16	11.48%
15 - < 20 Years	2,795	24.64%	766,478,141.79	24.19%
20 - < 25 Years	2,281	20.11%	673,093,616.89	21.24%
25 - < 30 Years	1,881	16.58%	583,782,140.62	18.42%
30 - < 35 Years	1,442	12.71%	434,440,229.08	13.71%
35 - < 40 Years	587	5.17%	175,172,612.55	5.53%
Totals	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

Minimum			**0.67**	
Maximum			**39.92**	
Weighted Average			**22.47**	

Age of the Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
<= 6 months	314	2.77%	84,360,835.88	2.66%
6 - <= 12 months	358	3.16%	111,065,939.13	3.50%

12 - <= 18 months	1,254	11.06%	402,401,879.56	12.70%
18 - <= 24 months	2,399	21.15%	664,239,750.61	20.96%
24 - <= 30 months	1,501	13.23%	390,817,329.02	12.33%
30 - <= 36 months	1,735	15.30%	444,191,511.96	14.02%
36 - <= 42 months	1,173	10.34%	317,317,440.01	10.01%
42 - <= 48 months	594	5.24%	185,027,148.80	5.84%
48 - <= 54 months	424	3.74%	137,504,677.13	4.34%
54 - <= 60 months	239	2.11%	74,321,287.16	2.35%
60 - <= 66 months	215	1.90%	71,389,626.75	2.25%
66 - <= 72 months	165	1.45%	66,601,204.61	2.10%
> 72 Months	972	8.57%	219,563,114.89	6.93%
Totals	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

Minimum			**1.00**	
Maximum			**118.00**	
Weighted Average			**34.35**	

Geographical spread distribution of the Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
CARLOW	104	0.92%	19,329,663.05	0.61%
CAVAN	109	0.96%	21,701,104.08	0.68%
CLARE	216	1.90%	41,219,665.25	1.30%
CORK	920	8.11%	212,062,431.82	6.69%
DONEGAL	169	1.49%	30,918,340.42	0.98%
DUBLIN	4,955	43.68%	1,716,625,275.72	54.17%
GALWAY	412	3.63%	95,846,918.01	3.02%
KERRY	137	1.21%	26,843,907.16	0.85%
KILDARE	756	6.66%	196,664,043.85	6.21%
KILKENNY	148	1.30%	29,292,115.08	0.92%
LAOIS	167	1.47%		1.08%

			34,284,223.02	
LEITRIM	40	0.35%	6,780,884.61	0.21%
LIMERICK	301	2.65%	52,028,988.95	1.64%
LONGFORD	46	0.41%	7,216,504.33	0.23%
LOUTH	305	2.69%	60,993,508.80	1.92%
MAYO	127	1.12%	22,167,028.49	0.70%
MEATH	599	5.28%	157,575,639.54	4.97%
MONAGHAN	83	0.73%	16,717,259.20	0.53%
OFFALY	144	1.27%	31,631,047.57	1.00%
ROSCOMMON	76	0.67%	14,341,027.07	0.45%
SLIGO	79	0.70%	18,352,618.82	0.58%
TIPPERARY	137	1.21%	24,961,726.17	0.79%
WATERFORD	200	1.76%	40,318,766.28	1.27%
WESTMEATH	214	1.89%	42,274,589.72	1.33%
WEXFORD	348	3.07%	66,941,585.09	2.11%
WICKLOW	551	4.86%	181,712,883.41	5.73%
Totals	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

Repayment type of Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
Annuity	9,395	67.18%	1,727,964,830.18	54.53%
Interest Only Start	467	3.34%	149,813,854.90	4.73%
Interest Only Term	4,123	29.48%	1,291,023,060.43	40.74%
Total	**13,985**	**100.00%**	**3,168,801,745.51**	**100.00%**

Rate type of Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
FIXED	1,419	10.15%		11.97%

			379,263,312.68	
TRACKER	10,410	74.44%	2,427,498,526.99	76.61%
VARIABLE	2,156	15.42%	362,039,905.84	11.42%
Total	**13,985**	**100.00%**	**3,168,801,745.51**	**100.00%**

Arrears analysis of Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
Less than or equal to 1 month	11,133	98.15%	3,102,318,493.73	97.90%
Greater than 1 month and <= 2 months	133	1.17%	41,661,739.53	1.31%
Greater than 2 months and <= 3 months	77	0.68%	24,821,512.25	0.78%
Total	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

Property types of the Loans in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
Detached	3,948	34.81%	1,220,004,715.89	38.50%
Flat	1,106	9.75%	296,888,404.66	9.37%
Semi-detached	4,019	35.43%	1,013,362,814.84	31.98%
Terraced	2,270	20.01%	638,545,810.12	20.15%
Totals	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

Occupancy Type of properties in the Provisional Portfolio

Description	Number of Loans	Proportion of portfolio (%)	Principal Balance (€)	Proportion of portfolio (%)
Owner Occupied	9,783	86.25%	2,688,721,073.99	84.85%
Buy to Let	1,560	13.75%	480,080,671.52	15.15%
Totals	**11,343**	**100.00%**	**3,168,801,745.51**	**100.00%**

THE ISSUER

Introduction

The Issuer is a special purpose vehicle established for the purpose of issuing asset-backed securities and was incorporated and registered in Ireland (registered number 475542) as a private company limited by shares under the Companies Acts, 1963 to 2009 of Ireland on 22 September 2009 under the name Wolfhound Funding 2 Limited. The registered office of the Issuer is at 25-26 Windsor Place, Lower Pembroke Street, Dublin 2 and its telephone number is +353 1 647 1550.

The authorised share capital of the Issuer is €100,000 divided into 100,000 ordinary shares of par value €1.00 each. The issued share capital of the Issuer is one ordinary share of €1.00 (the "**Share**") which is held by Structured Finance Management Corporate Services (Ireland) Limited (the "**Share Trustee**") under the terms of a trust established under the laws of Ireland by a declaration of trust dated 5 November 2009 (the "**Share Trust**") and made by the Share Trustee on discretionary trust for a number of charitable objects. The Issuer has no subsidiaries.

Neither BoSI nor any associated body of BoSI owns directly or indirectly any of the share capital of the Share Trustee or the Issuer.

Business

The principal objects of the Issuer are set forth in clause 2 of its Memorandum of Association and include, *inter alia*, the power to issue securities and to raise or borrow money, to grant security over its assets for such purposes, to lend with or without security and to enter into derivative transactions.

The Issuer has not engaged, since its incorporation, in any material activities other than those incidental to its incorporation under the Companies Acts, 1963 to 2009 of Ireland, the authorisation and issue of the Notes and the matters referred to or contemplated in this document, and the authorisation, execution, delivery and performance of the other documents referred to in this document to which it is a party and matters which are incidental or ancillary to the foregoing.

So long as any of the Notes remain outstanding, the Issuer will be subject to the restrictions set out in Condition 3 and in the Trust Deed. In particular, the Issuer has undertaken not to carry out any business other than the issue of the Notes and the entry into of the agreements related thereto and does not and will not have any substantial assets other than the Portfolio and does not and will not have any substantial liabilities other than in connection with the Notes and the Portfolio.

The Issuer has, and will have, no material assets other than the sum of EUR1.00 representing the proceeds of its issued share capital, such fees (as agreed) payable to it in connection with the issue of Notes or the purchase, sale or incurring of other obligations and the Portfolio and any other assets on which the Notes are secured. Save in respect of the fees generated in connection with the issue of the Notes, any related profits and the proceeds of any deposits and investments made from such fees or from amounts representing the proceeds of the Issuer's issued share capital, the Issuer will not accumulate any surpluses.

The Issuer will receive a fee from BoSI of €5,000 (the "**Issuer Profit Amount**") for purchasing the Portfolio. The Issuer Profit Amount will be paid into the bank account of the Issuer which holds the proceeds of the issued share capital of the Issuer (the "**Issuer Domestic Account**").

The Notes are obligations of the Issuer and not of the shareholder(s) of the Issuer, the Seller, the Share Trustee, the Note Trustee, the Security Trustee, the Servicer, the Cash Manager, the Agent Bank, the Paying Agents, the Account Bank, the Interest Rate Swap Provider, the Liquidity Facility Provider or any obligor in respect of the Portfolio. Furthermore, the Notes are not obligations of, or guaranteed in any way by the Arranger.

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation on 22 September 2009. Save for the issue of the Notes described above and their related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Directors

The Issuer's articles of association provide that the board of directors of the Issuer will consist of at least two directors.

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

Name	*Address*	*Principal activities*
Frank Heffernan	25-26 Windsor Place, Lower Pembroke Street, Dublin 2	Company Director
Karen McCrave	25-26 Windsor Place, Lower Pembroke Street, Dublin 2	Company Director

The company secretary of the Issuer is Structured Finance Management (Ireland) Limited of 25-26 Windsor Place, Lower Pembroke Street, Dublin 2.

Save for its directors, the Issuer has no employees.

Structured Finance Management (Ireland) Limited (the "**Corporate Services Provide**r"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on or around 1 December 2009 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, administrative and other services until termination of the Corporate Services Agreement. The services include registering the Issuer as a "*financial vehicle corporation*" within the meaning of Regulation (EC) No. 24/2009 of the European Central Bank of 19 December 2008 (the "**FVC Regulation**") and ensuring the Issuer complies with its reporting obligations pursuant to the FVC Regulation. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party. The Corporate Services Agreement contains provisions for the appointment of a replacement corporate services provider if necessary.

The Corporate Services Provider's principal office is 25 - 26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland.

Financial Statements

Since its date of incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Prospectus. The Issuer intends to publish its first financial

statements in respect of the period ending on 31 December 2010. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer. The Issuer must hold its first annual general meeting within 18 months of the date of its incorporation (and no more than 9 months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months. One annual general meeting must be held in each calendar year.

The auditors of the Issuer are PricewaterhouseCoopers, 1 Spencer Dock, Dublin 1, Ireland who are chartered accountants and are members of the Institute of Chartered Accountants in Ireland (ICAI) and registered auditors qualified to practise in Ireland.

BANK OF SCOTLAND (IRELAND) LIMITED

Bank of Scotland (Ireland) Limited ("**BoSI**") is part of the Wealth and International division of Lloyds Banking Group plc. It is a private limited company incorporated in Ireland (company registration number 8545) with its registered office at Bank of Scotland House, 124 -127, St. Stephens Green, Dublin 2, Ireland.

Activities of BoSI

BoSI engages in financial services and is regulated by the Financial Regulator. BoSI provides a wide range of banking services to personal and business customers in Ireland, Northern Ireland and the United Kingdom, and other jurisdictions. The operations of BoSI are currently constructed around three business divisions: Retail and Intermediary, Business Banking and Group Support (incorporating Treasury).

BoSI employs some 1,600 colleagues across Ireland, operating from its headquarters in Dublin and from satellite offices in Belfast, Cork, Dundalk, Galway, Limerick, Waterford and Sligo, as well as a national retail branch network

The 44-strong retail branch network operates through the Halifax brand. Halifax provides personal banking products such as mortgages, loans, savings, credit cards and investment products. The Bank also has an intermediary business under the BoSI brand providing Homeloans, asset finance and motor finance through brokers and dealerships.

BoSI's heritage is in business banking where it provides a range of financial services to a broad spectrum of businesses of varying size and sector. These services include term lending, working capital, specialist lending, venture capital and joint ventures. BoSI also provides corporate deposit and treasury related products and wealth management and investment products.

At 31 December 2008 advances to customers were €32.1 billion and deposits from customers were €6.6 billion.

Brief History

The history of BoSI begins in 1933 with the foundation of ICC Bank. In 1965 another bank, Equity Bank, was founded and this was bought by Bank of Scotland in 1999. In 2001 Bank of Scotland (Ireland) and ICC Bank merged to form the bank that there is today. During that time the BoSI also purchased the Smurfit Finance and Heller asset finance businesses.

In a first step to opening the first main street retail bank in over 100 years, BoSI purchased parts of the state owned Electricity Supply Board retail business in 2005. This went on to form the basis of the branch network - the first phase of which was opened in January 2006 together with a customer service centre in Dundalk.

Irish and UK Banking Legislation

On 20 October 2008 the Credit Institutions (Financial Support) Act 2008 (the "**2008 Act**") was enacted in Ireland. The 2008 Act authorises the provision of financial support to certain institutions by the Minister for Finance. The Credit Institutions (Financial Support) Scheme 2008 (the "**Scheme**") was introduced on 20 October 2008 pursuant to which certain credit institutions and their subsidiaries could avail of a State guarantee in exchange for the payment of a fee and the satisfaction of certain conditions.

BoSI has elected not to enter into the Scheme.

THE SERVICER

The Servicer

The Servicer services all loans originated by the Seller. The day-to-day servicing of the Loans will be performed by the Servicer in accordance with the Servicing Agreement through the Servicer's telephone customer service centres.

Basic information on the organisation and history of the Servicer is set out in this Prospectus under "*Bank of Scotland (Ireland) Limited*" above.

This section describes the Servicer's procedures in relation to loans generally. A description of the Servicer's obligation under the Servicing Agreement can be found under "*The Servicing Agreement*" above.

Servicing of Loans

Servicing responsibilities and procedures include responding to customer enquiries, monitoring compliance with and servicing the Loans, managing the facilities applicable to the Loans and managing the arrears process in connection with the Loans. See "*The Servicing Agreement*" above.

Pursuant to the Mortgage Conditions, monthly interest payments or repayment instalments are collected at monthly intervals, commencing on the date specified in the Borrower's offer letter. The monthly interest payable is calculated on the outstanding balance at the end of the previous month and debited to the account on the last day of the calendar month.

Subject to the Servicing Agreement, in the case of Variable Rate Loans, the Servicer sets the Variable Rate and (if applicable) the margin applicable to any Tracker Rate Loan on behalf of the Issuer, except in the limited circumstances as set out in the Servicing Agreement. In the case of loans at a fixed rate of interest, the Borrower pays and will pay interest at the relevant fixed rate until the fixed rate period ends in accordance with the offer letter and the Borrower's Mortgage Conditions. After that period ends, and unless the Servicer sends an offer of and the Borrower accepts another option, interest will be payable at the Variable Rate.

The Servicer will take all steps necessary under the Mortgage Conditions to notify Borrowers of any change in the interest rates applicable to the Loans, whether due to a change in the Variable Rate or any margin or as a consequence of any provisions of those Mortgage Conditions.

Payments of interest and principal on Loans are payable monthly in arrear. The Servicer is responsible for ensuring that all payments are made by the relevant Borrower into an account in the name of the Servicer (the "**Clearing Accounts"**) and transferred into the Transaction Account on a regular basis but in any event, in the case of payments by direct debits, no later than the next Business Day after they are deposited in the Clearing Accounts. All amounts which are paid to the Clearing Accounts will be held on trust by the Seller for the Issuer until they are transferred to the Transaction Account. Payments from Borrowers are generally made by direct debits from a suitable bank or building society account, although in some circumstances Borrowers pay by cash or cheque.

The Servicer initially credits the Transaction Account with the full amount of the monthly payments made by Borrowers into the Clearing Accounts. However, direct debits may be returned unpaid up to three days after the due date for payment. The Servicer is permitted to reclaim from the Transaction Account the corresponding amounts previously credited. In these circumstances, the usual arrears procedures described in "*Arrears and Default Procedures*" below will apply.

The Servicer has delegated post drawdown mortgage service and support, including custody in Scotland and control of any loan files and mortgage deeds, to Bank of Scotland plc. The Servicer, through its offices

located in Dublin, retains responsibility to the Issuer for all collections, arrears and default procedures in respect of any loans.

Recent Changes

From time to time, the Seller reviews and updates its policies and procedures in relation to the servicing of the Loans. Some of these changes are market driven.

Other changes are driven by the Seller from time to time reviewing its procedures and amending them to reflect current trading conditions.

Arrears and Default Procedures

The Servicer will regularly provide the Issuer with written details of Loans that are in arrears. A Loan is identified as being in arrears where an amount equal to or greater than a full month's contractual payment is past its due date. In general, the Servicer attempts to collect all payments due under or in connection with the Loans, having regard to the circumstances of the Borrower in each case. Mortgage collection is conducted through payment collection departments located in Dublin. The Servicer will work constructively with the Borrower to agree a course of action. Collections and recovery interventions, including legal action, will be commensurate with the rate of deterioration and the Borrower's willingness to address the arrears as well as risk of further default. The Servicer uses an automated collections system to collect and/or negotiate with the Borrower through letter/telephone contact.

The Servicer's system tracks arrears and advances and calculates when an amount is in arrears. When arrears are first reported or an amount paid does not satisfy the full contractual monthly payment (calculated as at the due date), the relevant Borrower is contacted and asked for payment of the arrears. An automated process exists in which the Borrower is contacted through a series of letters and/or structured phone contacts with specific manual intervention at a certain stage commensurate with risk. Where manual intervention is required, the Servicer's personnel will decide on the appropriate course of action. The Servicer's employees responsible for settling arrears are trained in all collection and negotiation techniques.

Where considered appropriate, the Servicer may enter into arrangements with the Borrower regarding the arrears, including:

- arrangements to make each future monthly payment as it falls due plus an additional amount to pay the arrears over a period of time;
- arrangements to make each monthly payment as it falls due;
- arrangements to pay only a portion of each monthly payment as it falls due; and
- a deferment for an agreed period of time of all payments, including interest and principal (in whole or in part).

Any arrangements may be varied from time to time at the discretion of the Servicer, the primary aim being to rehabilitate the Borrower and recover the situation.

For residential loans, legal proceedings do not usually commence until the loan has been in arrears for six months or more. However, the Servicer's employees review each case and have discretion to vary the usual timeframes, having due regard to the case history, reasonable attempts to find a solution, risk and type of lending. For very low risk loans, legal action may be delayed where appropriate to allow more time for recovery.

Once legal proceedings have commenced, the Servicer or the Servicer's solicitor may send further letters to the Borrower encouraging the Borrower to enter into discussions to pay the arrears and may still enter into an arrangement with a Borrower at any time prior to a court hearing. If a court order is made for payment and

the Borrower subsequently defaults in making the payment, then the Servicer may take such action as it considers appropriate, including entering into a further arrangement with the Borrower. If the Servicer applies to the court for an order for possession, the court has discretion as to whether it will grant the order.

After possession, the Servicer may take such action as it considers appropriate, including to:

- secure, maintain or protect the property and put it into a suitable condition for sale;
- create any estate or interest on the property, including a leasehold; and
- dispose of the property (in whole or in part) or of any interest in the property by auction, private sale or otherwise, for a price it considers appropriate.

The Servicer has discretion as to the timing of any of these actions, including whether to postpone the action for any period of time. The Servicer may also carry out such work on the property as it considers appropriate to maintain the market value of the property.

The Servicer has discretion to deviate from these procedures. In particular, the Servicer may deviate from these procedures where a Borrower suffers from a mental or physical infirmity, is deceased or where the Borrower is otherwise prevented from making payment due to causes beyond the Borrower's control. This applies to both sole and joint Borrowers.

It should also be noted that the Servicer's ability to exercise its power of sale in respect of the property is dependent upon mandatory legal restrictions on enforcement and as to notice requirements. In addition, there may be factors outside the control of the Servicer, such as whether the Borrower contest the sale and the market conditions at the time of sale, that may affect the length of time between the decision of the lender to exercise its power of sale and final completion of sale.

The net proceeds of sale of the property are applied against the sums owed by the Borrower to the extent necessary to discharge the mortgage including any accumulated fees, expenses of the Servicer and interest. Where the funds arising from application of default procedures are insufficient to pay all amounts owing in respect of a Loan, the funds are applied first in paying interest and costs and second in repaying principal. The Servicer may then institute recovery proceedings against the Borrower. If, after sale of the property and redemption of the mortgage, there are funds remaining, those funds will be distributed by the acting solicitor to the next entitled parties.

These arrears and security enforcement procedures may change over time as a result of a change in the Servicer's business practices or legislative and regulatory changes.

THE NOTE TRUSTEE/SECURITY TRUSTEE

Citicorp Trustee Company Limited will be appointed pursuant to the Trust Deed as Note Trustee for the Noteholders. It will also be appointed pursuant to the Deed of Charge as Security Trustee for the Secured Parties.

Citicorp Trustee Company Limited's principal place of business is at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

Citicorp Trustee Company Limited will not be responsible for (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and Citicorp Trustee Company Limited will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties thereunder or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. In addition Citicorp Trustee Company Limited shall not assume or have any of the obligations or liabilities of the other parties to the Transaction Documents. Citicorp Trustee Company Limited will not be liable to any Noteholder or other Secured Party for any failure to make or to cause to be made on its behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Charged Property and has no responsibility in relation to the title to, legality, validity, sufficiency, value and enforceability of the Security and the Transaction Documents.

THE CORPORATE SERVICES PROVIDER

Structured Finance Management (Ireland) Limited (registered number 331206), a company incorporated under the laws of Ireland whose registered office is at 25-26 Windsor Place, Lower Pembroke Street, Dublin 2, Ireland will be appointed to provide corporate services to the Issuer pursuant to the Corporate Services Agreement.

Structured Finance Management (Ireland) Limited has served and is currently serving as corporate service provider for numerous securitisation transactions and programmes involving pools of mortgage loans.

The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party. The Corporate Services Agreement contains provisions for the appointment of a replacement corporate services provider if necessary.

BANK OF SCOTLAND PLC

Bank of Scotland plc is the Parent Support Provider and Guarantor under the transaction.

Bank of Scotland plc ("**Bank of Scotland**") (incorporated in Scotland with limited liability, registration number SC327000) is a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers. The registered office of Bank of Scotland is located at The Mound, Edinburgh EH1 1YZ, Scotland and its telephone number is +44 (0) 870 600 5000.

Its main business activities are retail, commercial and corporate banking. The main businesses of Bank of Scotland are split into three divisions, Retail, Wholesale and Wealth and International. Services provided by Retail include the provision of banking and other financial services to personal customers and mortgages. Wholesale provides banking and related services for major UK and multinational corporates and financial institutions, and small and medium-sized UK businesses. It also provides asset finance to personal and corporate customers, manages Bank of Scotland's activities in financial markets through its treasury function and provides banking and financial services overseas. Services provided by Wealth and International include the provision of private banking, fund management services and International Banking.

Bank of Scotland was originally established in 1695 as The Governor and Company of the Bank of Scotland by an Act of the Parliament of Scotland. On 17 September 2007, in accordance with the provisions of the HBOS Group Reorganisation Act 2006 (the "**Act**"), The Governor and Company of the Bank of Scotland registered as a public limited company under the Companies Act 1985 and changed its name to Bank of Scotland plc. On the same day, under the Act, the business activities, assets (including investments in subsidiaries) and liabilities of Capital Bank plc, Halifax plc and HBOS Treasury Services plc transferred to Bank of Scotland.

Bank of Scotland is a United Kingdom clearing bank with its headquarters in Edinburgh and an "authorised person" under the Financial Services and Markets Act 2000. As at 31 December 2008, it operated from branch outlets throughout the UK, overseas branches in Amsterdam, Frankfurt, Grand Cayman, Hong Kong, Madrid, New York City, Paris, Stockholm and Sydney and representative offices in Boston, Chicago, Dallas, Houston, Los Angeles, Miami, Minneapolis and Seattle. It is a member of the British Bankers' Association and the Committee of Scottish Clearing Bankers. The Bank Notes (Scotland) Act 1845 confirmed Bank of Scotland's right to issue bank notes in Scotland. At 31 December 2008, circulation of such notes was approximately £957 million.

Following the acquisition of HBOS plc by Lloyds Banking Group plc (formerly Lloyds TSB Group plc) on 19 January 2009, Bank of Scotland is now a directly owned and controlled subsidiary of HBOS plc which in turn is directly owned and controlled by Lloyds Banking Group plc.

Following a placing and open offer by Lloyds Banking Group plc and a placing and open offer by HBOS plc, both in November 2008, Her Majesty's Treasury ("**HM Treasury**") owns 43.4 per cent. of the ordinary share capital of Lloyds Banking Group plc. In January 2009, Lloyds Banking Group plc issued preference shares to HM Treasury ("**Preference Shares**"). In June 2009, following completion of a successful placing and open offer by Lloyds Banking Group plc in May 2009, the Preference Shares were redeemed in accordance with their terms.

DESCRIPTION OF THE NOTES

Each class of the Notes shall be represented by (i) in the case of the Class A Notes, a permanent global note in the principal amount of €2,821,000,000 and (ii) in the case of the Class B Notes, a permanent global note in the principal amount of €279,000,000; in each case without coupons or talons attached (the expression "**Global Notes**" means the permanent global notes of each class and the expression "**Global Note**" means any of them). Each Class of Notes will be issued in new global note form as the Notes are intended to be eligible collateral for the purposes of Eurosystem monetary policy, and the Global Notes will be delivered on or about the Closing Date to the Common Safekeeper for Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") of 42 Avenue JF Kennedy, 1855 Luxembourg, Luxembourg and Euroclear Bank S.A./N.V. ("**Euroclear**") of 1 Boulevard Du Roi Albert II, 1210 Brussels, Belgium. Upon deposit of each such Global Note, Euroclear or Clearstream, Luxembourg will credit each subscriber of Notes represented by such Global Note with the principal amount of the relevant class of Notes equal to the principal amount thereof for which it has subscribed and paid.

Title to the Global Notes will pass by delivery. Interest and principal on each Global Note will be payable against presentation of the Global Note by the Common Safekeeper to the Principal Paying Agent. Each of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note other than Clearstream, Luxembourg in the case of Euroclear, and Euroclear in the case of Clearstream, Luxembourg, will be entitled to receive any payment so made in respect of that Note in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg as appropriate.

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

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

If, after the Closing Date:

(a) the Notes become due and repayable pursuant to Condition 9; or

(b) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no alternative clearance system satisfactory to the NoteTrustee is available; or

(c) as a result of any amendment to, or change in, the laws or regulations of Ireland (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer is, or the Paying Agents are, or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form,

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

(i) Class A Notes in definitive form (with Coupons and Talons attached) in exchange for the whole outstanding interest in the Global Note in respect of the Class A Notes; and

(ii) Class B Notes in definitive form (with Coupons and Talons attached) in exchange for the whole outstanding interest in the Global Note in respect of the Class B Notes,

in each case within 40 days of the occurrence of the relevant event.

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

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).

If Notes in definitive form were to be issued, the terms and conditions (subject to amendment and completion) set out on each Note would be as set out below. While the Notes remain in global form, the same terms and conditions govern such Notes, except to the extent that they are appropriate only to Notes in definitive form. These terms and conditions are subject to the detailed provisions of the Trust Deed and the Deed of Charge.

The €2,821,000,000 Class A Asset Backed Floating Rate Notes due 2052 (the "**Class A Notes**"), and the €279,000,000 Class B Asset Backed Floating Rate Notes due 2052 (the "**Class B Notes**" and, together with the Class A Notes, the "**Notes**") will be issued by Wolfhound Funding 2 Limited (the "**Issuer**") on 2 December 2009 (the "**Closing Date**").

Any reference to the holders thereof shall be a reference to the "**Noteholders**".

The Notes will be constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") to be dated on or about the Closing Date between the Issuer and Citicorp Trustee Company Limited (the "**Note Trustee**" which expression includes from time to time all persons for the time being trustee or trustees appointed pursuant to the Trust Deed) for the holders for the time being of the Notes dated on or about the Closing Date and the Agency Agreement to be dated on or about the Closing Date (the "**Agency Agreement**", which expression includes any modification thereto) between, among others, the Issuer, Citibank, N.A., as agent bank (in such capacity, the "**Agent Bank**" which expression includes any successor agent bank appointed from time to time in connection with the Notes), Citibank, N.A., as principal paying agent (in such capacity, the "**Principal Paying Agent**" which expression includes any successor principal paying agent appointed from time to time in connection with the Notes), and the Note Trustee. The security for the Notes is created pursuant to, and on the terms set out in, a deed of charge (as amended or supplemented from time to time, the "**Deed of Charge**") to be dated on or about the Closing Date between, among others, the Issuer, the Security Trustee and the Note Trustee.

Copies of the Trust Deed, the Agency Agreement, the Deed of Charge and the other Transaction Documents are available for inspection by the Noteholders upon reasonable notice during normal business hours at the principal office for the time being of the Note Trustee, being at the Closing Date at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, England and at the specified offices for the time being of the Principal Paying Agent.

The statements in these conditions relating to the Notes (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Charge, the Agency Agreement, the Master Agreement and the other Transaction Documents. The Noteholders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Deed of Charge and each other Transaction Document.

Capitalised words and expressions which are used in these Conditions, shall, unless otherwise defined below, have the same meanings as those given in the Master Agreement dated on or about the Closing Date between, among others, the Issuer, the Servicer, the Security Trustee, the Note Trustee, the Principal Paying Agent and the Seller and the following capitalised words and expressions shall have the following meanings:

"**Affiliate**" means, in relation to any person, any other person who, directly or indirectly is in control of, or controlled by, or is under common control with, such person (and for the purposes of this definition, "**Control**" of a person means the power, direct or indirect (i) to vote more than 50 per cent. of the securities having ordinary voting power for the election of directors of such person or (ii) to direct or cause the direction of the management and policies of such person, whether by contract or otherwise);

"**Appointee**" means any attorney, manager, agent, delegate, nominee, custodian, receiver, administrative receiver or other person appointed by the Note Trustee under the Trust Deed or the Security Trustee under the Deed of Charge as applicable;

"**Assigned Obligations**" means all present and future liabilities whatsoever (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Issuer which become due, owing or payable by the Issuer to each or any of the Secured Parties under or in respect of, and subject to the terms and conditions of the Transaction Documents to which the Issuer is a party;

"**Authorised Investment**" means Euro denominated demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper), provided that in all cases either such investments (i) mature on or before the next following Distribution Date or (ii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Distribution 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 are rated at least P-1 by the Rating Agency;

"**Available Principal Receipts**" means for any Distribution Date an amount equal to the aggregate of:

1. all Principal Receipts (i) received by the Issuer during the immediately preceding Collection Period (less (A) an amount equal to the aggregate of all Further Advance Purchase Prices payable in such Collection Period but not exceeding such Principal Receipts, (B) the repurchase price received by the Issuer in respect of a repurchase of Loans and their Related Security subject to Further Advances on the immediately preceding Distribution Date that were repurchased under Clause 5.1(g) of the Mortgage Sale Agreement due to the Issuer having insufficient funds to fully repay any Further Advance Shortfall Advance and (C) any amount applied during the immediately preceding Distribution Period towards repayment of any Further Advance Shortfall Advances), (ii) received during the immediately preceding Collection Period in respect of a repurchase of Loans subject to Further Advances in that Collection Period and their Related Security to the extent that there are insufficient funds available by way of the Liquidity Facility to pay for the relevant Further Advance Purchase Price and (iii) received on such Distribution Date the repurchase price received by the Issuer in respect of a repurchase of Loans and their Related Security subject to Further Advances on such Distribution Date that were repurchased under Clause 5.1(g) of the Mortgage Sale Agreement due to the Issuer having insufficient funds to fully repay any Further Advance Shortfall Advance;

2. (in respect of the first Distribution Date only) the amount paid into the Reserve Account on the Closing Date from the excess of the proceeds of the Notes over the Initial Consideration;

3. any amounts credited to the Principal Ledger on the immediately preceding Calculation Date in respect of (i) any Principal Receipts Shortage or (ii) any amounts of principal due and payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement;

4. ((in respect of each Distribution Date during the Revolving Period) amounts standing to the credit of the Retained Principal Receipts Fund for two consecutive Interest Periods following the date that such sums are credited to the Retained Principal Receipts Fund (and for this purpose, any amounts standing to the credit of the Retained Principal Receipts Fund will be applied first towards any Further Advance Purchase Price and secondly towards any New Portfolio Purchase Price in accordance with the terms of the Transaction Documents in the order in which such amounts were credited to the Retained Principal Receipts Fund (i.e. on a first in first out basis)); and

5. (in respect of the Distribution Date immediately following the end of the Revolving Period only) all amounts standing to the credit of the Retained Principal Receipts Fund,

minus

6. any amount received into the Transaction Account attributable to any Principal Receipts Shortage in relation to which monies have been previously debited from the Pre-Funding Loan Ledger.

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

1. Revenue Receipts received during the immediately preceding Collection Period;

2. interest payable to the Issuer on the Bank Accounts and income from any Authorised Investments in each case received during the immediately preceding Collection Period;

3. amounts received by the Issuer under the Interest Rate Swap Agreement (other than (i) any early termination amount received by the Issuer under the Interest Rate Swap Agreement which is to be applied in acquiring a replacement swap, (ii) the return or transfer of any collateral, as set out under the Interest Rate 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 Interest Rate Swap Provider) on such Distribution Date;

4. the amounts standing to the credit of the General Reserve Fund as at the immediately preceding Collection Period End Date;

5. the amounts (if any) drawn under the Liquidity Facility on a Distribution Date which is an Interest Payment Date in respect of any Interest Shortfall arising in the immediately preceding Collection Period (other than amounts standing to the credit of the Liquidity Facility Stand-by Ledger except to the extent that a withdrawal from the Liquidity Facility Stand-by Ledger would be a deemed Liquidity Facility Loan for the purpose of funding an Interest Shortfall); and

6. any amounts credited to the Revenue Ledger on the immediately preceding Calculation Date in respect of any Revenue Receipts Shortage; and

7. other net income of the Issuer received during the immediately preceding Collection Period, excluding any Principal Receipts (except for amounts deemed to be Available Revenue Receipts in accordance with paragraph (e) of the Pre-Acceleration Principal Priority of Payments) and without double-counting the amounts described in paragraphs (1) to (6) above,

minus:

8. amounts applied from time to time during the immediately preceding Collection Period in making payment of certain moneys which properly belong to third parties (including the Seller) such as (but not limited to):

    (i) Servicing Related Fees;

    (ii) amounts under a direct debit which are repaid to the bank making the payment if such bank is unable to recoup such amount itself from its customer's account;

    (iii) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the Seller, (together with the amounts listed at (i) and (ii) above, the "**Third Party Amounts**"); and

    (iv) any amount received into the Transaction Account attributable to any Revenue Receipts Shortage in relation to which monies have been previously debited from the Pre-Funding Loan Ledger;

    Third Party Amounts may be deducted by the Cash Manager on a daily basis from the Reserve Account to make payment to the persons entitled thereto.

"**Basic Terms Modification**" means a modification of certain terms applicable to any class of Notes including, *inter alia*, the date of maturity of the Notes of the relevant class of Notes or a modification which would have the effect of changing any day for payment of interest in respect of such Notes, changes to the amount of principal payable in respect of such Notes, the alteration of the Rate of Interest applicable in respect of such Notes or the alteration of the majority required to pass an Extraordinary Resolution, the alteration of the currency of payment of such Notes or any alteration of the priority of redemption or priority of payment in respect of such Notes.

"**Business Day**" means any day on which (i) commercial banks and foreign exchange markets settle payments in London and Dublin and (ii) the TARGET 2 system is operating, provided that (ii) such day is not a Saturday or Sunday.

"**Deferred Consideration**" means on each Interest Payment Date, an amount equal to the amount of Available Revenue Receipts then left outstanding at item (p) of the Pre-Acceleration Revenue Priority of Payments on the relevant Calculation Date after allocation of all amounts payable in priority thereto;

"**euro-zone**" means the region comprised of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam;

"**Extraordinary Resolution**" means (a) a resolution passed at a meeting of the Noteholders, duly convened and held in accordance with the Trust Deed by a majority at each such meeting consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than 75 per cent. of the votes cast on such poll or (b) a resolution in writing circulated to all Noteholders and signed by or on behalf of the Noteholders of 75 per cent. of the Notes, as the case may be.

"**General Reserve Fund**" means the fund established by the Issuer on the Closing Date and funded from the proceeds of Tranche B of the Subordinated Loan;

"**General Reserve Ledger**" means the Ledger which records amounts credited to the General Reserve Fund;

"**General Reserve Required Amount**", means an amount equal to €124,000,000 being an amount equal to 4 per cent. of the Principal Amount Outstanding of the Notes on the Closing Date.

"**Independent Director**" means a duly appointed member of the board of directors of the relevant entity who should not have been, at the time of such appointment, or at any time in the preceding five years, (i) a direct or indirect legal or beneficial owner in such entity or any of its affiliates, (ii) a creditor, supplier, employee, officer, director, family member, manager, or contractor of such entity or its affiliates, or (iii) a person who controls (whether directly, indirectly, or otherwise) such entity or its affiliates or any creditor, supplier, employee, officer, director, manager, or contractor of such entity or its affiliates;

"**Insurance Contracts**" means all contracts of insurance from time to time in effect for the purposes of each Mortgage, including, without limitation, any Buildings Policy, Title Insurance Policies or similar arrangements and Life Policies (to the extent that they relate to such Mortgage), including the right to receive the proceeds of any claim;

"**Interest Amount**" means, in respect of any Note and any Interest Period the euro amount, equal to the Rate of Interest in respect of that class of Notes and then multiplied by the actual number of days elapsed in the Interest Period and divided by 360.

"**Interest Payment Date**" means 26 February 2010 and thereafter quarterly in arrear on the 26th of February, May, August and November in each year (or if such day is not a Business Day, the next succeeding Business Day).

"**Interest Period**" means 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;

"**Interest Rate Swap Provider Default Payment**" means amounts payable by the Issuer to the Interest Rate Swap Provider in connection with the termination of the Interest Rate Swap Agreement (other than any Replacement Swap Premium due to the Interest Rate Swap Provider) where:

(a) the Interest Rate Swap Provider is a Defaulting Party (as such term is defined in the Interest Rate Swap Agreement); or

(b) where the Interest Rate Swap Provider is the sole Affected Party (as such term is defined in the Interest Rate Swap Agreement) with respect to an "**Additional Termination Event**" (as such term is defined in the Interest Rate Swap Agreement) as a result of a ratings downgrade of the Interest Rate Swap Provider (other than amounts attributable to collateral (and income thereon));

"**Issuer Obligations**" means the aggregate of all moneys and other liabilities for the time being due or owing by the Issuer to:

(a) the Seller under the Mortgage Sale Agreement;

(b) the Security Trustee, under the Deed of Charge;

(c) the Security Trustee, the Note Trustee, the Class A Noteholders, the Class A Couponholders (if any), the Class B Noteholders, the Class B Couponholders (if any), under or pursuant to the Deed of Charge , the Class A Notes, the Class B Notes, the Trust Deed (and any deed supplemental thereto), the Conditions, the Agency Agreement or any other Transaction Documents;

(d) the Agent Bank and the Paying Agents under the Agency Agreement and the Deed of Charge;

(e) the Interest Rate Swap Provider under the Interest Rate Swap Agreement;

(f) the Liquidity Facility Provider under the Liquidity Facility;

(g) the Pre-Funding Loan Provider under the Pre-Funding Loan;

(h) the Cash Manager under the Cash Management Agreement;

(i) the Servicer under the Servicing Agreement;

(j) the Subordinated Loan Provider under the Subordinated Loan; and

(k) the Corporate Services Provider under the Corporate Services Agreement.

"**Post-Acceleration Priority of Payments**" means:

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any fees, costs, charges, liabilities, expenses and all other amounts then due and payable to the Note Trustee 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 fees, 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 and the Paying Agents 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 fees, costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement together with (if payable) VAT thereon as provided therein;

(c) *third,* in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof:

(i) all amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement (except for Subordinated Liquidity Facility Amounts); and

(ii) all amounts due to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement (except for Subordinated Pre-Funding Loan Amounts);

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due and payable to the Servicer under the provisions of the Servicing Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due and payable to the Cash Manager under the provisions of the Cash Management Agreement, together with (if payable) VAT thereon as provided therein; and

(iii) any amounts then due and payable to the Account Bank and any fees, 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;

(e) *fifth*, to pay amounts due and payable to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Interest Rate Swap Excluded Termination Amount);

(f) *sixth*, to pay *pro rata* and *pari passu* the interest and principal due and payable on the Class A Notes;

(g) *seventh*, to pay interest and principal due and payable on the Class B Notes;

(h) *eighth*, to pay the Interest Rate Swap Provider in respect of an Interest Rate Swap Excluded Termination Amount;

(i) *ninth*, to pay *pro rata* and *pari passu*:

(i) any Subordinated Liquidity Facility Amounts; and

(ii) any Subordinated Pre-Funding Loan Amounts;

(j) *tenth*, to pay *pro rata* and *pari passu* 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;

(k) *eleventh*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Seller; and

(l) *twelfth*, the excess (if any) to the Issuer.

"**Pre-Acceleration Principal Priority of Payments**" means:

(a) *firstly* in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) the principal amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement in respect of any Further Advance Shortfall Advances made under the Liquidity Facility Agreement (which, for the avoidance of doubt, excludes any Interest Shortfall Advance or any Subordinated Liquidity Facility Amounts); and

(ii) amounts in respect of principal due and payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement (which, for the avoidance of doubt, excludes any Subordinated Pre-Funding Loan Amount and any amounts in respect of interest payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement);

(b) *second*, during the Revolving Period, towards a credit to the Retained Principal Receipts Fund in an amount equal to all remaining Available Principal Receipts less the amount calculated in accordance with paragraph (4) of the definition of Available Principal Receipts;

(c) *third*, towards providing for repayment (or if such Distribution Date is an Interest Payment Date, making payment) of any Principal Amount Outstanding on the Class A Notes;

(d) *fourth*, towards providing for repayment (or if such Distribution Date is an Interest Payment Date, making payment) of any Principal Amount Outstanding on the Class B Notes; and

(e) *fifth*, the excess (if any) to be applied as Available Revenue Receipts,

provided that no payment shall be made out of the Bank Accounts which would thereby cause or result in the Bank Accounts becoming overdrawn.

"**Pre-Acceleration Priority of Payments**" means the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments.

"**Pre-Acceleration Revenue Priority of Payments**" means:

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Distribution 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; and

(ii) any fees, costs, charges, liabilities, expenses and all other amounts then due or to become due and payable in the immediately succeeding Distribution 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 and the Paying Agents and any fees, costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Distribution 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 Distribution 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 (but only to the extent not capable of being satisfied out of amounts retained by the Issuer under item (m) below);

(iii) any amounts then due and payable to the Corporate Services Provider and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Corporate Services Provider in the immediately succeeding Distribution Period under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein; and

(iv) any Transfer Costs which the Seller has failed to pay;

(c) *third*, in or towards satisfaction, *pro rata* and *pari passu* according to the respective amounts thereof, of:

(i) all amounts (including interest and fees) due to the Liquidity Facility Provider under the Liquidity Facility Agreement (except for Subordinated Liquidity Facility Amounts and payments of principal in relation to any Liquidity Facility Loans utilised to fund any Further Advance Shortfall Advances); and

(ii) all amounts (including interest and fees) due and payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement (except for any Subordinated Pre-Funding Loan Amounts and any amounts in respect of

principal payable to the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement);

(d) *fourth*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of:

(i) a provision for amounts due on the next Interest Payment Date with respect to (or, if the relevant Distribution Date is also an Interest Payment Date, to pay) any amounts due and payable to the Servicer and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Servicer in the immediately succeeding Interest Period under the provisions of the Servicing Agreement, together with VAT (if payable) thereon as provided therein;

(ii) a provision for amounts due on the next Interest Payment Date with respect to (or, if the relevant Distribution Date is also an Interest Payment Date, to pay) any amounts then due and payable to the Cash Manager and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Cash Manager in the immediately succeeding Interest Period under the provisions of this Agreement, together with VAT (if payable) thereon as provided therein; and

(iii) any amounts then due and payable to the Account Bank and any fees, costs, charges, liabilities and expenses then due or to become due and payable to the Account Bank in the immediately succeeding Distribution Period under the provisions of the Bank Account Agreement, together with VAT (if payable) thereon as provided therein;

(e) *fifth*, to pay or make provision for amounts due to the Interest Rate Swap Provider in respect of the Interest Rate Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Interest Rate Swap Excluded Termination Amount to the extent it is not satisfied by the payment by the Issuer to the Interest Rate Swap Provider of any Replacement Swap Premium);

(f) *sixth*, to provide for amounts due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, to pay, *pro rata* and *pari passu* the interest due and payable on the Class A Notes;

(g) *seventh*, (so long as the Class A Notes will remain outstanding following such Distribution Date) to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

(h) *eighth*, (in relation to Distribution Dates falling in the first Interest Period only and/or when no Class A Notes will remain outstanding following such Distribution Date) to provide for amounts due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, to pay, *pro rata* and *pari passu* the interest due and payable on the Class B Notes;

(i) *ninth*, (so long as the Class B Notes will remain outstanding following such Distribution Date) credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

(j) *tenth*, to credit the General Reserve Ledger up to the General Reserve Required Amount;

(k) *eleventh*, (other than in respect of Distribution Dates falling in the first Interest Period and/or so long as the Class A Notes will remain outstanding following such Distribution Date) to provide for amounts due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, to pay, *pro rata* and *pari passu* the interest due and payable on the Class B Notes;

(l) *twelfth*, to pay *pro rata* and *pari passu*:

(i) the Interest Rate Swap Provider in respect of an Interest Rate Swap Excluded Termination Amount (to the extent not satisfied by payment to the Interest Rate Swap Provider by the Issuer of any Replacement Swap Premium);

(ii) any Subordinated Liquidity Facility Amounts; and

(iii) any Subordinated Pre-Funding Loan Amount;

(m) *thirteenth*, if the Distribution Date is also an Interest Payment Date, to pay the Issuer an amount equal to €250 to be retained by the Issuer as profit in respect of the business of the Issuer;

(n) *fourteenth*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due on the next Interest Payment Date or if the relevant Distribution Date is also an Interest Payment Date, pay to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(o) *fifteenth*, provided that, on such Distribution Date, there are no amounts of principal outstanding on the Class A Notes or the Class B Notes, to pay the principal amounts outstanding to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(p) *sixteenth*, if the Distribution Date is also an Interest Payment Date to pay any deferred consideration due and payable under the Mortgage Sale Agreement to the Seller (the "**Deferred Consideration**"); and

(q) *seventeenth*, the excess (if any) to the Issuer,

provided that no payment shall be made out of the Bank Accounts which would thereby cause or result in the Bank Accounts becoming overdrawn.

"**Pre-Funding Loan**" means, at any time, the principal amount of the loan made pursuant to the Pre-Funding Loan Agreement, and for the time being outstanding;

"**Pre-Funding Loan Agreement**" means the agreement dated 2 December 2009 between the Issuer, the Pre-Funding Loan Provider and the Security Trustee pursuant to which the Pre-Funding Loan Provider agrees to provide a loan to the Issuer, for the purposes specified therein, subject to and in accordance with its terms;

"**Pre-Funding Loan Ledger**" means the ledger of such name created and maintained by the Cash Manager in respect of the Transaction Account pursuant to the provisions of the Cash Management Agreement;

"**Pre-Funding Loan Provider**" means BoSI;

"**Principal Amount Outstanding**" means, in respect of a Note on any date, the initial principal amount of such Note less the aggregate amount of all Note Principal Payments in respect of such Note that have become due and payable and on or prior to such date have been paid.

"**Principal Deficiency**" means, in relation to the Principal Deficiency Ledger, either or both of (i) any amount which remains outstanding in respect of any Loan after the Completion of Enforcement Procedures in respect of such Loan and after all amounts have been received under all applicable insurance and assurance policies, and/or (ii) any amounts drawn under the Liquidity Reserve;

"**Principal Deficiency Ledger**" means the Principal Deficiency Ledger created and maintained by the Cash Manager pursuant to the provisions of the Cash Management Agreement, and comprising the Class A Principal Deficiency Sub-Ledger and the Class B Principal Deficiency Sub-Ledger;

"**Principal Ledger**" means the ledger of such name created and maintained by the Cash Manager in respect of the Transaction Account pursuant to the provisions of the Cash Management Agreement;

"**Principal Receipts Shortage**" means for each Collection Period, the aggregate amount of Principal Receipts received into the Clearing Accounts which have not been transferred to the Transaction Account in accordance with the terms of the Servicing Agreement;

"**Priorities of Payments**" means the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments and the Post-Acceleration Priority of Payments.

"**Provisions for Meetings of Noteholders**" means the provisions contained in schedule 3 to the Trust Deed.

"**Record Date**" means, in respect of any payment, 15 calendar days before the due date for such payment.

"**Reference Banks**" means four major banks in the eurozone interbank market as may be appointed by the Issuer and approved by the Note Trustee.

"**Relevant Margin**" means:

(a) in respect of the Class A Notes, 0.12 per cent. per annum; and

(b) in respect of the Class B Notes, 0.80 per cent. per annum.

"**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 Interest Rate Swap Provider;

"**Revenue Ledger**" means the ledger of such name created and maintained by the Cash Manager in respect of the Transaction Account pursuant to the provisions of the Cash Management Agreement;

"**Revenue Receipts Shortage**" means for each Collection Period, the aggregate amount of Revenue Receipts received into the Clearing Accounts which have not been transferred to the Transaction Account in accordance with the terms of the Servicing Agreement;

"**Subordinated Pre-Funding Loan Amounts**" means any interest (for the relevant Pre-Funding Loan Interest Period) on the Pre-Funding Loan which is in excess of the amount of interest actually earned on the Pre-Funding Loan Ledger during the relevant Pre-Funding Loan Interest Period;

"**TARGET 2 Business Day**" means a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer (TARGET 2) system is open;

"**TARGET 2 Settlement Day**" means in relation to a payment or rate fixing in or other matter relating to euro, a day on which the TARGET 2 system is operating.

"**Transaction Documents**" means the Agency Agreement, the Bank Account Agreement, the Corporate Services Agreement, the Deed of Charge, (and any documents entered into pursuant to the Deed of Charge) the Interest Rate Swap Agreement, the Declaration of Trust, the Liquidity Facility Agreement, the Pre-

Funding Loan Agreement, the Guarantee, the Mortgage Sale Agreement, the Cash Management Agreement, the Seller Power of Attorney, the Servicing Agreement, the Subordinated Loan Agreement, the Note Purchase Agreement, the Trust Deed, the Parent Support 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, this Agreement and any other agreement or document, from time to time, agreed to be as such by the Security Trustee, the Issuer and BoSI;

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for Meetings of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such holders of the Notes.

1. Form, Denomination and Title

The Notes are serially numbered and are issued in bearer form. The Class A Notes and the Class B Notes are issued in denominations of €50,000 each, in each case with interest coupons and talons (respectively, "**Coupons**" and "**Talons**") attached and a grid endorsed thereon for the recording of all payments of principal in accordance with the provisions of Condition 5. Title to the Notes and Coupons shall pass by delivery.

The Class A and Class B Notes are each represented by a permanent new global note (the "**Class A Global Note**" and the "**Class B Global Note**" together the "**Global Notes**") in bearer form in the aggregate principal amounts on issue of €2,821,000,000 and €279,000,000, respectively. The Global Notes have been delivered to Euroclear Bank S.A./N.V. ("**Euroclear**") as common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, société anonyme ("**Clearstream Luxembourg**") and Euroclear on the Closing Date on behalf of the subscribers of the Notes.

Upon deposit of the Global Notes, Clearstream, Luxembourg and Euroclear credited each subscriber of Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid. The Global Notes have also been deposited with the Common Safekeeper or Common Depositary as appropriate for Clearstream, Luxembourg and Euroclear. Title to the Global Notes will pass by delivery.

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

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

2. Status, Security and Administration

(a) *Status*

(i) The Notes constitute direct, secured (as more particularly described in the Deed of Charge) and (subject as provided in Condition 4(c) (*Rate of Interest*) unconditional obligations of the Issuer and rank *pari passu* without preference or priority amongst themselves.

(ii) Prior to the enforcement of the Security created by or pursuant to the Deed of Charge, payment of interest on the Notes will be made in accordance with the order of priority set out in Condition 2(c) *(Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments)* and mandatory payments of principal pursuant to Condition 5(b)

(*Mandatory Redemption in Part*) will be made in accordance with the order of priority set out in such Condition. In the event of the Security being enforced, payment of principal and interest on the Notes will be made in accordance with the order of priority set out in Condition 2(d) (*Post-Acceleration Priority of Payments*).

(iii) The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of the holders of the Notes equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise).

(iv) So long as any of the Notes remain outstanding, the Note Trustee is not required to have regard to the interests of any person (other than the Noteholders) entitled to the benefit of the security constituted by the Deed of Charge.

(v) The Trust Deed contains provisions to the effect that, so long as any of the Notes are outstanding and subject to Condition 2(a)(iii) the Note Trustee shall not be required, when exercising its powers, authorities and discretions, to have regard to the interests of, or act at the direction of, any persons having the benefit of the Security, other than the Noteholders in accordance with the Trust Deed, and, in relation to the exercise of such powers, authorities and discretions, the Note Trustee shall have no liability to such persons as a consequence of so acting.

(vi) In exercising its discretion under the Trust Deed, the Note Trustee may take into account the impact of any decision on the current credit rating of the Notes.

(b) *Security*

As security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Note Trustee and the Security Trustee and any receiver appointed under the Deed of Charge) and in respect of certain amounts payable to the Seller under the Mortgage Sale Agreement, the Subordinated Loan Provider under the Subordinated Loan Agreement, the Servicer under the Servicing Agreement, the Cash Manager under the Cash Management Agreement, the Principal Paying Agent, the Agent Bank under the Agency Agreement, the Accounts Bank under the Bank Accounts Agreement, the Interest Rate Swap Provider under the Interest Rate Swap Agreement, the Corporate Services Provider under the Corporate Services Agreement, the Pre-Funding Loan Provider under the Pre-Funding Loan Agreement and the Parent Support Provider under the Parent Support Deed the Issuer will enter into the Deed of Charge, creating the following security in favour of the Security Trustee for itself and on trust for the other persons expressed to be secured parties thereunder (such parties, the "**Secured Parties**"**)**:

(A) a charge and assignment by way of first fixed security for the payment and discharge of the Issuer Obligations, to the Security Trustee all the Issuer's right, title, interest and benefit present and future in, to and under the Loans from time to time and the proceeds thereof and the Issuer's interest in the Properties intended to constitute the security for the Portfolio and the benefit of all covenants and all rights, powers and remedies of the Issuer relating

thereto and any rights or remedies of the Issuer for enforcing the same including, without limitation, any rights against guarantors therefore and all its rights, title interest and benefit, present and future, in the Related Security granted in respect of each Loan forming part of the Portfolio.

(B) a charge and assignment (subject to the proviso for redemption contained in the Deed of Charge) to the Security Trustee by way of first fixed security all the Issuer's right, title, interest and benefit present and future in, to and under any Insurance Contracts, the sums thereby insured and all bonuses and clauses and other moneys payable to or to become payable under the same together with the full benefit thereof and all powers and provisions contained in or conferred by the same to the extent only that Insurance Contracts apply to any Loan forming part of the Portfolio, in each case to the extent that the Insurance Contracts and other items have been assigned to the Issuer pursuant to the Mortgage Sale Agreement.

(C) a charge, mortgage, conveyance, transfer and assignment to and in favour of the Security Trustee all of its right, title, interest and benefit, present and future, in, to and under:

(I) the Mortgage Sale Agreement;

(II) the Declaration of Trust;

(III) the Trust Deed;

(IV) the Notes Purchase Agreement;

(V) the Agency Agreement;

(VI) the Interest Rate Swap Agreement and Confirmations;

(VII) the Bank Account Agreement;

(VIII) the Liquidity Facility Agreement;

(IX) the Pre-Funding Loan Agreement;

(X) the Guarantee;

(XI) the Parent Support Deed;

(XII) the Subordinated Loan Agreement;

(XIII) the Servicing Agreement;

(XIV) the Cash Management Agreement;

(XVI) the Corporate Services Agreement; and

(XVII) all other Transaction Documents.

and including all rights to receive payment of any amounts which may become payable to the Issuer thereunder and all payments received by the Issuer thereunder including, without limitation, all

rights to serve notices and/or make demands thereunder and/or to take such steps as are required to cause payments to become due and payable thereunder and all rights of action in respect of any breach thereof and all rights to receive damages or obtain other relief in respect thereof to hold the same unto the Security Trustee for the Secured Parties absolutely a charge by way of first fixed charge (which may take effect as a floating charge) over the Issuer's interest in the Bank Accounts maintained with the Account Bank and any sums standing to the credit thereof;

(D) a charge and assignment to and in favour of the Security Trustee all its right, title, interest and benefit, present and future, in and to all sums of money which may now be or hereafter are from time to time standing to the credit of the Bank Accounts, together with all interest accruing from time to time thereon and the debts represented thereby to hold the same unto the Security Trustee for the benefit of the Secured Parties absolutely;

(E) a charge and assignment to and in favour of the Security Trustee and all its right, title, interest and benefit, present and future, in and to all sums of money representing the net issue proceeds in respect of the Notes and which may now be or hereafter are from time to time held to its order by the Common Safekeeper pending acquisition by the Issuer of the Assigned Obligations and all rights represented thereby to hold the same unto the Security Trustee for the benefit of the Secured Parties absolutely;

(F) a charge and assignment by way of first fixed security to the Security Trustee, all its right, title, interest and benefit present and future in, to and under any Authorised Investments or other investments of the Issuer; and

(G) a charge and assignment to the Security Trustee by way of first floating security the whole of its undertaking and all its property and assets whatsoever and wheresoever, present and future, including without limitation its uncalled capital, including, but not limited to, its property or assets from time to time or for the time being charged by Clauses 3.1 to 3.6 (inclusive) of the Deed of Charge (but excluding the Issuer Domestic Account) if and insofar as such charges or any part or parts of the same shall be for any reason ineffective as specific or fixed charges.

(such property, assets, rights, accounts, undertaking, together, the "**Charged Property**").

(c) *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 9 declaring the Notes to be immediately due and payable, the Cash Manager (on behalf of the Issuer) shall apply all moneys standing to the credit of the Reserve Account in accordance with the Pre-Acceleration Priority of Payments

In the event that the Interest Rate Swap Agreement, terminates, a termination payment may be paid by the Interest Rate Swap Provider, to the Issuer. The Issuer will apply such termination payment towards payment to a suitably rated replacement interest rate swap provider, in consideration for such replacement

interest rate swap provider, entering into a suitable replacement interest rate swap agreement, with the Issuer. Such termination payment received by the Issuer shall not form part of the Available Revenue Receipts, except to the extent that it is not used as consideration for such replacement interest rate swap agreement.

Any Replacement Swap Premium to the extent of a termination payment due to the Interest Rate Swap Provider under the Interest Rate Swap Agreement that is not an Interest Rate Swap Provider Default Payment will be paid directly by the Issuer to the Interest Rate Swap Provider and not via the Priority of Payments. Any excess swap collateral will be paid directly to the Interest Rate Swap Provider and not via the Priority of Payments.

(d) *Post-Acceleration Priority of Payments*

After the Note Trustee has served a Note Acceleration Notice on the Issuer pursuant to Condition 9(a) hereof (*Events of Default*) declaring the Notes to be due immediately and repayable, the Security Trustee shall, to the extent of the funds available to the Security Trustee from the Issuer and from the proceeds of enforcement of the Security, make payments in the order of priority of the Post-Acceleration Priority of Payments.

The Notes are subject to the Deed of Charge pursuant to which the claims and exercise of rights by the beneficiaries of the Security against the Issuer are regulated.

3. Covenants

Save with the prior written consent of the Security Trustee (but subject as provided in Condition 11 (*Meetings of Noteholders; Modifications; Consents; Waiver*) or unless otherwise permitted under any of the Transaction Documents, the Issuer shall not for so long as any Note remains outstanding:

(a) *Negative pledge*

create or permit to subsist any mortgage, sub-mortgage, assignment, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation, or other security interest whatsoever upon the whole or any part of its assets, present or future (including any uncalled capital) or its undertaking;

(b) *Restrictions on activities*

(i) engage in any activity which is not reasonably incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) open nor have any interest in any account whatsoever with any bank or other financial institution other than the Bank Accounts and the Issuer Domestic Account, save where such account is immediately charged in favour of the Security Trustee so as to form part of the assets subject to the Security described in Condition 2 (*Status, Security and Administration*) and the Security Trustee receives from such other bank or financial institution an acknowledgement of the security rights and interests of the Security Trustee and an agreement that it will not exercise any right of set off it might otherwise have against the account in question;

(iii) have any subsidiaries (as defined in the Companies Acts 1963 to 2009 of Ireland or any subsidiary undertakings (as defined in the European

Communities (Companies: Group Accounts) Regulations 1992 of Ireland) or employees or other than as contemplated by the Transaction Documents own, rent, lease or be in possession of any assets (including, without limitation, buildings, premises or equipment);

(iv) act as a director of or hold any office in any company or other organisation;

(v) amend, supplement or otherwise modify its Memorandum or Articles of Association or other constitutive documents; or

(vi) 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;

(c) *Dividends or distributions*

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

(d) *Borrowings*

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever except in respect of the Notes, the Liquidity Facility, the Pre-Funding Loan and the Subordinated Loan or give any guarantee or indemnity in respect of any indebtedness or any obligation of any person;

(e) *Merger*

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

(f) *Disposal of assets*

transfer, sell, lend, invest, part with or otherwise dispose of or deal with, or grant any option over any present or future right to acquire, any of its assets, including the Portfolio, or undertaking or any interest, estate, right, title or benefit therein save as envisaged by the Transaction Documents;

(g) VAT

apply to become part of any group for the purposes of section 8 of the Value Added Tax Act, 1972 of Ireland with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act, 1972 of Ireland.

(h) *Tax residence*

do any act or thing, the effect of which would be to make the Issuer resident for tax purposes in any jurisdiction other than Ireland;

(i) *Waiver or consent*

permit any of the Transaction Documents or the priority of the Security interests created thereby to be amended, invalidated, rendered ineffective, terminated, postponed or discharged, or consent to any variation thereof, or exercise any powers of consent or waiver in relation thereto pursuant to the terms of the Trust Deed and

these Conditions, or permit any party to any of the Transaction Documents or any other person whose obligations form part of the Security to be released from such obligations, or dispose of any part of the Security save as envisaged in the Transaction Documents; and

(j) *Amendment to Transaction Documents*

In giving any consent to the foregoing, the Security Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Security Trustee, acting in its absolute discretion may deem expedient in the interests of the Noteholders subject to prior written notification of any such modifications, additions, conditions or requirements having been given to the Rating Agency by the Security Trustee.

Without prejudice to the above, the Security Trustee may concur with the Issuer in making any modification to the Pre-Acceleration Priority of Payments or to the Post-Acceleration Priority of Payments that, in either case, would affect the priority of any claim of the Interest Rate Swap Provider thereunder only if it has received the prior written consent of the Interest Rate Swap Provider thereto (such consent not to be unreasonably withheld or delayed).

4. Interest

(a) *Period of Accrual*

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

(b) *Interest Payment*

Interest on the Notes is payable in euro, in each case in arrear on each Interest Payment Date.

(c) *Rate of interest on the Notes*

The rate of interest payable from time to time in respect of the Notes (the "**Rate of Interest**") will be determined by the Agent Bank two TARGET 2 Settlement Days (as defined below) prior to the Closing Date in respect of the first Interest Period and thereafter two TARGET 2 Settlement Days prior to each Interest Payment Date in respect of the Interest Period commencing on that date (each an "**Interest Determination Date**").

(i) The Rate of Interest in relation to each Class of the Notes for each Interest Period beginning on the Interest Determination Date shall be the aggregate of:

(A) the Relevant Margin (as defined in Condition 4(c)(ii) below); and

(B) (aa) the three month inter-bank offered rate for euro deposits in the euro-zone inter-bank market (other than the interest rates applicable in respect of the first Interest Period, which

will be determined by reference to a linear interpolation (rounded to four decimal places with the mid-point rounded up) of the rate for two-month and three-month euro deposits) displayed on Reuters Screen Page EURIBOR01 (the "**Screen Rate**") (or (i) such other page as may replace Reuters Screen Page EURIBOR01 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Note Trustee) as may replace the Reuters Monitor) at or about 11.00 a.m. (Brussels time) on such date; or

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

(d) *Determination of Rates of Interest and Calculation of Interest Amounts*

The Agent Bank will, on each Interest Determination Date, determine and notify the Issuer, the Cash Manager, the Note Trustee and the Principal Paying Agent and the Interest Rate Swap Provider:

(i) the Rate of Interest applicable to the relevant Interest Period; and

(ii) the Interest Amount, if any, payable in respect of such Interest Period in respect of each Note.

(e) *Publication of Rate of Interest, Interest Amount and other Notices*

As soon as practicable after providing notification thereof, the Agent Bank (on behalf of the Issuer) will cause the Rate of Interest and the Interest Amounts for each Interest Period and the immediately succeeding Interest Payment Date to be notified to each stock exchange and competent listing authority (if any) on which the Notes are then listed and will cause notice thereof to be given in accordance with Condition 14 (*Notice to Noteholders*). The Interest Amounts and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

(f) *Determination or Calculation by Note Trustee*

If the Agent Bank does not at any time for any reason determine any Rate of Interest and/or calculate any Interest Amount in accordance with the foregoing paragraphs, the Note Trustee shall or shall procure (at the cost of the Issuer):

(i) determine or procure the determination of the Rate of Interest not so determined at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances, and

(ii) calculate or procure the calculation of the Interest Amount not so calculated in the manner specified in paragraph (i) above,

and any such determination and/or calculation by, or procured by, the Note Trustee shall be notified (at the cost of the Issuer) in accordance with paragraphs (d) and (e) above and shall be deemed to have been made by the Agent Bank.

(g) *Notifications to be Final*

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

(h) *Reference Banks and Agent Bank*

The Issuer shall ensure that, so long as the Notes remain outstanding, there shall at all times be three Reference Banks and an Agent Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank or in the event of the Agent Bank being unwilling to act as the Agent Bank, the Issuer shall appoint such other bank as may be approved by the Note Trustee to act as such in its place. The Agent Bank may not resign until a successor approved by the Note Trustee has been appointed.

(i) *Subordination by deferral*

If on any Interest Payment Date whilst any of the Class A Notes remains outstanding, the Issuer has insufficient funds to make payments in full of all

amounts of interest (including any accrued interest thereon) payable in respect of the Class B Notes after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then the Issuer may defer payment of that amount (to the extent of insufficiency) until the following Interest Payment Date or such earlier date as interest of the Class B Notes becomes immediately due and repayable in accordance with these Conditions. Such a deferral will not constitute an Event of Default.

If there are no Class A Notes then outstanding, the Issuer will not be entitled, under this Condition 4(i) to defer payments in respect of the Class B Notes.

5. Redemption and Purchase

(a) *Final Redemption*

Unless previously redeemed as provided in this Condition, the Issuer shall redeem the Notes subject, in the case of the Class B Notes, to the subordination provisions at their Principal Amount Outstanding on the Interest Payment Date falling in November 2052.

The Issuer may not redeem Notes in whole or in part prior to the relevant Interest Payment Date indicated in this Condition 5(a) (*Final Redemption*) except as provided in paragraphs (b) (*Mandatory Redemption in Part*), (d) (*Optional Early Redemption in Full*) or (e) (*Optional Redemption for Tax Reasons*), but without prejudice to Condition 9 (*Events of Default*).

(b) *Mandatory Redemption in Part*

(i) Each Note shall, subject to Condition 5(d) (*Optional Redemption in Full*) and 5(e) (*Optional Redemption for Taxation Reasons*), be repaid on each Interest Payment Date prior to the service of a Note Acceleration Notice:

(A) during the Revolving Period, if and to the extent that the same Principal Receipts have been standing to the credit of the Retained Principal Receipts Fund for two consecutive Interest Periods. Such Principal Receipts shall be released from the Retained Principal Receipts Fund, deemed to be Available Principal Receipts, and applied to redeem the Notes after payment or provision for amounts ranking in priority to the relevant Notes in accordance with the terms of the Cash Management Agreement; and

(B) following the end of the Revolving Period, to the extent of Available Principal Receipts, after payment, or provision for, amounts ranking in priority to the relevant Note.

(ii) Subject to the terms of the Cash Management Agreement, prior to the service of a Note Acceleration Notice on the Issuer, Available Principal Receipts will be applied to repay firstly, in or towards repayment *pro rata* and *pari passu* of the Class A Notes and secondly in or towards repayment *pro rata* and *pari passu* of the Class B Notes.

(iii) The Cash Manager is responsible, pursuant to the Cash Management Agreement, for determining the amount of the Principal Receipts and Available Principal Receipts and the amounts required to reduce the balance of each Principal Deficiency Ledger in each case to zero as at any Calculation Date and each determination so made shall (in the absence of

negligence, wilful default, bad faith or manifest error) be final and binding on the Issuer, the Cash Manager, the Note Trustee and all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Note Trustee or (in such absence as aforesaid) to the Cash Manager in connection therewith.

(c) *Calculation of Note Principal Payments, Principal Amount Outstanding and Pool Factor*

(i) The principal amount so payable in respect of each Note (the "**Note Principal Payment**") on any Interest Payment Date under Condition 5(b) (*Mandatory Redemption in Part)* above shall be the amount calculated on the Calculation Date immediately preceding that Interest Payment Date to be applied in redemption of Notes divided by the number of Notes outstanding on the relevant Interest Payment Date (rounded down to the nearest euro, as applicable); provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

(ii) With respect to each Note on (or as soon as practicable after) each Calculation Date, the Issuer shall determine (or cause the Cash Manager to determine):

(A) the amount of any Note Principal Payment due on the Interest Payment Date next following such Calculation Date;

(B) the Principal Amount Outstanding of such Note on the Interest Payment Date next following such Calculation Date (after deducting any Note Principal Payment due to be made in respect of that Note on that Interest Payment Date); and

(C) the fraction expressed as a decimal to the sixth point (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding of the Notes (as referred to in (B) above) and the denominator is the principal amount of that Note on issue expressed as an entire integer.

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

(iv) With respect to the Notes the Issuer will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified in writing forthwith to the Note Trustee, the Paying Agents, the Agent Bank and (for so long as the Notes are listed on or by one or more stock exchanges and/or competent listing authorities) the relevant stock exchanges and/or competent listing authorities, and will immediately cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be given in accordance with Condition 14 (*Notice to Noteholders*) by not later than one Business Day prior to the relevant Interest Payment Date. If no Note Principal Payment is due to be made on the Notes on any Interest Payment Date a notice to this effect will be given to the Noteholders.

(v) If the Issuer does not at any time for any reason determine (or cause the Cash Manager to determine) with respect to the Notes, a Note Principal

Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this paragraph, such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Note Trustee, acting in its absolute discretion, in accordance with this paragraph and each such determination or calculation shall be deemed to have been made by the Issuer or the Cash Manager (as applicable).

(d) *Optional Early Redemption in Full*

(i) On giving not more than 60 nor less than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*), the Note Trustee and the Interest Rate 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; and

(B) 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 on the relevant Interest Payment Date and to discharge all other amounts required to be paid in priority to or *pari passu* with the Notes on such Interest Payment Date (such certification to be provided by way of certificate signed by two directors of the Issuer); and

(C) the date of redemption will be the first Interest Payment Date falling in February 2010 or any Interest Payment Date thereafter, if the Issuer elects (at its absolute discretion) to accept an offer from the Seller under the Mortgage Sale Agreement to repurchase some or all the relevant Loans and their Related Security, provided that in the case of redemption of the Class B Notes, the Class A Notes have been redeemed in full,

the Issuer may redeem on any Interest Payment Date all, or class, of the Notes.

(ii) Any Note redeemed pursuant to Condition 5(d)(i) 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.

(e) *Optional redemption for Tax Reasons*

If the Issuer at any time satisfies the Note Trustee immediately prior to the giving of the notice referred to below that by reason of a change in tax law affecting the Notes and/or the Interest Rate Swap Agreement which becomes effective on or after the Closing Date (or the application or official interpretation thereof), on the next Interest Payment Date the Issuer or the Paying Agents would be required to make a deduction or withhold for or on account of tax from (a) any payment of principal or interest on either Class of Notes (other than where the relevant holder has some connection with Ireland other than the holding of either Class of Notes or related Coupons) and/or (b) any payment under the Interest Rate Swap Agreement, any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Ireland or any political sub-division or any authority therein then the

Issuer shall, in order to avoid the relevant event described above, 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 and/or as counterparty under the Interest Rate Swap Agreement, as the case may be, upon the Note Trustee being satisfied (having received, at the expense of the Issuer, an opinion of independent counsel and/or of a financial adviser selected or approved by the Note Trustee, which opinion(s) must be in satisfactory form to the Note Trustee) that such substitution will not be materially prejudicial to the holders of the senior Class of Notes and provided that the consent of the Secured Parties (other than the Noteholders) to such of the Transaction Documents to which the Issuer, or as the case may be, such counterparty is a party is obtained.

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 an appointment or arrange such a substitution, then the Issuer may, on any Interest Payment Date and having given not more than 60 nor less than 30 days notice, redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with accrued but unpaid interest thereon up to (but excluding) the date of redemption.

(f) *Notice of Redemption*

Any such notice as is referred to in Conditions 5(d) (*Optional Early Redemption in Full*) or 5(e) (*Optional Redemption for Tax Reasons*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes at their Principal Amount Outstanding.

(g) *No purchase by the Issuer*

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

(h) *Cancellation*

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

(i) *Subordination*

Prior to the payment of the entire Principal Amount Outstanding of the Class A Notes there will be no payment of the Principal Amount Outstanding of the Class B Notes. The Class B Notes are subordinated to the Class A Notes.

6. Payments

(a) *Laws and Regulations*

Payments of principal and interest in respect of each class of Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(b) *Payment of Interest following a failure to Pay Principal*

If payment of principal is improperly withheld or refused or default is otherwise made in respect of such payment, the interest which continues to accrue in respect of

the relevant Note in accordance with the Trust Deed will be made to the bearer against presentation of the Notes at the specified office of the Principal Paying Agent and, in the case of final redemption of the Notes, against surrender of the relevant Note.

(c) *Change of Principal Paying Agent*

The initial Principal Paying Agent, and its initial specified office is set out at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and appoint an additional or other Principal Paying Agent. The Issuer will at all times maintain (i) a paying agent with a specified office in London (which may be the Principal Paying Agent) for so long as the Notes are listed on the Irish Stock Exchange and (ii) if European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, maintain a paying agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to such directive or law (to the extent that such an EU Member State exists). The Issuer will cause at least 14 days' notice of any change in or addition to the Principal Paying Agent or their specified offices to be given in accordance with Condition 14 (*Notice to Noteholders*).

(d) *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 location of the Principal Paying Agent and shall not be entitled to further interest or other payment in respect of such delay. In this Condition 6(d), the expression "**Business Day**" means a day on which (i) commercial banks and foreign exchange markets settle payments in London and Dublin and (ii) the TARGET 2 system is operating provided that such day is not a Saturday or Sunday.

(e) *Endorsement of Payments*

If the Principal Paying Agent makes a payment in respect of any Note or a particular Class or Coupon presented to it for payment, the Principal Paying Agent will cause the grid endorsed on such Note (in respect of payments of principal) and on the Coupon (in respect of payments of interest) to be annotated so as to evidence the amount and date of such payments.

7. Prescription

Claims against the Issuer in respect of the Notes shall become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect thereof. In this Condition 7 (*Prescription*) the Relevant Date is the date on which a payment in respect thereof first becomes due or the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*).

8. Taxation

All payments in respect of the Notes will be made, free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer or the Principal Paying Agent (as applicable) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of,

any present or future taxes, duties or charges of whatsoever nature. In that event the Issuer or the Principal Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor the Principal Paying Agent will be obliged to make any additional payments to holders of Notes in respect of such withholding or deduction.

9. Events of Default

(a) The Note Trustee may, at the Note Trustee's discretion, or shall, if so requested in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Notes, (subject to the Note Trustee being indemnified and/or secured to its satisfaction by such Noteholders) or if so directed by or pursuant to an Extraordinary Resolution of the holders of the then outstanding Notes (subject in each case to the Note Trustee being indemnified and/or secured to its satisfaction), serve a notice (a "**Note Acceleration Notice**") on the Issuer declaring, in writing, the Notes to be due and repayable (whereupon the Security shall become enforceable) at any time after the happening of any of the following events (each, an "**Event of Default**"):

(i) default being made for a period of five Business Days in the payment of any amount of principal due on the Notes or any of them, or for a period of five Business Days in the payment of any amount of interest on the Notes or any of them; or

(ii) the Issuer failing duly to perform or observe any other obligation binding upon it under the Notes or any Transaction Document and, in any such case (except where the Note Trustee certifies that, in its sole opinion, such failure is incapable of remedy, in which case no notice will be required) such failure is continuing for a period of 30 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in sub-paragraph (iv) below, ceasing or, through or consequent upon an official action of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or being unable to pay its debts as and when they fall due or, within the meaning of Section 214(c) of the Companies Act 1963 of Ireland; or

(iv) an order being made or an effective resolution being passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to, an amalgamation or reconstruction the terms of which have previously been approved in writing either by the Note Trustee or by an Extraordinary Resolution of the Noteholders; or

(v) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for the appointment of an examiner or for an administration order) and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an examination order shall be granted or an examiner, administrative receiver, or other receiver, liquidator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or in the opinion of the Note Trustee any substantial part of the undertaking or assets of the Issuer, or an encumbrancer shall take possession of the whole or in the opinion of the Note Trustee any substantial part of the

undertaking or assets of the Issuer, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or in the opinion of the Note Trustee any substantial part of the undertaking or assets of the Issuer and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 30 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other-similar laws or makes a conveyance or assignment for the benefit of its creditors generally.

(b) Upon any declaration being made by the Note Trustee in accordance with paragraph (a) above that the Notes are due and repayable, the Notes shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest and the Security shall become enforceable as provided in the Trust Deed and Deed of Charge.

10. Enforcement

At any time after the Notes become due and repayable at their Principal Amount Outstanding and without prejudice to the Security Trustee's rights of enforcement in relation to the Security, the Note Trustee may, at any time, at its discretion and without further notice, take such proceedings against the Issuer or any other party to any of the Transaction Documents as the Note Trustee may think fit to enforce the provisions of the Notes or the Trust Deed or any other Transaction Document and, at any time after the Security has become enforceable, may, at its discretion and without further notice, take such steps as it may think fit to enforce the Security, but it shall not be bound to take any such proceedings or steps unless:

(a) it shall have been requested by the holders of not less than 25 per cent. Principal Amount Outstanding of the then outstanding Class A Notes (or if no Class A Notes are outstanding, the then outstanding Class B Notes) or so directed by an Extraordinary Resolution of the Noteholders; and

(b) it shall have been indemnified and/or secured to its satisfaction.

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

11. Meetings of Noteholders; Modifications; Consents; Waiver

(a) *Convening*

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by an Extraordinary Resolution of the Noteholders of any modification of the Notes (including these Conditions as they relate to such Notes) or the provisions of any of the Transaction Documents.

(b) *Quorum*

The quorum at any meeting of the Noteholders for passing an Extraordinary Resolution shall be one or more persons holding or representing over 50 per cent. of the Principal Amount Outstanding of the Notes then outstanding, or, at any adjourned meeting, one or more persons holding or representing Notes whatever the Principal Amount Outstanding of the Notes held or represented by him or them except that, at any meeting the business of which includes the sanctioning of a Basic Term Modification, the necessary quorum for passing an Extraordinary Resolution

shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., of the Principal Amount Outstanding of the Notes then outstanding. The quorum at any meeting of the Noteholders for all business other than voting on an Extraordinary Resolution shall be one or more persons holding or representing in the aggregate not less than 5 per cent. of the Principal Amount Outstanding of the Notes or, at any adjourned meeting, one or more persons being or representing the Noteholders, whatever the Principal Amount Outstanding of the Notes then outstanding so held.

The Trust Deed provides that:

(i) a resolution or request which in the opinion of the Note Trustee affects the interests of the Noteholders in respect of one class of Notes shall, in the case of a resolution, be duly passed if at a separate meeting of the Noteholders of that class of Notes and, in the case of a request, be deemed to have been duly made if made by the requisite percentage of Noteholders of that class of Notes;

(ii) a resolution or request which in the opinion of the Note Trustee affects the interests of the Noteholders of any two or more classes of Notes but does not give rise to a conflict of interest between the holders of such two or more classes of Notes shall, in the case of a resolution, be deemed to have been duly passed if passed at a single meeting of the Noteholders of such two or more classes of the Notes, and, in the case of a request, be deemed to have been duly made if made by the requisite percentage of the Noteholders of such two or more classes of Notes; and

(iii) a resolution or request which in the opinion of the Note Trustee affects the interests of the holders of any two or more classes of Notes and gives or may give rise to a conflict of interest between the holders of such two or more classes of Notes shall, in the case of a resolution, be duly passed only if passed at separate meetings of the Noteholders of each such two or more classes of Notes, and, in the case of a request, be deemed to have been duly made if made by the requisite percentage of the holders of the Class A Notes.

(c) *Modification*

The Note Trustee may agree without the consent of the Noteholders of the relevant class of Notes or any other Secured Party:

(i) to any modification (except a Basic Terms Modification) of, or to the waiver or authorisation of any breach or proposed breach of, the relevant class of Notes (including these Conditions) or any of the Transaction Documents provided that the Note Trustee is of the opinion that such modification, waiver or authorisation will not be materially prejudicial to the interests of the Noteholders or to the interests of the Secured Parties, or

(ii) to any modification of the relevant class of Notes (including these Conditions) or any of the Transaction Documents, which in the Note Trustee's sole opinion is of a formal, minor or technical nature or to correct a manifest error or an error which the Note Trustee, in its sole opinion is satisfied was made.

The Note Trustee may also without the consent of the Noteholders or any other Secured Party determine, acting in its absolute discretion, but only if and in so far in

its sole opinion the interests of the Noteholders of the relevant class of Notes shall not be materially prejudiced thereby, that any Event of Default or any condition, event or act which, with the giving of notice and/or lapse of time and/or the issue of a certificate and/or the making of any determination, would constitute an Event of Default shall not, or shall not subject to specified conditions, be treated as such (but the Note Trustee may not make any such determination of any Event of Default or any such waiver or authorisation of any such breach or proposed breach of such class of Notes (including the Conditions) or any of the Transaction Documents in contravention of an express direction of the Noteholders given by Extraordinary Resolution or a request under Condition 9 (*Events of Default*)). Any such modification, waiver, authorisation or determination shall be binding on the relevant Noteholders and any other Secured Party and, unless the Note Trustee agrees otherwise, shall be notified to the Noteholders in accordance with Condition 14 (*Notice to Noteholders*) as soon as practicable thereafter.

Without prejudice to the above, the Note Trustee may concur with the Issuer in making any modification to the Pre-Acceleration Priority of Payments or to the Post-Acceleration Priority of Payments that, in either case, would affect the priority of any claim of the Interest Rate Swap Provider thereunder only if it has received the prior written consent of the Interest Rate Swap Provider thereto (such consent not to be unreasonably withheld or delayed).

(d) *Substitution of Principal Debtor*

The Note Trustee may without the consent of the Noteholders or any other Secured Party, agree to the substitution in place of the Issuer (or of any previous substitute) of any person as the principal debtor under this Trust Deed subject to the conditions set out in the Trust Deed having been satisfied. These conditions include, amongst others, (i) the Note Trustee not being of the opinion that the substitution would be materially prejudicial to the interests of the Noteholders (ii) the Rating Agency having been notified of the substitutions and (iii) an unconditional and irrevocable guarantee in form and substance satisfactory to the Note Trustee shall have been given by the Issuer of the obligations of the substitute under the Trust Deed and the Notes.

(e) *Resolutions in Writing*

A Written Resolution shall take effect as if it were an Extraordinary Resolution if signed by the appropriate majority.

(f) *Trustee's Exercise of Discretion*

In determining whether a proposed action will not be materially prejudicial to the Noteholders or the other Secured Parties, the Note Trustee may, among other things, have regard to whether the Rating Agency have confirmed to the Issuer that any proposed action will not result in the withdrawal or reduction of, or entail any other adverse action with respect to, the then current rating of the Notes.

(g) *Note Trustee to have regard to Interests of Noteholders*

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 or substitution as referred to above), the Note Trustee is required to have regard to the interests of the Noteholders, it shall have regard to the general interests of the Noteholders as a

class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim from the Issuer, the Note Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders. For so long as there are any Class A Notes outstanding, if, in the opinion of the Note Trustee, there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders, then the Note Trustee is required to have regard only to the interests of the Class A Noteholders.

12. Indemnification and Exoneration of the Note Trustee

(a) The Trust Deed contains provisions governing the responsibility (and relief from responsibility) of the Note Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Security unless indemnified and/or secured to its satisfaction and, for the avoidance of doubt, whenever the Note Trustee is under the provisions of the Trust Deed bound to act at the request or direction of the Noteholders, the Note Trustee shall nevertheless not be so bound unless first indemnified and/or secured to its satisfaction. The Note Trustee and its related companies are entitled to enter into business transactions with, among others, the Issuer, the Servicer, the Cash Manager and/or related companies of any of them without accounting for any profit resulting therefrom. The Note Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of, *inter alia*, any assets comprised in the Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of the Servicer, the Cash Manager or any agent or related company of the Servicer, the Cash Manager or by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Note Trustee.

(b) The Trust Deed provides that the Note Trustee shall be under no obligation to make any searches, enquiries, or independent investigations of title in relation to any of the Properties secured by the Mortgages.

(c) The Note Trustee will not be responsible for (a) supervising or monitoring the performance by the Issuer, the Servicer, the Cash Manager or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Note Trustee will be entitled to assume, until it has written notice to the contrary, that all such persons are properly performing their duties, or (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents. The Note Trustee will not be liable to any Noteholder or other Secured Party for any failure to make or to cause to be made on their behalf the searches, investigations and enquiries which would normally be made by a prudent chargee in relation to the Security or Charged Property and has no responsibility in relation to the legality, validity, sufficiency and enforceability of the Security, the Charged Property and the Transaction Documents.

13. Replacement of Definitive Notes and Coupons

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

14. Notice to Noteholders

(a) Any notice to the Noteholders shall be validly given by any of:

(i) the information contained in such notice appearing on a page of the Reuters Screen, or any other medium for electronic display of data as may be previously approved in writing by the Note Trustee (in each case a "**Relevant Screen**");

(ii) by publication in a leading newspaper published in Ireland (which is expected to be The Irish Times) or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in Dublin; and

(iii) if the Notes are in global form, if delivered to Euroclear and/or Clearstream, Luxembourg (as applicable) for communicating them to the Noteholders.

(b) The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange on which the Notes are for the time being listed or any other relevant authority.

(c) Any notice under paragraph (a)(i) or (ii) above shall be deemed to have been given to the Noteholders 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 in all newspapers in which (or on the Relevant Screen on which) publication is required. Any notice under (a)(iii) above shall be deemed to have been given to the Noteholders on the third day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

(d) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or any 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 exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

15. Governing Law and Jurisdiction

The Trust Deed and the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, the laws of Ireland.

(a) The Issuer has agreed in the Trust Deed that the courts of Ireland shall have non-exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, the "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

(b) In the Trust Deed, the Issuer has waived any objection which it might now or hereafter have to the courts of Ireland being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agreed not to claim that any such court is not a convenient or appropriate forum.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Notes principally to pay the Initial Consideration payable by the Issuer for the Initial Portfolio to be acquired from the Seller on the Closing Date. The remaining proceeds (if any) of the issue of the Notes will be deposited into the Reserve Account to form part of the Available Principal Receipts in respect of the first Interest Payment Date.

FEES

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

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Servicing fees	0.025%		
Cash management fee	0.025%	As per Pre-Acceleration Revenue Priority of Payments or Post Acceleration Priority of Payments	
Commitment fee under Liquidity Facility	0.20%		
Other fees and expenses of the Issuer	€25,000		
VAT is currently chargeable at 21.5%			

EXPENSE OF THE ADMISSION TO TRADING

The estimated total expenses related to the admission to trading of the Notes will be not more than €5,000 (inclusive of VAT).

RATINGS

It is expected that the Notes, on issue, will be assigned the following rating by the Rating Agency. 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 Interest Rate Swap Provider and/or the Account Bank in the future) so warrant.

Class of Notes	**Moody's**
Class A	Aaa
Class B	Unrated

TAXATION

IRELAND

Introduction

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes thereon as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

WITHHOLDING TAXES

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note such payment is made on a "quoted Eurobond".

A quoted Eurobond is a security that is issued by a company (such as the Issuer), is listed on a recognised stock exchange (such as the Irish Stock Exchange) and carries a right to interest. Provided that the Notes are interest bearing and are listed on the Irish Stock Exchange, interest paid on them can be paid free of withholding tax provided:

(a) the person by or through whom the payment is made is not in Ireland; or

(b) the payment is made by or through a person in Ireland and either:

  (i) the Note is held in a clearing system recognised by the Irish Revenue Commissioners; (Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or

  (ii) the person who is the beneficial owner of the quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange and are held in Euroclear and/or Clearstream, Luxembourg, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a Paying Agent outside Ireland.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

TAXATION OF NOTEHOLDERS

Income Tax

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax and levies. Ireland operates a self-assessment system in respect of income tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax which may apply to Noteholders. First, any interest which can be paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from Irish income tax where the recipient is a person not resident in Ireland and resident in a Relevant Territory. A Relevant Territory is a Member State of the European Union (other than Ireland) or not being such a Member State, a territory with which Ireland has signed a double taxation agreement which either (i) has force of law by virtue of section 826(1) of the Irish Taxes Consolidation Act 1997 (as amended), or (ii) will have force of law on completion of the procedures set out in section 826(1) of the Taxes Consolidation Act 1997 (as amended) at the time of payment. In addition, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of section 110 of the TCA, the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. In addition, interest payments made by the Issuer in the ordinary course of its business are exempt provided the recipient is not resident in Ireland and is a company resident in a Relevant Territory. For these purposes, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions may be within the charge to Irish income tax. However, it is understood that the Irish Revenue Commissioners have, in the past, operated a practice not to take any action to pursue any liability to such tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. There can be no assurance that the Irish Revenue Commissioners will apply this practice in the case of any Noteholder.

Capital Gains Tax

A holder of Notes will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, is currently levied at 25 per cent.) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) to the Stamp Duties Consolidation Act, 1999 assuming the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

EU Directive on the Taxation of Savings Income

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the "European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)". Ireland has implemented the directive into national law. Accordingly, any Irish paying agent making an interest payment on behalf of the Issuer to an individual or certain residual entities resident in another Member State of the European Union or certain associated and dependent territories of a Member State will have to provide details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address) to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

The Issuer, or certain other persons shall be entitled to require Noteholders to provide any information regarding their tax status, identity or residency in order to satisfy the disclosure requirements in Directive 2003/48/EC and Noteholders will be deemed by their subscription for Notes to have authorised the automatic disclosure of such information by the Issuer, or any other person to the relevant tax authorities.

PURCHASE AND SALE

BoSI (as "**Initial Investor**") will, pursuant to a notes purchase agreement dated on or about 1 December 2009 amongst themselves, the Arranger and the Issuer (the "**Notes Purchase Agreement"**), agree with the Issuer (subject to certain conditions) to subscribe and pay for the Class A Notes at the issue price of 100% of the aggregate principal amount of the Class A Notes and to subscribe and pay for the Class B Notes at the issue price of 100% of the aggregate principal amount of the Class B Notes.

The Issuer has agreed to indemnify the Initial Investor against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

In the Notes Purchase Agreement, the Issuer, the Arranger and the Initial Investor have represented, warranted and undertaken as follows:

1. **GENERAL**

1.1 **Transactions with Eligible Counterparties**

Each of the Arranger and the Initial Investor undertake that during the period from the Closing Date up to (and including) 11 January 2010, that they shall not offer, sell, transfer, secure, entrust or otherwise make any disposition of any of the Class A Notes to a person that is not any of (i) the Initial Investor; (ii) the Arranger; and (iii) a national central bank of a European Union Member State (each an "**Eligible Counterparty**").

1.2 **No Action to Permit Public Offering**

Each of the Arranger and the Initial Investor acknowledge that, save for having obtained the approval by the Financial Regulator of the Prospectus as a prospectus in accordance with the Prospectus Regulations, admission of the Prospectus on the Official List of the Irish Stock Exchange and trading on its regulated market, no action has been or will be taken in any jurisdiction by the Arranger or Issuer that would permit a public offering of the Notes, or possession or distribution of any offering material in relation to the Notes, in any country or jurisdiction where action for that purpose is required.

1.3 **Arranger and Initial Investor's Compliance with Applicable Laws**

Each of the Arranger and the Initial Investor undertakes to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers the Notes or has in its possession, distributes or publishes such offering material, in all cases at its own expense.

1.4 **Publicity**

Each of the Arranger and the Initial Investor represents and warrants that it has not made or provided and undertakes that it will not make or provide any representation or information regarding the Issuer or the Notes save as contained in the Prospectus or as approved for such purpose by the Issuer or which is a matter of public knowledge.

2. **PUBLIC OFFER SELLING RESTRICTIONS UNDER THE PROSPECTUS DIRECTIVE**

Each of the Arranger and the Initial Investor represents, warrants and undertakes to the Issuer that:

2.1 in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), 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 to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer to the public in that Relevant Member State at any time:

(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; or

(c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

2.2 For the purposes of Paragraph 2.1, 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 Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

3. SELLING RESTRICTIONS ADDRESSING ADDITIONAL UNITED KINGDOM SECURITIES LAWS

Each of the Arranger and the Initial Investor represents, warrants and undertakes to the Issuer that:

3.1 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 it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

3.2 it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

4. SELLING RESTRICTIONS ADDRESSING ADDITIONAL IRISH SECURITIES LAWS

Each of the Arranger and the Initial Investor has represented and agreed that:

(a) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (the "**MiFID Regulations**") including; without limitation, Regulations 7 and 152 thereof, or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998.

(b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Central Banks Acts 1942 to 1998 (as amended) of Ireland

and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;

(c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland, by the Financial Regulator; and

(d) it will not underwrite the issue of, place, or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Financial Regulator.

5. UNITED STATES

5.1 No Registration under Securities Act

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 in accordance with Regulation S or pursuant to any other exemption from the registration requirements of the Securities Act.

5.2 Compliance by Issuer with United States Securities Laws

The Issuer represents, warrants and undertakes to the Initial Investor that:

(a) neither the Issuer nor any its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts within the meaning of Rule 902 under the Securities Act with respect to the Notes;

(b) the Issuer is a "**foreign issuer**" (as defined in Regulation S) and reasonably believes there is no "**substantial U.S. market interest**" (as defined in Regulation S) in the securities of the Issuer and the Issuer, its affiliates and any person acting on its or their behalf have complied with and will comply with the offering restrictions requirements of Regulation S under the Securities Act; and

(c) the Issuer is not, and after giving effect to the offering and sale of the Notes, will not be a company registered or required to be registered as an "**investment company**", as such term is defined in the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**").

5.3 Arranger's and Initial Investor's Compliance with United States Securities Laws

Each of the Arranger and the Initial Investor represents, warrants and undertakes to the Issuer that:

(a) it has not offered or sold, and will not offer or sell, the Notes (a) as part of their distribution at any time and (b) otherwise until forty (40) days after the later of the commencement of the offering of the Notes and the Closing Date (the "**distribution compliance period**"), except in accordance with Rule 903 of Regulation S under the Securities Act;

(b) at or prior to confirmation of sale, it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or notice to substantially the following effect:

*"The Securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until forty (40) days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."*

(c) it, its affiliates and any person acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act;

(d) neither it, its affiliates nor any person acting on its or their behalf have engaged or will engage in any directed selling efforts within the meaning of Rule 902 under the Securities Act with respect to the Notes; and

(e) it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the Notes, except with its affiliates or with the prior written consent of the Issuer.

5.4 **Arranger's and Initial Investor's Compliance with United States Treasury Regulations**

Each of the Initial Investor and the Arranger understands that under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**"), Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. The Initial Investor and the Arranger represents, warrants and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, the Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of the Notes, the Initial Investor and the Arranger has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either the Initial Investor or Arranger or the prospective purchaser is within the United States or its possessions or otherwise involve a U.S. office of the Initial Investor or Arranger in the offer or sale of the Notes.

5.5 **Interpretation**

Terms used in paragraphs 5.1, 5.2 and 5.3 above have the meanings given to them by Regulation S under the Securities Act. Terms used in paragraph 5.4 above have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and regulations thereunder, including the C Rules.

GENERAL INFORMATION

1. The issue of the Notes has been authorised by resolution of the board of directors of the Issuer passed on 26 November 2009.

2. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market. The Issuer will pay a fee of not more than €5,000 for the admission to trading of the Notes. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

3. The listing of the Notes on the Irish Stock Exchange will be expressed in euro. Transactions will normally be effected for settlement in euro and for delivery on the third Business Day after the day of the transaction. It is expected that listing of the Notes on the Irish Stock Exchange will be granted on or before the Closing Date subject only to issue of the Global Notes which will take place subject only to satisfaction of certain conditions precedent contained in the Notes Purchase Agreement. If such conditions precedent are not so satisfied on or before the Closing Date there will be no issue and listing of the Notes as aforesaid.

4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Common Code for the Class A Notes is 046862520 and the ISIN for the Class A Notes is XS0468625206. The Common Code for the Class B Notes is 046862759 and the ISIN for the Class B Notes is XS0468627590.

5. The financial year end of the Issuer is 31 December. The first audited accounts of the Issuer will be prepared for the period ended 31 December 2010.

6. The Issuer is not involved in any governmental, legal or arbitration proceedings which may have or have had since its date of incorporation a significant effect on its financial position or profitability nor is the Issuer aware that any such proceedings are pending or threatened.

7. In relation to this transaction, the Issuer has entered into the Notes Purchase Agreement, referred to under the section entitled "*Purchase and Sale*" above, which agreement may be material.

8. Save as disclosed herein, since 22 September 2009 (being the date of incorporation of the Issuer), there has been (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the trading or financial position of the Issuer.

9. Copies of the following documents may be inspected in electronic format, during usual business hours at the registered office of the Issuer for the life of this Prospectus:

   (a) the memorandum and articles of association of the Issuer; and

   (b) prior to the Closing Date, drafts (subject to modification) and, from the Closing Date, copies of the following documents:

      (i) the Notes Purchase Agreement;

      (ii) the Trust Deed;

      (iii) the Agency Agreement;

      (iv) the Deed of Charge;

      (v) the Mortgage Sale Agreement;

(vi) the Servicing Agreement;

(vii) the Declaration of Trust;

(viii) the Interest Rate Swap Agreement;

(ix) the Guarantee;

(x) the Bank Account Agreement;

(xi) the Liquidity Facility Agreement;

(xii) the Pre-Funding Loan Agreement;

(xiii) the Cash Management Agreement;

(xiv) the Parent Support Deed; and

(xv) the Master Agreement.

A quarterly transaction performance report (including, *inter alia*, information on principal payments, interest payments, transaction balances, swap details, portfolio performance and analysis of arrears, will be available to Noteholders upon request made to the Servicer.

INDEX OF TERMS

REGISTERED OFFICE OF THE ISSUER

Wolfhound Funding 2 Limited
25/26 Windsor Place
Lower Pembroke Street
Dublin 2
Ireland

SERVICER

Bank of Scotland (Ireland) Limited
Bank of Scotland House
124-127 St. Stephen's Green
Dublin 2
Ireland

NOTE TRUSTEE AND SECURITY TRUSTEE

Citicorp Trustee Company Limited

Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB
England

AGENT BANK AND PRINCIPAL PAYING AGENT

Citibank, N.A.

Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB
England

LEGAL ADVISERS TO THE ARRANGER
(as to Irish law)
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISERS TO THE SELLER, THE ISSUER AND THE SERVICER
(as to Irish law)
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Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISERS TO THE NOTE TRUSTEE AND THE SECURITY TRUSTEE
(as to Irish law)
Dillon Eustace
33 Sir John Rogerson's Quay
Dublin 2
Ireland

AUDITORS OF THE ISSUER
PricewaterhouseCoopers
1 Spencer Dock
Dublin 1
Ireland

LISTING AGENT
Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin
Ireland