IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED BELOW):

You must read the following before continuing. The following applies to the prospectus following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the prospectus. In accessing the prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OF THE ISSUER. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR THE BENEFIT OF, U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) UNLESS AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

This prospectus has been delivered to you on the basis that you are a person into whose possession this prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the prospectus, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the prospectus by electronic transmission, (c) you are either (i) not a U.S. person (within the meaning of Regulation S under the Securities Act) and not acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia or (ii) a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and (d) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 48(2)(a) to (d) of the Financial Services and Markets Act (Financial Promotion) Order 2005 or a certified high net worth individual within Article 48 of the Financial Services and Markets Act (Financial Promotion) Order 2005.

This prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Arran Residential Mortgages Funding 2011-2 plc nor The Royal Bank of Scotland plc ("**RBS**") nor RBS Securities Inc. ("**RBS SI**") nor any joint lead manager nor any co-manager nor any person who controls, nor any director, officer, employee or agent of Arran Residential Mortgages Funding 2011-2 plc or RBS or RBS SI or any joint lead manager or any co-manager nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the prospectus distributed to you in electronic format and the hard copy version available to you on request from Arran Residential Mortgages Funding 2011-2 plc or RBS or RBS SI or any joint lead manager.

Arran Residential Mortgages Funding 2011-2 plc

(*incorporated with limited liability in England and Wales under number 7596584*)

Notes	Initial Principal Amount	Issue Price	Interest Rate	Margin/ Step-Up Margin	Step-Up Date/Call Option Date	Pre-enforcement Redemption Profile	Final Maturity Date	Ratings (Fitch/Moody's)
Class A1c	USD 725,000,000	100%	1.35% margin above 3 month USD LIBOR	1.35/2.70%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa (sf)
Class A2a	GBP 70,000,000	100%	1.60% margin above 3 month GBP LIBOR	1.60/3.20%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa (sf)
Class A2b	EUR 220,000,000	100%	1.55% margin above 3 month EURIBOR	1.55/3.10%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa (sf)
Class A2c	USD 670,000,000	100%	1.60% margin above 3 month USD LIBOR	1.60/3.20%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa (sf)
Class A3a	GBP 150,000,000	100%	1.75% margin above 3 month GBP LIBOR	1.75/3.50%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa (sf)
Class A3c	USD 500,000,000	100%	1.75% margin above 3 month USD LIBOR	1.75/3.50%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa(sf)
Class A4c1	USD 900,000,000	100%	1.80% margin above 3 month USD LIBOR	1.80/3.60%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa (sf)
Class A4c2	USD 250,000,000	100%	1.825% margin above 3 month USD LIBOR	1.825/3.65%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa(sf)
Class A4c3	USD 250,000,000	100%	1.85% margin above 3 month USD LIBOR	1.85/3.70%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa(sf)
Class A4c4	USD 250,000,000	100%	1.775% margin above 3 month USD LIBOR	1.775/3.55%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa(sf)
Class A4c5	USD 261,000,000	100%	1.75% margin above 3 month USD LIBOR	1.75/3.50%	20 January 2017	pass through amortisation	20 October 2048	AAAsf/Aaa(sf)
Class M	GBP 66,900,000	100%	2.40% margin above 3 month GBP LIBOR	2.40/4.80%	20 January 2017	pass through amortisation	20 October 2048	AAsf/Aa1(sf)
Class B	GBP 440,900,000	100%	1.00% margin above 3 month GBP LIBOR	1.00%/NA	20 January 2017	pass through amortisation	20 October 2048	Unrated
Class R	GBP 176,400,000	100%	1.00% margin above 3 month GBP LIBOR	1.00%/NA	20 January 2017	pass through amortisation	20 October 2048	Unrated

Arranger

The Royal Bank of Scotland plc

Joint Lead Managers

Bank of America Merrill Lynch | **Citigroup** | **J.P. Morgan** | **The Royal Bank of Scotland plc** | **RBS Securities Inc.**

Co-Manager

Wells Fargo Securities

Issue Date	The Issuer expects to issue the Notes in the sub-Classes and Classes set out above on 18 October 2011 or such other date as the Issuer and the Joint Lead Managers (acting reasonably on behalf of the Managers) may agree (such date, the "**Closing Date**").
Distribution	The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of U.S persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) ("**U.S. persons**") unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable state securities laws. Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Notes are not transferrable except in accordance with the restrictions described under "*Transfer Restrictions*".
Underlying Assets	The Issuer will make payments on the Notes from, *inter alia*, payments of principal and revenue on a portfolio comprising mortgage loans originated by National Westminster Home Loans Limited ("**NWHL**") and The Royal Bank of Scotland plc ("**RBS**", and together with NWHL, in such capacities, the "**Sellers**" and each, a "**Seller**") and secured over residential properties located in England, Wales and Scotland (the "**Portfolio**") which will be purchased by the Issuer on the Closing Date. Substitution of the Loans contained in the Portfolio may occur in accordance with the terms described herein. Please refer to the section entitled "*The Portfolio*" for further information.
Credit Enhancement	• Subordination of junior ranking Notes; • General Reserve Fund in the amount of £105,800,295 on the Closing Date; and • Excess Available Revenue Receipts. Please refer to sections entitled "*Key Structural Features*" and "*Cashflows and Cash Management"*.
Liquidity Support	<u>Liquidity Support Features for the Class A Notes and the Class M Notes:</u> • General Reserve Fund; • Liquidity Reserve Fund; and • Principal applied to make up any Remaining Income Deficit. Please refer to the section entitled "*Key Structural Features*" for further information.
Redemption Provisions	Information on any optional and mandatory redemption of the Notes is summarised on page 16 ("*Transaction Overview – Overview of the Terms and Conditions of the Notes*") and is set out in full in Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).
Rating Agencies	Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**" and together with Moody's, the "**Rating Agencies**"). Standard & Poor's Credit Market Services Europe Limited ("**S&P**") provide a rating in respect of RBS which is referred to in the section entitled "*National Westminster Home Loans Limited and The Royal Bank of Scotland plc*". Each of S&P, Fitch Ratings Limited and Moody's Investors Service Limited is a credit rating agency established and operating in the European Community prior to 7 June 2010 and has submitted an application for registration in accordance with the CRA Regulation and as at the date of this Prospectus such application for registration has not been refused.

Credit Ratings	In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Community and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Community before 7 June 2010 which has submitted an application for registration in accordance with the CRA regulation and such registration is not refused. Ratings are expected to be assigned to the Rated Notes by Moody's Investors Services Limited and Fitch Ratings Limited as set out above on or before the Closing Date. Each of Fitch Ratings Limited and Moody's Investors Service Limited is a credit rating agency established and operating in the European Community prior to 7 June 2010 and has submitted an application for registration in accordance with the CRA Regulation and as at the date of this Prospectus such application for registration has not been refused. The ratings reflect the views of the Rating Agencies and are based on the Loans, the Related Security and the Properties and the structural features of the transaction, including, *inter alia*, the ratings of the Swap Providers. The ratings assigned by Fitch address the likelihood of full and timely payment to the Noteholders (i) of interest due on each Interest Payment Date and (ii) of principal on a date that is not later than the Final Maturity Date. The ratings assigned by Moody's address the expected loss to a Noteholder in proportion to the initial principal amount of the class of Notes held by the Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and principal at par on or before the Final Maturity Date. The assignment of ratings to the Rated Notes is not a recommendation to invest in the Rated Notes and may be suspended, revised or withdrawn at any time by the assigned rating agency.
Listings	This document comprises a prospectus (the "**Prospectus**") for the purpose of Directive 2003/71/EC (the "**Prospectus Directive**"). An application has been made to the Financial Services Authority (the "**FSA**") as competent authority under the Prospectus Directive in order for the Prospectus to be approved. An application has been made to the FSA in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "**UK Listing Authority**") for the Notes to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") and for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Regulated Market**"). The Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").
Obligations	The Notes will be obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes will not be obligations of the Arranger, the Managers or any Transaction Party other than the Issuer.
Retention of Net Economic Interest	Pursuant to Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC) referred to as the CRD, RBS as Seller will retain, on an ongoing basis, a net economic interest of at least 5% in the nominal value of the securitisation. Article 122a of the CRD became effective on 1 January 2011. Please refer to the Sections entitled *"Article 122a of the Capital Requirements Directive"* and *"Regulatory Initiatives may result in increased regulatory capital requirements and/or decreased liquidity in respect of the Notes"* for further information.
Significant Investors	J.P. Morgan Securities Ltd. ("**JPMSL**") (or one of its affiliates), will on the Closing Date purchase the majority of the Class A1c Notes as well as certain of the Class A2 Notes. Pursuant to its rights as a holder of such Class A Notes, JPMSL or such affiliate may exercise voting rights in respect of the Class A Notes in a way that may be prejudicial to the interests of other Noteholders. Citibank International PLC ("**Citigroup**") (or one of its affiliates), will on the Closing Date purchase the majority of the Class A3 Notes as well as certain of the Class A2 Notes. Pursuant to its rights as a holder of such Class A Notes, Citigroup or such affiliate may exercise voting rights in respect of the Class A Notes in a way that may be prejudicial to the interests of other Noteholders.

A "RISK FACTORS" SECTION BEGINNING ON PAGE 46 OF THIS PROSPECTUS CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.

The date of this Prospectus is 14 October 2011.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (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. Any information sourced from third parties contained in this Prospectus has been accurately reproduced (and is clearly sourced where it appears in this Prospectus) and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

RBS accepts responsibility for the information set out in the sections headed "*National Westminster Home Loans Limited and The Royal Bank of Scotland plc*" and "*Regulatory Disclosure – Article 122a of the Capital Requirements Directive*". To the best of the knowledge and belief of RBS (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 RBS 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.

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by any Transaction Party that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, save for obtaining the approval of this Prospectus as a prospectus for the purposes of the Prospectus Directive by the UK Listing Authority, no action has been or will be taken by any Transaction Party 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 all applicable laws and regulations. Persons into whose possession this Prospectus comes are required by the Issuer, the Joint Lead Managers, the Co-Manager and the Arranger to inform themselves about and to observe any such restriction. For a further description of certain restrictions on offers and sales of the Notes and distribution of this document (or any part hereof), see the section entitled "*Subscription and Sale*" below.

Neither the delivery of this Prospectus nor any sale or allotment made in connection with any offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained in this Prospectus since the date of this Prospectus.

None of the Joint Lead Managers, the Co-Manager, the Arranger or the Trustee makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or part thereof or any other information provided by the Issuer in connection with the Notes. None of the Joint Lead Managers, the Co-Manager, the Arranger or the Trustee accepts any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Notes. Each potential purchaser of Notes should determine the relevance of the information contained in this Prospectus or part hereof and the purchase of Notes should be based upon such investigation as each purchaser deems necessary. None of the Joint Lead Managers, the Co-Manager, the Arranger or the Trustee undertakes or shall undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers, the Co-Manager or the Arranger.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES SECURITIES LAWS AND THEREFORE MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR FEDERAL SECURITIES LAWS. ACCORDINGLY, THE NOTES ARE BEING OFFERED AND SOLD AND CAN BE RESOLD (A) IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, AND (B) OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT. FOR A DESCRIPTION OF CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "**TRANSFER RESTRICTIONS**".

There is no undertaking to register the Notes under U.S. state or federal securities laws. Until 40 days after the commencement of the offering, an offer or sale of the Notes within the United States by the Joint Lead Managers or Co-Manager (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act.

United States ERISA Considerations

The Class A Notes and Class M Notes may be purchased and held by Benefit Plan Investors (as defined below), subject to certain restrictions. By accepting and holding a Class A Note and Class M Note, certain assurances will be deemed to have been given. The Class B Notes and the Class R Notes are not designed to be, and may not be, acquired or held by Benefit Plan Investors as defined in Section 3(42) of the United States Employee Retirement Income Security Act of 1974, as amended (ERISA). "Benefit Plan Investor", as defined in Section 3(42) of ERISA, includes (1) any "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Part 4 of Title I of ERISA, (2) any "plan" described in and subject to Section 4975 of the Code and (3) any entity whose underlying assets include "plan assets" for purposes of ERISA or Section 4975 of the Code by reason of a plan's investment in the entity. Each purchaser of a Class B Note and a Class R Note will be deemed to represent and agree that it is not and will not be a Benefit Plan Investor and will be deemed to have given certain other assurances. Any purported purchase or transfer of Class B Notes and Class R Notes that do not comply with the foregoing shall be null and void *ab initio*.

CIRCULAR 230 DISCLOSURE

TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE US INTERNAL REVENUE SERVICE, ANY TAX DISCUSSION HEREIN WAS NOT WRITTEN AND IS NOT INTENDED TO BE USED AND CANNOT BE USED BY ANY TAXPAYER FOR PURPOSES OF AVOIDING US FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER. ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE NOTES DESCRIBED HEREIN. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

AVAILABLE INFORMATION

In connection with compliance with Rule 144A with respect to the sale of the Rule 144A Notes, for so long as the Rule 144A Notes remain outstanding and are "restricted securities" within the meaning of

Rule 144(a)(3) under the Securities Act, the Issuer will be required to furnish, upon request of a holder of such Note, or any beneficial owner therein or any prospective purchaser thereof, to such holder or beneficial owner and any prospective purchaser designated by such holder or beneficial owner, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a public limited company registered in England and Wales. All of the Issuer's assets are located outside the United States. None of the officers and directors of the Issuer are residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or any such person not residing in the United States with respect to matters arising under the federal securities laws of the United States, or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of such securities laws. There is doubt as to the enforceability in England and Wales, in original actions or in actions for the enforcement of judgment of U.S. courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

None of the Issuer, the Joint Lead Managers, the Co-Manager or the Arranger 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.

No person has been authorised to give any information or to make any representation other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the Trustee, the directors of the Issuer, the Joint Lead Managers, the Co-Manager or the Arranger.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus or any part hereof and any offering of the Notes in certain jurisdictions may be restricted by law. No action has been taken by the Issuer, the Joint Lead Managers, the Co-Manager or the Arranger other than as set out in the paragraph headed "*Listings*" on page (iv) of this Prospectus that would permit a public offer of the Notes in any country or 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 part hereof nor any other prospectus, form of application, advertisement or other offering material may be issued, distributed or published in any country or jurisdiction (including the United Kingdom), except in circumstances that will result in compliance with applicable laws, orders, rules and regulations.

The Notes will be represented by:

(a) the Reg S Global Registered Notes which are expected to be deposited:

  (i) in the case of the Euro Reg S Global Registered Notes, with a common safekeeper (the "**Common Safekeeper**") for EuroClear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking Société anonyme ("**Clearstream, Luxembourg**"); and

  (ii) in the case of the Non-Euro Reg S Global Registered Notes with a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg,

  in each case, registered in the name of a nominee of such Common Safekeeper and Common Depository, as the case may be; and

(b) the Rule 144A Global Registered Notes which are expected to be deposited with Citibank, N.A., London Branch as (i) (other than in respect of EUR Notes represented by Rule 144A Global Registered Notes) custodian (the "**Custodian**") for the Depository Trust Company ("**DTC**") and registered in the name of Cede & Co as its nominee and (ii) (in respect of EUR Notes represented by Rule 144A Global Registered Notes) common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of the Common Depository,

in each case, on the Closing Date.

The Euro Reg S Global Registered Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Euro Reg S Global Registered Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and registered in the name of a nominee of one of the ICSDs acting as common safekeeper, and does not necessarily mean that the 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.

References in this Prospectus to "**£**" or "**Sterling**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

References in this Prospectus to "**€**" or "**Euro**" are to the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty of Rome of 25 March 1957, establishing the European Community, as amended from time to time.

References in this Prospectus to "**$**" or "**Dollar**" are to the lawful currency for the time being of the United States of America.

Forward-Looking Statements and Statistical Information

Certain matters contained in this Prospectus are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans, and reflect significant assumptions and subjective judgments by the Issuer that may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and regulatory changes in the residential mortgage industry in the United Kingdom. This Prospectus also contains certain tables and other statistical analyses (the "**Statistical Information**"). Numerous assumptions have been used in preparing the Statistical Information, which may or may not be reflected in the material. As such, no assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness in any particular context, or as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. The Statistical Information should not be construed as either projections or predictions or as legal, tax, financial or accounting advice. The average life of or the potential yields on any security cannot be predicted, because the actual rate of repayment on the underlying assets, as well as a number of other relevant factors, cannot be determined. No assurance can be given that the assumptions on which the possible average lives of or yields on the securities are made will prove to be realistic. None of the Issuer, the Joint Lead Managers, the Co-Manager or the Arranger has attempted to verify any forward-looking statements or Statistical Information, 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 or Statistical Information. None of the Issuer, the Joint Lead Managers, the Co-Manager or the Arranger assumes any obligation to update these forward-looking statements or Statistical Information or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements or Statistical Information, as applicable.

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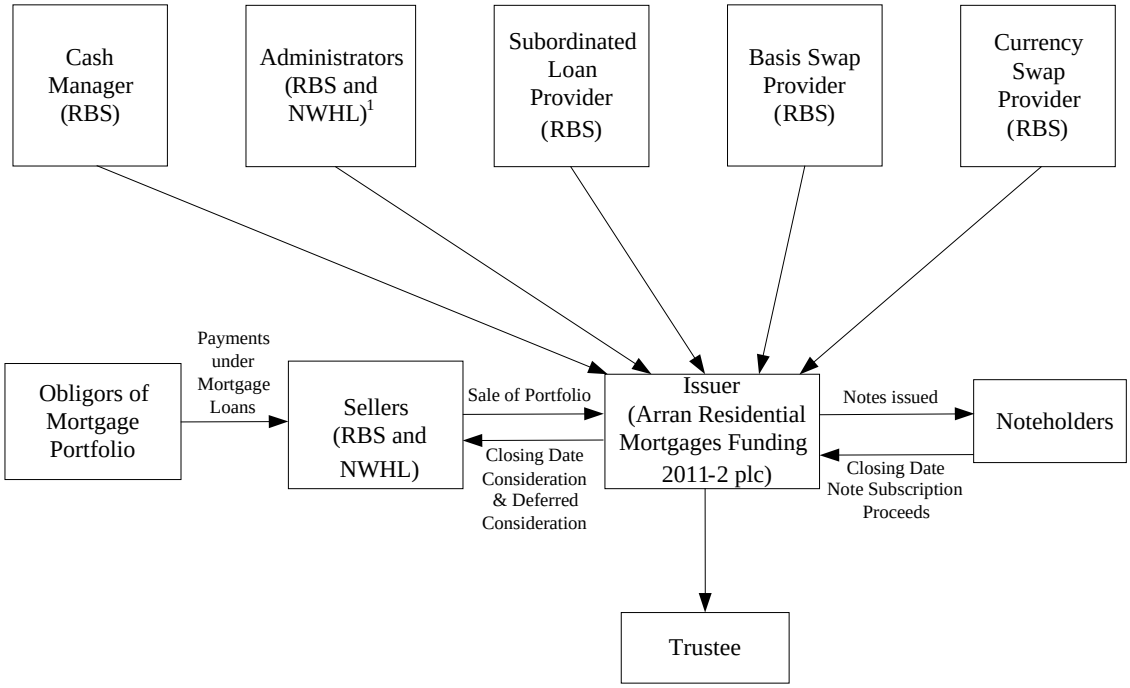
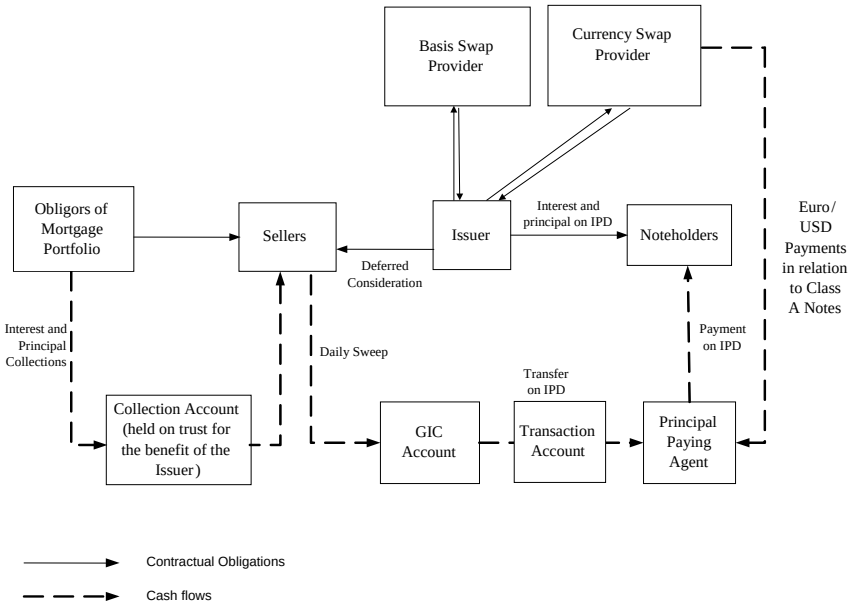
DIAGRAMMATIC OVERVIEW OF TRANSACTION

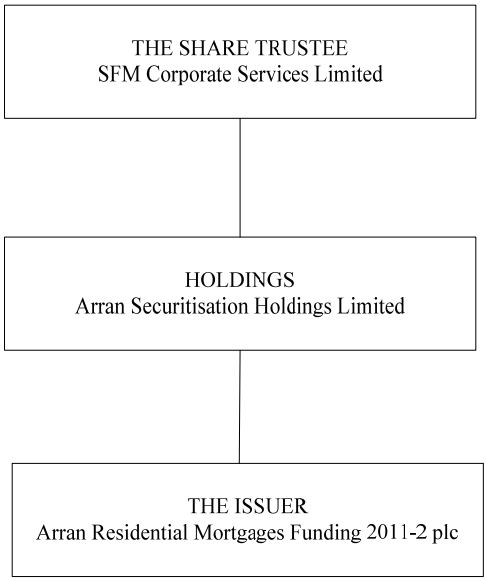


[1] All administrator obligations of NWHL will be delegated to RBS pursuant to a Delegation Agreement

DIAGRAMMATIC OVERVIEW OF ON-GOING CASHFLOW



OWNERSHIP STRUCTURE DIAGRAM



The entire issued share capital of the Issuer is beneficially owned by Holdings.

The entire issued share capital of Holdings is held on trust by the Share Trustee under the terms of a discretionary trust, the benefit of which is expressed to be for charitable purposes.

TRANSACTION OVERVIEW

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

TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	Document under which appointed / Further Information
Issuer:	Arran Residential Mortgages Funding 2011-2 plc	35 Great St. Helen's, London EC3A 6AP	N/A (Please refer to the section entitled "*Issuer*" for further information on this.)
Holdings:	Arran Securitisation Holdings Limited	35 Great St. Helen's, London EC3A 6AP	N/A (Please refer to the section entitled "*Holdings*" for further information on this.)
Sellers:	National Westminster Home Loans Limited and The Royal Bank of Scotland plc	National Westminster Home Loans Limited 135 Bishopsgate, London EC2M 3UR The Royal Bank of Scotland plc 36 St Andrew Square, Edinburgh EH2 2YB	N/A (Please refer to the section entitled "*National Westminster Home Loans Limited and The Royal Bank of Scotland plc*" for further information on this.)
Administrators:	National Westminster Home Loans Limited and The Royal Bank of Scotland plc	National Westminster Home Loans Limited 135 Bishopsgate, London EC2M 3UR The Royal Bank of Scotland plc 36 St Andrew Square, Edinburgh EH2 2YB	Administration Agreement (Please refer to the sections entitled "*The Administrators*" for further information on this.)

Party	Name	Address	Document under which appointed / Further Information
Substitute Administrator for NWHL:	The Royal Bank of Scotland plc	36 St Andrew Square, Edinburgh EH2 2YB	Administration Agreement Please refer to the section entitled "*The Administrators*" for further information on this.)
Cash Manager:	The Royal Bank of Scotland plc	36 St Andrew Square, Edinburgh EH2 2YB	Cash Management Agreement (Please refer to the sections entitled "*Cashflows and Cash Management* " for further information on this.)
Subordinated Loan Provider:	The Royal Bank of Scotland plc	36 St Andrew Square, Edinburgh EH2 2YB	Subordinated Loan Agreement (Please refer to the section entitled "*Key Structural Features"* for further information on this.)
Basis Swap Provider:	The Royal Bank of Scotland plc	36 St Andrew Square, Edinburgh EH2 2YB	Basis Swap Agreement (Please refer to the section entitled "*Key Structural Features*" for further information on this.)
Currency Swap Provider:	The Royal Bank of Scotland plc	36 St Andrew Square, Edinburgh EH2 2YB	Currency Swap Agreements (Please refer to the section entitled "*Key Structural Features*" for further information on this.)
Trustee:	Citicorp Trustee Company Limited	Citigroup Centre, Canada Square, London E14 5LB	Trust Deed (See the Conditions for further information on this.)
Principal Paying Agent:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement

Party	Name	Address	Document under which appointed / Further Information
Agent Bank:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
Registrar:	Citibank, N.A., London Branch	Citigroup Centre, Canada Square, London E14 5LB	Agency Agreement
Account Bank:	The Royal Bank of Scotland plc	36 St Andrew Square, Edinburgh EH2 2YB	Account Bank Agreement
Seller Collection Account Banks:	National Westminster Bank Plc and The Royal Bank of Scotland plc	National Westminster Bank Plc 135 Bishopsgate, London EC2M 3UR The Royal Bank of Scotland plc 36 St Andrew Square, Edinburgh EH2 2YB	N/A
Corporate Services Provider:	Structured Finance Management Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Services Agreement (Please refer to the section entitled "*Issuer*" and "*Holdings*" for further information on this.)
Arranger:	The Royal Bank of Scotland plc	135 Bishopsgate, London EC2M 3UR	N/A
Joint Lead Managers	Citibank International plc	Citigroup Centre Canada Square London E14 5LB	Subscription Agreement
	J. P. Morgan Securities Ltd.	125 London Wall London EC2Y 5AJ	
	Merrill Lynch International	Bank of America Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ	

Party	Name	Address	Document under which appointed / Further Information
	Merrill Lynch, Pierce, Fenner & Smith Incorporated	One Bryant Park, 11th Floor New York NY 11036	
	RBS Securities Inc.	Castlerock, 600 Washington Boulevard, Stamford, CT 06901	
	The Royal Bank of Scotland plc	135 Bishopsgate, London EC2M 3UR	
Co-Manager	Wells Fargo Securities International Limited	One Plantation Place, 30 Fenchurch Street, London, EC2M 3BD	Subscription Agreement

OVERVIEW OF THE PORTFOLIO AND ADMINISTRATION

*Please refer to the section entitled "**The Portfolio – The Loans**", "**The Portfolio – Statistical Information on the Portfolio**" and "**Administrators – Administration Procedures**" for further detail in respect of the characteristics of the Portfolio and the sale and the servicing arrangements in respect of the Portfolio.*

Sale of Portfolio:

The Initial Portfolio will consist of the Initial Loans and the Initial Related Security which will be sold by each Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.

The Loans and Related Security are governed by English Law, other than the Scottish Loans and Related Security, which are governed by Scots law.

Please refer to the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*" for further information.

Features of Loans:

Certain features of the Loans as at the Cut-off Date are set out in the table below and investors should refer to, and carefully consider, further details in respect of the Loans set out in *"The Portfolio – Statistical Information on the Portfolio"*. The Loans as at the Cut-off Date comprise owner-occupied residential loans to prime Borrowers and Right to Buy Loans and are secured by:

(i) first priority charges over freehold and leasehold properties in England and Wales or, as the case may be, first ranking standard securities over heritable or long lease properties in Scotland; and

(ii) in the case of the Right to Buy Loans for which the Sellers have not obtained a deed of postponement from the local authority or other social landlord (and unless the relevant statutory charge in favour of the local authority or other social landlord has expired), second priority charges over the relevant freehold and leasehold properties in England and Wales or, as the case may be, second ranking standard securities over the relevant heritable or long lease properties in Scotland.

The Loans may be converted to buy-to-let residential loans pursuant to a Permitted Variation.

Please refer to the section entitled "*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Product Switches, Further Advances and Substitution*" for more information.

Type of Borrower	Prime/Right to Buy		
Type of mortgage	Repayment and Interest Only		
Number of Loans	26,704		
Number of Borrowers	43,781		
	Weighted average	Minimum	Maximum
Current Balance*	133,502.06	5,535.11	2,525,526.73
Current LTV Ratio (%)	63.40	2.18	93.25
Seasoning (years)	0.25	0.01	5.84
Remaining Term (years)	20.77	2.22	35.06
Mortgage Term (years)	21.01	5.00	35.92

*Current balance calculated as a simple average

Consideration:

The consideration from the Issuer to the Sellers in respect of the sale of the Initial Portfolio together with its Related Security shall be: (i) Initial Consideration of £3,526,605,291.63, being an amount equal to the aggregate outstanding principal balance of the Loans of each Seller comprising the Initial Portfolio on the Closing Date, which is due and payable on the Closing Date and (ii) Deferred Consideration, in each case, payable in accordance with the Mortgage Sale Agreement to RBS (on behalf of itself and NWHL).

The consideration from the Issuer to the relevant Seller in respect of the sale of Further Advances to the Issuer shall be the Further Advance Purchase Price, which will be met through Available Principal Receipts on each London Business Day until satisfied.

Any Deferred Consideration will be paid solely to RBS (on behalf of itself and NWHL) in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments or, if applicable, the Post-Acceleration Priority of Payments. RBS will pay NWHL its share of any Deferred Consideration in accordance with the arrangements agreed between them.

Any reference to the "**outstanding principal balance**" of the Loans includes any 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.

See the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement*" for further information.

Representations and Warranties:

The Sellers will make the relevant representations and warranties to the Issuer and the Trustee on the Closing Date in respect of the Portfolio, on each Advance Date in respect of a Loan that is subject to the Further Advance made on such Advance Date, on each Switch Date in respect of a Loan that is subject to the Product Switch made on such Switch Date, on each Substitution Date in respect of a Substitute Loan substituted on such Substitution Date and in the case of certain representations and warranties, at the date (if applicable) of the termination of RBS as Administrator.

Broadly speaking, in addition to representations and warranties in respect of the legal nature of the Loans and their Related Security (e.g. the valid, binding and enforceable nature of the relevant Loan and its Related Security), there are also asset Loan Warranties which include the following:

- each Loan was made and its Related Security taken or received on the terms of the standard documentation of the relevant Seller without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect;

- satisfaction of the Lending Criteria of the relevant Seller prior to the making of the initial advance and any further advance in respect of the Loan prior to the Closing Date; and

- each Loan sold by the Sellers having been made not earlier than 28 September 2005 and each Loan in the Portfolio maturing for repayment not later than two years prior to the latest Final Maturity Date for the Notes.

See the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement* " for further information.

Substitution Criteria:

On the repurchase of a Loan as described below, the relevant Seller may transfer Substitute Loans to the Issuer as consideration for such repurchase. This is subject to the satisfaction of certain Substitution Conditions, which may be varied or waived by the Issuer from time to time (and notification of such variation or waiver shall be provided to Moody's), which broadly speaking include the following:

- no Event of Default is continuing;

- no Seller Insolvency Event has occurred;

- RBS's short term unsecured, unsubordinated and unguaranteed debt rating has not fallen below F2 by Fitch or P-2 by Moody's (or such other short term rating acceptable to the relevant Rating Agency, provided that any confirmation that such other short term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy);

- if required, the Basis Swap Agreement will be appropriately varied or, replaced in order to hedge against the interest rate payable on the Substitute Loan(s) and the floating rate of interest payable on the Notes;

- the Substitute Loan and Related Security constitutes the same ranking and priority security over a Property as the security provided in respect of the relevant repurchased Loan; and

- a Loan may be a Substitute Loan only if its corresponding repurchased Loan is of the same Loan Product Type save that, in respect of the repurchase by the Seller of an Interest-Only Converted Loan pursuant to Clause 7 (*Interest-Only Converted Loans*) of the Mortgage Sale Agreement, the Substitute Loan shall not be an Interest-Only Loan; and

- a Substitute Loan may not be a buy-to-let loan.

See the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement* " for further information.

Repurchase of Loans: The relevant Seller shall repurchase the relevant Loans and their Related Security in the following circumstances:

- upon material breach of any of the representations or warranties given by the relevant Seller on the Closing Date (and, with respect to certain of the representations and warranties, on the date that the appointment of RBS as Administrator is terminated), which have not been remedied by the relevant Seller within 30 London Business Days of being notified by the Issuer of such breach;

- upon material breach of any of the representations or warranties given by the relevant Seller (i) in respect of a Further Advance, on the Advance Date, (ii) in respect of a Product Switch, on a Switch Date or (iii) in respect of a Substitute Loan, on a Substitution Date (in each case which is not capable of remedy or is not remedied within 30 London Business Days of being notified by the Issuer);

- if an Administrator determines on any Calculation Date that the Interest-Only Converted Loans Calculation Percentage will exceed the Interest-Only Converted Loans Trigger on the Interest Payment Date immediately following that Calculation Date; or

- in certain circumstances upon making a Product Switch, Further Advance or substitution if the Sellers have notified the Issuer that certain conditions have not been met. See "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement* ".

The Sellers will also repurchase the relevant Loans and their Related Security in the following circumstances:

- if the Issuer exercises its clean up call option where the Sterling Equivalent Principal Amount Outstanding of the Notes is less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date; or

- if the Issuer exercises a general call option (see the section headed "*Overview of the Terms and Conditions of the Notes – Redemption*" and Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*)).

As an alternative to selling a Further Advance to the Issuer or a Loan which is the subject of a Product Switch remaining in the Portfolio (as applicable), the relevant Seller may elect to repurchase the relevant

	Loan and its Related Security from the Issuer on the relevant Advance Date or Switch Date (as applicable). See the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale* " for further information.
Consideration for repurchase:	An amount equal to the outstanding principal balance plus arrears of interest and accrued interest and un-capitalised charges and expenses thereon of the Loans to be repurchased as of the date of completion of the repurchase (the "**True Balance**"). Such consideration may be satisfied by a cash payment by the relevant Seller and/or by the transfer of Substitute Loans to the Issuer. See the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement* " for further information.
Perfection Trigger Events:	See "*Perfection Trigger Events*" in the section entitled "*Transaction Overview – Triggers Table – Non-Rating Triggers Table*". Prior to the completion of the transfer of legal title of the Loans, the Issuer will be subject to certain risks as set out in the risk factor entitled "*Seller to initially retain legal title to the Loans and risks relating thereto*" in the section entitled "*Risk Factors*".
Administration of the Portfolio:	Each Administrator agrees to service its respective Loans to be sold to the Issuer and their Related Security on behalf of the Issuer. The appointment of the Administrators may be terminated by the Issuer and/or the Trustee (subject to the terms of the Administration Agreement) upon the occurrence of an Administrator Termination Event (see "*Administrator Termination Event*" in the "*Non-Rating Triggers Table*"). Each Administrator may also resign by giving not less than 12 months' notice to the Issuer and the Trustee.
Delegation:	Each Administrator may, in certain circumstances, delegate or sub-contract some or all of its responsibilities and obligations under the Administration Agreement. However, each Administrator remains liable at all times for servicing the Loans and for the acts or omissions of any delegate or sub-contractor. See the section entitled "*The Administrators – The Administration Agreement*" for further information.

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

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

FULL CAPITAL STRUCTURE OF THE NOTES

Class A Notes

	Class A1c Notes	**Class A2a Notes**	**Class A2b Notes**	**Class A2c Notes**	**Class A3a Notes**	**Class A3c Notes**	**Class A4c1 Notes**	**Class A4c2 Notes**	**Class A4c3 Notes**	**Class A4c4 Notes**	**Class A4c5 Notes**
Currency:	Dollar	GBP	Euro	Dollar	GBP	Dollar	Dollar	Dollar	Dollar	Dollar	Dollar
Initial Principal Amount:	725,000,000	70,000,000	220,000,000	670,000,000	150,000,000	500,000,000	900,000,000	250,000,000	250,000,000	250,000,000	261,000,000
Sterling Equivalent:	463,110,827.2118 *foreign exchange rate applicable:* 1.5655	N/A	191,304,347.8261 *foreign exchange rate applicable:* 1.1500	427,978,281.6991 *foreign exchange rate applicable:* 1.5655	N/A	319,386,777.3874 *foreign exchange rate applicable:* 1.5655	574,896,199.30 *foreign exchange rate applicable:* 1.5655	159,693,388.69 *foreign exchange rate applicable:* 1.5655	159,693,388.69 *foreign exchange rate applicable:* 1.5655	159,693,388.69 *foreign exchange rate applicable:* 1.5655	166,719,897.80 *foreign exchange rate applicable:* 1.5655
Note Credit Enhancement:	Subordination of Class M Notes, Class B Notes and Class R Notes, excess Available Revenue Receipts										
Reserve Credit Enhancement for the Class A Notes:	General Reserve Fund										
Liquidity Support:	General Reserve Fund applied to make up Income Deficit. Principal and Liquidity Reserve Fund (if established) applied to make up Remaining Income Deficit										
Issue Price:	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Interest Rate:	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin	3 month GBP LIBOR (interpolated for 3 and 4 month GBP LIBOR in respect of the first Interest Payment Date) + Margin	3 month EURIBOR (interpolated for 3 and 4 month EURIBOR in respect of the first Interest Payment Date) + Margin	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin	3 month GBP LIBOR (interpolated for 3 and 4 month GBP LIBOR in respect of the first Interest Payment Date) + Margin	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin	3 month USD LIBOR (interpolated for 3 and 4 month USD LIBOR in respect of the first Interest Payment Date) + Margin
Margin:	Up to and excluding the Step-Up Date, 1.35% p.a..	Up to and excluding the Step-Up Date, 1.60% p.a.	Up to and excluding the Step-Up Date, 1.55% p.a.	Up to and excluding the Step-Up Date, 1.60% p.a.	Up to and excluding the Step-Up Date, 1.75% p.a.	Up to and excluding the Step-Up Date, 1.75% p.a.	Up to and excluding the Step-Up Date, 1.80% p.a.	Up to and excluding the Step-Up Date, 1.825% p.a.	Up to and excluding the Step-Up Date, 1.85% p.a.	Up to and excluding the Step-Up Date, 1.775% p.a.	Up to and excluding the Step-Up Date, 1.75% p.a.
Step-Up Margin:	From and including the Step-Up Date, 2.7% p.a.	From and including the Step-Up Date, 3.2% p.a.	From and including the Step-Up Date, 3.1% p.a.	From and including the Step-Up Date, 3.2% p.a.	From and including the Step-Up Date, 3.5% p.a.	From and including the Step-Up Date, 3.5% p.a.	From and including the Step-Up Date, 3.6% p.a.	From and including the Step-Up Date, 3.65% p.a.	From and including the Step-Up Date, 3.7% p.a.	From and including the Step-Up Date, 3.55% p.a.	From and including the Step-Up Date, 3.5% p.a.
Interest Accrual Method:	Actual/360	Actual/365	Actual/360	Actual/360	Actual/365	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360	Actual/360

	Class A1c Notes	Class A2a Notes	Class A2b Notes	Class A2c Notes	Class A3a Notes	Class A3c Notes	Class A4c1 Notes	Class A4c2 Notes	Class A4c3 Notes	Class A4c4 Notes	Class A4c5 Notes
Calculation Date:	The fourth London Business Day prior to each Interest Payment Date.										
	Class A1c Notes	**Class A2a Notes**	**Class A2b Notes**	**Class A2c Notes**	**Class A3a Notes**	**Class A3c Notes**	**Class A4c1 Notes**	**Class A4c2 Notes**	**Class A4c3 Notes**	**Class A4c4 Notes**	**Class A4c5 Notes**
Payment Dates:	Interest and Principal will be payable quarterly in arrear on the Interest Payment Dates falling in January, April, July and October in each year.										
Business Day Convention:	Modified Following (for all Class A Notes).										
First Payment Date:	20 January 2012 (for all Class A Notes).										
First Interest Period:	The period from the Closing Date to 20 January 2012.										
Call Option / Step-Up Date:	20 January 2017 (for all Class A Notes).										
Pre-Step-Up Date Redemption profile:	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).										
Post-Step-Up Date Redemption profile:	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).										
Other Early Redemption in Full Events	Tax/illegality/clean up call. Please refer to Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).										
Final Maturity Date:	20 October 2048										
Form of the Notes:	Registered										
Application for Listing:	London										
ISIN:	144A:US04271HAA41 Reg S: XS0685394123	XS0685394396	144A: XS0685394552 Reg S: XS0685394479	144A:US04271HAB24 Reg S: XS0685394636	XS0685394800	144A:US04271HAC07 Reg S: XS0685395286	144A: US04271HAD89 Reg S: XS0688842847	144A: US04271HAE62 Reg S: XS0691908718	144A: US04271HAF38 Reg S: XS0691920507	144A:US04271HAG11 Reg S: XS0691926538	144A: US04271HAH93 Reg S: XS0691932346
Common Code:	144A: 068657733 Reg S: 068539412	068539439	144A: 068539455 Reg S: 068539447	144A: 068657768 Reg S: 068539463	068539480	144A: 068657784 Reg S: 068539528	144A: 068963443 Reg S: 068884284	144A: 069271413 Reg S: 069190871	144A: 069271456 Reg S: 069192050	144A: 069271464 Reg S: 069192653	144A: 069271502 Reg S: 069193234
CUSIP:	04271H AA4	N/A	N/A	04271H AB2	N/A	04271H AC0	04271H AD8	04271H AE6	04271H AF3	04271H AG1	04271H AH9
Minimum Denomination:	$150,000 and $1,000 thereafter	£100,000 and £1,000 thereafter	€100,000 and €1,000 thereafter	$150,000 and $1,000 thereafter	£100,000 and £1,000 thereafter	$150,000 and $1,000 thereafter	150,000 and $1,000 thereafter	150,000 and $1,000 thereafter	$150,000 and $1,000 thereafter	$150,000 and $1,000 thereafter	$150,000 and $1,000 thereafter
Expected Ratings: (Fitch/Moody's)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)	AAAsf / Aaa(sf)

Class M Notes, Class B Notes and Class R Notes

	Class M Notes	Class B Notes	Class R Notes
Currency:	GBP	GBP	GBP
Initial Principal Amount:	66,900,000	440,900,000	176,400,000
Sterling Equivalent:	N/A	N/A	N/A
Note Credit Enhancement:	Subordination of the Class B Notes and Class R Notes, excess Available Revenue Receipts	Subordination of the Class R Notes, excess Available Revenue Receipts	Excess Available Revenue Receipts
Reserve Credit Enhancement for the Class M Notes:	General Reserve Fund	N/A	N/A
Liquidity Support:	General Reserve Fund applied to make up Income Deficit. Principal and Liquidity Reserve Fund (if established) applied to make up Remaining Income Deficit (subject to conditions as set out in "*Overview of Credit Structure and Cashflow – Income Deficiency*")	N/A	N/A
Issue Price:	100%	100%	100%
Interest Rate:	3 month GBP LIBOR (interpolated for 3 and 4 month GBP LIBOR in respect of the first Interest Payment Date) + Margin	3 month GBP LIBOR (interpolated for 3 and 4 month GBP LIBOR in respect of the first Interest Payment Date) + Margin	3 month GBP LIBOR (interpolated for 3 and 4 month GBP LIBOR in respect of the first Interest Payment Date) + Margin
Margin:	Up to and excluding the Step-Up Date, 2.40% p. a.	1.00% p. a.	1.00% p. a.
Step-Up Margin:	From and including the Step-Up Date, 4.80% p. a.	N/A	N/A
Interest Accrual Method:	Actual/365		
Calculation Date:	The fourth London Business Day prior to each Interest Payment Date.		
Payment Dates:	Interest and Principal will be payable quarterly in arrear on the Interest Payment Dates falling in January, April, July and October in each year.		
Business Day Convention:	Modified Following		
First Payment Date:	20 January 2012		
First Interest Period:	The period from the Closing Date to 20 January 2012		
Call Option/Step-Up Date:	20 January 2017		
Pre-Step-Up Date Redemption profile:	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).		
Post-Step-Up Date Redemption profile	Pass through redemption on each Interest Payment Date. Please refer to Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).		
Other Early Redemption in Full Events	Tax/illegality/clean up call. Please refer to Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*).		

	Class M Notes	Class B Notes	Class R Notes
Final Maturity Date:		20 October 2048	
Form of the Notes:		Registered	
Application for Listing:		London	
ISIN:	XS0685622879	XS0685623257	XS0685623687
Common Code:	068562287	068562325	068562368
CUSIP:	N/A	N/A	N/A
Minimum Denomination:	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter	£100,000 and £1,000 thereafter
Expected Ratings: (Fitch/Moody's)	AAsf/Aa1(sf)	Not Rated	Not Rated

OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

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

Ranking of Payments of Interest:	Payments of interest on the Class A Notes, the Class M Notes, the Class B Notes and the Class R Notes will be paid in Sequential Order. Payments of interest on the Class B Notes and the Class R Notes rank behind payments made to the General Reserve Fund. The Notes within each individual Class and sub-Class will rank *pro rata* and *pari passu* and rateably among themselves at all times in respect of payments of interest to be made to such individual Class and sub-Class. Any reference to a "**Class**" of Notes or Noteholders shall be a reference to a class of Notes being the Class A Notes, the Class M Notes, the Class B Notes or the Class R Notes, as the case may be, or to the respective holders thereof and any reference to a "**sub-Class**" of Notes or Noteholders shall be a reference to any sub-class of such class of Notes (including, for the avoidance of doubt, the Class A1c Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes, which are sub-classes of the Class A Notes), as the case may be, or to the respective holders thereof.
Ranking of Payments of Principal:	Payments of principal on the Class A1c Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes will be paid in Sequential Order, other than following the service of an Enforcement Notice, whereupon payments of principal on the Class A Notes, amongst themselves will be made *pari passu* and *pro rata.* Payments of principal on the Class A Notes, the Class M Notes, the Class B Notes and the Class R Notes will be paid in Sequential Order. The Notes within each individual Class and sub-Class will rank *pro rata* and *pari passu* and rateably among themselves at all times in respect of payments of principal to be made to such individual sub-Class (other than as specified above in respect of the Class A Notes). For a more detailed summary of the Priority of Payments, please refer to the section entitled "*Cashflows and Cash Management*".
Most Senior Class:	The Class A Notes whilst they remain outstanding and thereafter the Class M Notes whilst they remain outstanding and thereafter the Class B Notes whilst they remain outstanding and thereafter the Class R Notes.
Sequential Order:	In respect of payments of principal to be made to the Class A Notes themselves (other than following the service of an Enforcement Notice): firstly, to the Class A1c Notes, secondly, to the Class A2 Notes, thirdly, to the Class A3 Notes and fourthly, to the Class A4 Notes. In respect of payments of interest and principal to be made to the Class A Notes, Class M Notes, Class B Notes and Class R Notes: firstly, to the Class A Notes, secondly, to the Class M Notes, thirdly to the Class B Notes and fourthly, to the Class R Notes.

Security:

The Notes are secured and will share the same Security together with the other secured obligations of the Issuer in accordance with the Deed of Charge as described in further detail in Condition 6 (*Security*). The security granted by the Issuer includes:

(a) a first fixed charge over the benefit of the Issuer in the Loans;

(b) charges at law over indebtedness comprising an obligation or liability to pay money secured by each registered charge of which it is registered as proprietor at the Land Registry (such registration to occur following a Perfection Trigger Event);

(c) a first fixed charge over the benefit of each Authorised Investment;

(d) a first fixed charge over the benefit of each Issuer Account;

(e) assignment by way of security of all right, title, interest and benefit of the Issuer in the Insurance Policies;

(f) absolute assignment of the benefit under each relevant Transaction Document;

(g) a Scottish supplemental charge over its interest in each Scottish Declaration of Trust; and

(h) a floating charge with full title guarantee over the Issuer's whole undertaking and all of its property, assets and rights whatsoever other than those subject to a fixed charge or assignment (but excepting from the foregoing exclusion all of the Issuer's undertaking, property, assets and rights situated in Scotland or the rights to which are governed by Scots law, all of which are charged by way of floating charge).

If the legal title of any of the Scottish Mortgages is transferred to the Issuer, then the Issuer also undertakes to execute and deliver to the Trustee as continuing security for the payment or discharge of the Secured Amounts a standard security or standard securities over the Issuer's whole right, title and interest as heritable creditor under the Scottish Mortgages relating to the said Scottish Loans.

Some of the other secured obligations rank senior to the Issuer's obligations under the Notes in respect of the allocation of proceeds as set out in the Post-Acceleration Priority of Payments.

Interest payable on the Notes:

The interest rates applicable to each Class of Notes are described in the sections "*Full Capital Structure of the Notes*" and "*Terms and Conditions of the Notes*".

Interest Deferral:

Interest due and payable on each Class of Notes (other than the Class A Notes) may be deferred in accordance with Condition 8.11 (*Interest Accrual*).

Gross-up:

None of the Issuer, the Trustee or any other person will be obliged to pay any additional amounts to the Noteholders if there is any withholding or deduction for or on account of taxes from a payment made under the Notes.

Redemption:

The Notes are subject to the following optional or mandatory redemption events:

(a) mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 9.1 (*Final Redemption*);

(b) mandatory redemption in part on any Interest Payment Date prior to the delivery of an Enforcement Notice subject to availability of Available Principal Receipts, as fully set out in Condition 9.2 (*Mandatory Redemption in part*);

(c) optional redemption exercisable by the Issuer in whole on any Interest Payment Date where the Sterling Equivalent Principal Amount Outstanding of all the Notes is equal to or less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date, as fully set out in Condition 9.3(a) (*Optional Redemption in whole*);

(d) optional redemption exercisable by the Issuer in whole on or after the Step-Up Date, as fully set out in Condition 9.3(b) (*Optional Redemption in whole*); and

(e) optional redemption exercisable by the Issuer in whole for tax reasons, as fully set out in Condition 9.4 (*Optional Redemption in whole for taxation reasons*).

Subject to the Issuer having sufficient funds available for this purpose, each Note redeemed will be redeemed in an amount equal to the Principal Amount Outstanding of the relevant Note together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption.

Events of Default:

As fully set out in Condition 13 (*Events of Default*), which broadly includes:

- non-payment by the Issuer of principal in respect of the Most Senior Class of Notes within 5 days following the due date or non-payment by the Issuer of interest within 10 days following the due date (provided that, for the avoidance of doubt, a deferral of interest in respect of a Class of Notes other than the Class A Notes in accordance with Condition 8.11 (*Interest Accrual*) shall not constitute a default in the payment of such interest);
- breach of contractual obligations by the Issuer under the Transaction Documents which is materially prejudicial to the interests of the holders of the Most Senior Class of Notes;
- Insolvency Event of the Issuer; or
- it is illegal for the Issuer to perform or comply with its obligations.

Limited Recourse:

All the Notes are ultimately limited recourse obligations of the Issuer and, if the Issuer has insufficient funds to pay amounts in full, amounts outstanding will cease to be due and payable as described in more detail in Condition 10 (*Limited Recourse*).

ERISA:	Subject to certain considerations, the Class A Notes and Class M Notes may be purchased and held by an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is subject to Part 4 of Title I of ERISA, a "plan" as defined in and subject to Section 4975 of the Code, or any entity whose underlying assets include "plan assets" for purposes of Section 406 of ERISA or Section 4975 of the Code by reason of an employee benefit plan's or plan's investment in the entity (each of the foregoing, a "**Benefit Plan Investor**"). The Class B Notes and the Class R Notes may not be purchased or held by Benefit Plan Investors. See "*Certain ERISA and Other U.S. Considerations*."
Debt for U.S. Tax Purposes:	The Issuer intends to take the position that the Rule 144A Notes (as defined below in "*United States Taxation*"), represent debt for United States federal income tax purposes. Special U.S. Tax Counsel to the Issuer is of the opinion that, although there is no precedent directly on point, the Class A Notes and the Class M Notes will, when issued, be treated as indebtedness for U.S. federal income tax purposes. Investors should read "*Risk Factors – United States Federal Income Taxation*", below. Each holder, by purchasing the Rule 144A Notes, agrees to treat such Notes as indebtedness for U.S. federal income tax purposes.
Governing Law:	English law.

OVERVIEW OF RIGHTS OF NOTEHOLDERS AND RELATIONSHIP WITH OTHER SECURED CREDITORS

Please refer to the sections entitled "***Terms and Conditions of the Notes***" for further details in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Secured Creditors.

Prior to an Event of Default:	Noteholders holding more than 10 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Notes then outstanding of the relevant Class are entitled to convene a Noteholders' meeting and all Noteholders of each Class are entitled to participate in a Noteholders' meeting convened by the Issuer or Trustee or the Noteholders to consider any matter affecting their interests. However, so long as no Event of Default has occurred and is continuing the Noteholders are not entitled to instruct or direct the Issuer to take any actions, either directly or through the Trustee, without the consent of the Issuer and, if applicable, certain other Transaction Parties, unless the Issuer has an obligation to take such actions under the relevant Transaction Documents.		
Following an Event of Default:	Following the occurrence of an Event of Default which is continuing, the holders of the Most Senior Class of Notes may, if they hold not less than 25 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if they pass an Extraordinary Resolution, direct the Trustee to give an Enforcement Notice to the Issuer that all Classes of the Notes are immediately due and repayable at their respective Sterling Equivalent Principal Amount Outstanding.		
Noteholders Meeting provisions:	Notice period:	21 clear days for the initial meeting.	14 clear days for the adjourned meeting.
	Quorum:	One or more persons holding or representing a majority of the Sterling Equivalent Principal Amount Outstanding of the relevant Class or Classes of Notes outstanding for the initial meeting (other than a Reserved Matter (which must be proposed separately to each Class of Noteholders), which requires one or more persons holding or representing in the aggregate not less than 75 per cent. of the Sterling Equivalent Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding).	At an adjourned meeting one or more persons being or representing Noteholders of that Class or those Classes, whatever the Sterling Equivalent Principal Amount Outstanding of the Notes then outstanding held or represented by them (other than Reserved Matter (which must be proposed separately to each Class of Noteholders), which requires one or more persons holding or representing not less than in aggregate 25 per cent. of the Sterling Equivalent Principal Amount Outstanding of the relevant Class or Classes of Notes then outstanding).

	Required majority for Extraordinary Resolution:	Not less than 75 per cent. of votes cast.	Not less than 75 per cent. of votes cast.
	Written Resolution:	100 per cent. of the Sterling Equivalent Principal Amount Outstanding of the relevant Class of Notes outstanding. A Written Resolution has the same effect as an Extraordinary Resolution.	

Reserved Matters: Broadly speaking, the following matters are Reserved Matters:

Changes to payments (timing, method of calculation, reduction in amounts due and currency), to effect the exchange, conversion or substitution of the Notes, changes to Priority of Payments and changes to quorum and majority requirements and amendments to the definition of Reserved Matter.

Relationship between Classes of Noteholders: Subject to the provision in respect of a Reserved Matter, an Extraordinary Resolution of Noteholders of the Most Senior Class shall be binding on all other Classes and would override any resolutions to the contrary of the Classes ranking behind such Class.

A Reserved Matter requires an Extraordinary Resolution of each Class of Notes then outstanding.

Originators /Sellers as Noteholder: For the purpose of, *inter alia*, the right to attend and vote at any meeting of Noteholders, any Extraordinary Resolution in writing and any direction made by Noteholders, those Notes (if any) which are held by or on behalf of or for the benefit of any Seller or any holding company of either of them, in each case as beneficial owner, shall (unless and until ceasing to be held) be deemed not to remain outstanding, provided that if all the Notes of a particular Class are held by the Sellers, any holding company of the Sellers or any other subsidiary of such holding company (the "**Relevant Class of Notes**") (and no other Classes of Notes exist that rank junior or *pari passu* to the Relevant Class of Notes, in respect of which the Notes are held by persons other than the Sellers, any holding company of the Sellers or any other subsidiary of such holding company), Notes of the Relevant Class of Notes will be deemed to remain outstanding.

Relationship between Noteholders and other Secured Creditors: The Trust Deed contains provisions requiring the Trustee to have regard to the interest of each of the Secured Creditors as regards all of its powers, trusts, authorities, duties and discretions, but requiring the Trustee, in the event of a conflict between the interests of the Noteholders and any other Secured Creditors, to have regard only (except where expressly provided otherwise) to the interests of the Noteholders.

Provision of Information to the Noteholders: The Cash Manager will provide an investor report on a quarterly basis containing information in relation to the Notes including, but not limited to, ratings of the Notes, amounts paid by the Issuer pursuant to the relevant Priority of Payments in respect of the relevant Collection Period and required counterparty information.

OVERVIEW OF CREDIT STRUCTURE AND CASHFLOW

*Please refer to the sections entitled "**Key Structural Features**" and "**Cashflows and Cash Management**" for further detail in respect of the credit structure and cash flow of the transaction.*

Available Funds of the Issuer:

The Cash Manager will apply Available Revenue Receipts and Available Principal Receipts on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, as set out below.

"**Available Revenue Receipts**" will, (without double counting) broadly, include the following:

(a) Revenue Receipts on the Loans received during the immediately preceding Collection Period less Permitted Withdrawals;

(b) interest payable to the Issuer on the Issuer Accounts and income from any Authorised Investments;

(c) amounts received by the Issuer under the Basis Swap Agreement on such Interest Payment Date (other than amounts required to fund a replacement swap and certain other specified amounts (see "*Cashflows and Cash Management*"));

(d) any amounts released from the General Reserve Fund when the General Reserve Required Amount is reduced to zero (on redemption in full of the Rated Notes), provided that the Subordinated Loan has been repaid in full; and

(e) other net income of the Issuer received during the immediately preceding Collection Period.

At any time that the General Reserve Required Amount is reduced to zero (after all the Rated Notes have been redeemed in full), all monies released from the General Reserve Fund shall be applied first, to repay the Subordinated Loan and second, once the Subordinated Loan has been repaid in full, to form part of Available Revenue Receipts.

If the Cash Manager determines that there would be a deficit on an Interest Payment Date to pay items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments, then the Issuer shall pay or provide for such deficit by applying (1) amounts standing to the credit of the General Reserve Fund and (2) (only in respect of Senior Expenses and interest payments due on the Rated Notes) Principal Receipts (if any) and amounts standing to the credit of the Liquidity Reserve Fund (if established), subject to certain conditions. See "*Overview of Credit Structure and Cashflow - Income Deficiency*" below.

"**Available Principal Receipts**" will, (without double counting) broadly, include the following:

(a) Principal Receipts on the Loans received during the immediately preceding Collection Period;

(b) if established, all amounts standing to the credit of the Liquidity Reserve Fund;

(c) amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f), (h), (l) and (n) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;

less:

(d) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period and/or amounts standing to the credit of the Liquidity Reserve Fund which are to be applied to cover Remaining Income Deficits; and

(e) the amount of Principal Receipts used during the immediately preceding Collection Period to purchase Further Advances.

Summary of Priority of Payments: Below is a summary of the Priority of Payments. Please refer to the section entitled "*Cashflows and Cash Management*" for further information. In addition, please refer to "*Limited Recourse*" in the section entitled "*Overview of the Terms and Conditions of the Notes*".

Pre-Acceleration Revenue Priority of Payments	**Pre-Acceleration Principal Priority of Payments**	**Post-Acceleration Priority of Payments**
1. Costs and expenses of the Trustee; 2. any costs and fees of the Agents, any third parties, amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained under item (15) below), any costs and expenses of the Corporate Services Provider and any costs and expenses associated with any transfer of administration to a substitute administrator; 3. any costs and fees of each of the Administrator, Cash Manager and Account Bank; 4. any amounts due to the Basis Swap Provider in respect of the Basis Swap Agreement (excluding Swap Subordinated Amounts); 5. Class A1c/A2/A3/A4 interest/ payments to the Currency Swap Provider for the purposes of paying such interest (including any termination payment payable but excluding Swap Subordinated Amounts); 6. an amount sufficient to eliminate any debit on the Class A Principal Deficiency Sub-Ledger; 7. Class M interest; 8. an amount sufficient to eliminate any debit on the Class M Principal Deficiency Sub-Ledger; 9. (so long as the Rated Notes will remain outstanding following such Interest Payment	1. If the Liquidity Reserve Fund is required to be established, an amount such that the Liquidity Reserve Fund is equal to the Liquidity Reserve Required Amount; 2. to redeem the Class A1c Notes/ payments to the Currency Swap Provider (for the purpose of redeeming the Class A1c Notes); 3. to redeem the Class A2 Notes/ payments to the Currency Swap Provider (for the purpose of redeeming the Class A2 Notes); 4. to redeem the Class A3 Notes/ payments to the Currency Swap Provider (for the purpose of redeeming the Class A3 Notes); 5. to redeem the Class A4 Notes/ payments to the Currency Swap Provider (for the purpose of redeeming the Class A4 Notes); 6. to redeem the Class M Notes; 7. to redeem the Class B Notes; 8. to redeem the Class R Notes; and 9. Deferred Consideration to the Sellers.	1. Costs and expenses of the Trustee (and any Receiver appointed by the Trustee); 2. any costs and fees of the Agents and the Corporate Services Provider; 3. any costs and fees of each Administrator, Cash Manager and Account Bank; 4. any amounts due to the Basis Swap Provider in respect of the Basis Swap Agreement (excluding Swap Subordinated Amounts); 5. Class A interest/ payments to the Currency Swap Provider for the purpose of paying such interest; 6. to redeem the Class A Notes/ payments to the Currency Swap Provider for the purpose of paying such principal (including any termination payment payable but excluding Swap Subordinated Amounts); 7. Class M interest; 8. to redeem the Class M Notes; 9. Class B interest; 10. to redeem the Class B Notes; 11. Class R interest; 12. to redeem the Class R Notes; 13. Swap Subordinated Amounts; 14. Payment of interest and principal to the Subordinated Loan Provider; 15. Issuer Profit Amount; 16. any amounts required to discharge any liability of the Issuer for corporation tax (which cannot be met out of amounts previously retained under item (15) above); and 17. Deferred Consideration to the Sellers.

Pre-Acceleration Revenue Priority of Payments	**Pre-Acceleration Principal Priority of Payments**	**Post-Acceleration Priority of Payments**
Date) to credit the General Reserve Ledger up to the General Reserve Required Amount; 10. Swap Subordinated Amounts; 11. Class B interest; 12. an amount sufficient to eliminate any debit on the Class B Principal Deficiency Sub-Ledger; 13. Class R interest; 14. an amount sufficient to eliminate any debit on the Class R Principal Deficiency Sub-Ledger; 15. Issuer Profit Amount; 16. Interest payment to the Subordinated Loan Provider; 17. Principal payment to the Subordinated Loan Provider; and 18. Deferred Consideration to the Sellers.		

Key Structural Features: The general credit and liquidity structure of the transaction includes, broadly, the following elements:

- availability of the General Reserve Fund, initially funded by a Subordinated Loan on the Closing Date up to the General Reserve Required Amount (being an amount equal to 3 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date) and replenished on each Interest Payment Date up to the General Reserve Required Amount from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments. The General Reserve Fund will be credited to the GIC Account. Moneys standing to the credit of the General Reserve Fund will be applied to make up any Income Deficit. Any amount credited to the General Reserve Fund after the Rated Notes have been repaid in full shall be used to repay the Subordinated Loan and thereafter will form part of Available Revenue Receipts;

- availability of Principal Receipts to make up any Remaining Income Deficit. See the section entitled "*Overview of Credit Structure and Cashflow - Income Deficiency*" below for limitations on the use of Principal Receipts for this purpose;

- availability of the Liquidity Reserve Fund which will be funded, while a Liquidity Trigger Event is continuing, from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments up to the Liquidity Reserve Required Amount and, on each Interest Payment Date thereafter, will be replenished from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments up to the Liquidity Reserve Required Amount. The Liquidity Reserve Fund will be applied as part of Available Principal Receipts following the deduction of amounts standing to the credit of the Liquidity Reserve Fund which are used by the Issuer to make up any Remaining Income Deficit (after the application of Principal Receipts). See the section entitled "*Overview of Credit Structure and Cashflow - Income Deficiency*" below for limitations on availability of the use of the Liquidity Reserve Fund;

- prior to the service of an Enforcement Notice, payments of principal amongst the Class A Notes will be made in Sequential Order;

- payments of principal and interest on the Class M Notes, the Class B Notes and the Class R Notes will be subordinated to payments on the Class A Notes, payments of principal and interest on the Class B Notes and the Class R Notes will be subordinated to payments on the Class M Notes; payments of principal and interest on the Class R Notes will be subordinated to payments on the Class B Notes;

- availability of guaranteed investment payments provided by the Account Bank in respect of collections transferred to the GIC Account. The GIC Account is subject to a guaranteed investment contract, under which, the Account Bank has agreed to pay the BoE Base Rate less a margin in respect of sums in the GIC Account. However, the Issuer (or the Cash Manager on its behalf) shall invest sums standing to the credit of the GIC Account in Authorised Investments. Such Authorised Investments will produce a return of LIBOR for three-month Sterling deposits;

- availability of Basis Swaps provided by the Basis Swap Provider to hedge against the possible variance between the interest rates payable in respect of the Loans and the floating rate interest payable in respect of the Notes;

- availability of Currency Swaps provided by the Currency Swap Providers to swap (a) the Sterling LIBOR based amounts received under the Basis Swaps for (i) the EURIBOR based interest payable in Euros on the EUR Notes (ii) the USD LIBOR based interest payable in Dollars on the Dollar Notes and (b) Sterling principal amounts received under the Loans into Euros in respect of the EUR Notes and Dollars in respect of the Dollar Notes; and

- it is expected that during the life of the Notes, the Available Revenue Receipts will, assuming that all the Loans are fully performing, be sufficient to pay the interest amounts payable in respect of all the Class A Notes, the Class M Notes, the Senior Expenses of the structure and retaining the Issuer Profit Amount.

See the section entitled "*Key Structural Features*" for further information on this.

Income Deficiency:

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of Senior Expenses, interest amounts on the Rated Notes and the elimination of debit balances on the Principal Deficiency Ledger (excluding the Class B Principal Deficiency Sub-Ledger and the Class R Principal Deficiency Sub-Ledger). To the extent that Available Revenue Receipts are insufficient to pay items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments in full (the amount of any deficit being an "**Income Deficit**"), the Cash Manager will, on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Income Deficit by applying amounts standing to the credit of the General Reserve Fund, provided that if, following the application of Available Revenue Receipts but prior to the application of the General Reserve Fund on such Interest Payment Date, a Class M PDL Trigger Event has occurred, no drawings may be made from the General Reserve Fund to cover interest shortfalls on the Class M Notes and the General Reserve Fund may only be used to eliminate the Income Deficit in respect of items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and to reduce the Income Deficit in respect of item (h) of the Pre-Acceleration Revenue Priority of Payments by an amount which would reduce the balance of the Class M Principal Deficiency Sub Ledger such that a Class M PDL Trigger Event would not be continuing, unless if following application of the General Reserve Fund on such Interest Payment Date, the debit balance of the Class M Principal Deficiency Sub Ledger has been reduced such that a Class

M PDL Trigger Event is no longer continuing, at which point any remaining amounts standing to the credit of the General Reserve Fund may be used first to cover interest shortfalls in respect of the Class M Notes under item (g) of the Pre-Acceleration Revenue Priority of Payments and second to eliminate any remaining debit balance on the Class M Principal Deficiency Sub-Ledger.

"**Class M PDL Trigger Event**" means in respect of an Interest Payment Date, the Class M Principal Deficiency Sub Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Principal Amount Outstanding of the Class M Notes (unless the Class M Notes are the Most Senior Class of Notes outstanding on such Interest Payment Date).

If following application of Available Revenue Receipts and amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a remaining income deficit on such Interest Payment Date to pay Senior Expenses and interest amounts on the Rated Notes under items (a) to (e) and (g) of the Pre-Acceleration Revenue Priority of Payments (the amount of any such deficit being a "**Remaining Income Deficit**"), the Cash Manager will on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Income Deficit by applying first, Principal Receipts (if any) and, second, amounts standing to the credit of the Liquidity Reserve Fund (if established) provided that if a Class M PDL Trigger Event has occurred and is still continuing after the application of the General Reserve Fund, no Principal Receipts may be applied and no drawings may be made from the Liquidity Reserve Fund, in each case to cover interest shortfalls on the Class M Notes.

The application of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Remaining Income Deficit will be recorded as set out below in the section entitled "*Overview of Credit Structure and Cashflow - Principal Deficiency Ledger*".

Principal Deficiency Ledger: The Principal Deficiency Ledger of the Issuer will record as a debit to the ledger (i) any Losses on the Portfolio and (ii) the application of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Remaining Income Deficit. The Principal Deficiency Ledger will be divided into four sub-ledgers which will correspond to each of the Class A Notes, the Class M Notes, the Class B Notes and the Class R Notes. The sub-ledger for each Class of Notes will show separate entries for each Class of Notes.

Debits will be recorded as follows:

(i) *first*, on the Class R Principal Deficiency Sub-Ledger until the balance of that sub-ledger is equal to the then aggregate Principal Amount Outstanding of the Class R Notes;

(ii) *second*, on the Class B Principal Deficiency Sub-Ledger until the balance of that sub-ledger is equal to the then aggregate Principal Amount Outstanding of the Class B Notes; and

(iii) *third*, on the Class M Principal Deficiency Sub-Ledger until the balance of that sub-ledger is equal to the then aggregate

Principal Amount Outstanding of the Class M Notes; and

(iv) *fourth*, on the Class A Principal Deficiency Sub-Ledger until the balance of that sub-ledger is equal to the then aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes.

On each Interest Payment Date, the Issuer shall apply any excess Available Revenue Receipts to extinguish or reduce any balance on the Principal Deficiency Ledger. Any Available Revenue Receipts applied as Available Principal Receipts on an Interest Payment Date, will be applied as follows:

(i) *first*, provided that interest due on the Class A Notes has been paid in full, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class A Notes on the Class A Principal Deficiency Sub-Ledger;

(ii) *second*, provided that interest due on the Class M Notes has been paid in full, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class M Notes on the Class M Principal Deficiency Sub-Ledger;

(iii) *third*, provided that interest due on the Class B Notes has been paid in full, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class B Notes on the Class B Principal Deficiency Sub-Ledger; and

(iv) *fourth*, provided that interest due on the Class R Notes has been paid in full, in or towards satisfaction of the amounts necessary to reduce to zero the debit balance in respect of the Class R Notes on the Class R Principal Deficiency Sub-Ledger.

On each Interest Payment Date, the Issuer shall also apply any amount standing to the credit of the General Reserve Fund to extinguish or reduce any balance on the Principal Deficiency Ledger (other than on the Class B Principal Deficiency Sub-Ledger and the Class R Principal Deficiency Sub-Ledger) (see "*Overview of Credit Structure and Cashflow - Income Deficiency*" above).

Please refer to the section entitled "*Key Structural Features*" for further information on this.

Issuer Accounts and Cash Management:	The Administrator will ensure that all payments due under the Loans are made by Borrowers into the relevant Seller Collection Accounts. Amounts credited to the relevant Seller Collection Accounts from (and including) the Closing Date that relate to the Loans will be identified on a daily basis (each such aggregate daily amount, a "**Daily Loan Amount**") and the relevant Seller will transfer, from a separate account held by the relevant Seller, an amount equal to the Daily Loan Amount into the GIC Account on the next London Business Day after that Daily Loan Amount is identified as received in the relevant Seller Collection Accounts. On or prior to each Interest Payment Date, amounts will be transferred by the Cash Manager from the GIC Account to the Transaction Account to be applied in accordance with the relevant Priority of Payments.

TRIGGERS TABLES

Rating Triggers Table

Transaction Party	**Required Ratings on the Closing Date**	**Possible effects of Ratings Trigger being breached include the following**
Basis Swap Provider:	(a) (i) Short-term, unsecured, unguaranteed and unsubordinated debt obligations must be rated at least F1 by Fitch and P-1 by Moody's; and (ii) long-term, unsecured and unsubordinated debt or counterparty obligations must be rated at least A by Fitch and A2 by Moody's, *provided that*, (x) if the Basis Swap Provider's long-term, unsecured, unsubordinated and unguaranteed ratings have been placed on "Ratings Watch Negative" by Fitch, the Basis Swap Provider will be required to have long-term, unsecured, unsubordinated and unguaranteed ratings of at least A+ by Fitch or (y) if the short-term, unsecured, unsubordinated and unguaranteed ratings of any such party have been placed on "Ratings Watch Negative" by Fitch, such party will be required to have short-term, unsecured, unsubordinated and unguaranteed ratings of at least "F1+" by Fitch; or (b) such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency, provided that any confirmation that such other short term or long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy.	The consequences of breach may include the requirement to provide collateral (in the amount agreed with the Rating Agencies from time to time), replacement of the Basis Swap Provider or guarantee of such Basis Swap Provider's obligations.
Currency Swap Provider:	(a) (i) Short-term, unsecured, unguaranteed and unsubordinated debt obligations must be rated at least F1 by Fitch and P-1 by Moody's; and (ii) long-term, unsecured and unsubordinated debt or counterparty obligations must be rated at least A by Fitch and A2 by Moody's, *provided that*, (x) if the Currency Swap Provider's long-term, unsecured, unsubordinated and unguaranteed ratings have been placed on "Ratings Watch Negative" by Fitch, the Currency Swap Provider will be required to have long-term, unsecured, unsubordinated and unguaranteed ratings of at least A+ by Fitch or (y) if the short-term, unsecured, unsubordinated and unguaranteed ratings of any such party have been placed on "Ratings Watch Negative" by Fitch, such	The consequences of breach may include the requirement to provide collateral (in the amount agreed with the Rating Agencies from time to time), replacement of the Currency Swap Provider or guarantee of such Currency Swap Provider's obligations.

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
	party will be required to have short-term, unsecured, unsubordinated and unguaranteed ratings of at least "F1+" by Fitch; or (b) such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency, provided that any confirmation that such other short term or long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy.	
Account Bank:	(i) Short-term, unsecured, unguaranteed and unsubordinated debt obligations must be rated at least F1 by Fitch and P-1 by Moody's and (ii) long-term, unsecured and unsubordinated debt must be rated at least A by Fitch (or such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency provided that any confirmation that such other short term or long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy), *provided that*, (x) if the Account Bank's long-term, unsecured, unsubordinated and unguaranteed ratings have been placed on "Ratings Watch Negative" by Fitch, the Account Bank will be required to have long-term, unsecured, unsubordinated and unguaranteed ratings of at least A+ by Fitch or (y) if the Account Bank's short-term, unsecured and unsubordinated ratings have been placed on "Ratings Watch Negative" by Fitch, the Account Bank will be required to have short-term, unsecured and unsubordinated ratings of at least F1+.	The consequences of breach may include replacement of Account Bank or guarantee of Account Bank's obligations.
Seller:	Long-term, unsecured and unsubordinated debt obligations from Fitch of at least BBB- and from Moody's of at least Baa3 (or such other long term rating which is otherwise acceptable to the relevant Rating Agency, provided that any confirmation that such other long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy) (an "**RBS Downgrade Event**").	Under the Mortgage Sale Agreement, the Sellers shall be obliged to prepare the documentation required to perfect legal title to the Loans and Related Security, but shall not be required to give notice of the transfer of the equitable or beneficial interest in the Loans to the Borrowers nor complete any other step necessary to perfect legal title to the Loans or the Related Security to the Issuer. See

Transaction Party	Required Ratings on the Closing Date	Possible effects of Ratings Trigger being breached include the following
		the section entitled "*Sale of the Portfolio under the Mortgage Sale Agreement* ".

Non-Rating Triggers Table

Nature of Trigger	**Description of Trigger**	**Consequence of Trigger**
Liquidity Trigger Events	(i) The long-term, unsecured, unsubordinated and unguaranteed debt obligations of RBS cease to be rated at least A3 by Moody's (or such other long term rating which is otherwise acceptable to Moody's); or (ii) RBSG ceases to be the ultimate parent company of either Seller.	The Issuer will be required to establish a Liquidity Reserve Fund, as set out in "*Key Structural Features*".
Administrator Termination Event See the section entitled "*The Administrators*" for further information on this.	(i) Administrator payment default; (ii) Failure to comply with any of its other covenants or obligations; or (iii) Administrator Insolvency Event.	Substitute administrator to be appointed subject to approval by the Trustee. If an Administrator Insolvency Event occurs in relation to NWHL, RBS will act as the Substitute Administrator in respect of the NWHL Loans and their Related Security on behalf of the Issuer.
Perfection Trigger Events See the section entitled "*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement* " for further information on this	Seller Insolvency Event.	The legal transfer by the Sellers to the Issuer of all the Loans and their Related Security as soon as reasonably practicable.

FEES

The following table sets out the estimated on-going annual fees to be paid by the Issuer to the specified Transaction Parties.

Type of Fee	Amount of Fee	Priority in Cashflow	Frequency
Administration Fees	0.10 per cent. each year (inclusive of any applicable VAT) on the aggregate amount of the Portfolio at the opening of business on the preceding Collection Period	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Cash Management Fees	£100,000 each year (inclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Other fees and expenses of the Issuer	Estimated at £70,000 each year (inclusive of any applicable VAT)	Ahead of all outstanding Notes	Quarterly in arrear on each Interest Payment Date
Expenses related to the admission to trading of the Notes	Estimated at £4,200 (exclusive of any applicable VAT)		On or about the Closing Date

REGULATORY DISCLOSURE

Article 122a of the Capital Requirements Directive

Retention Statement

In the Mortgage Sale Agreement, RBS as Seller undertakes (i) to retain a material net economic interest of not less than 5 per cent. of the nominal value of the securitisation in accordance with Article 122a of the Directive 2006/48/EC (as amended by Directive 2009/111/EC), referred to as the Capital Requirements Directive and (ii) to provide all information required to be made available by the Sellers pursuant to paragraph 7 of Article 122a, subject always to any requirement of law regarding the provision of such information, provided that RBS as Seller will be not be in breach of such undertaking if RBS as Seller fails to so comply due to events, actions or circumstances beyond RBS's control. As at the Closing Date, such material net economic interest will comprise an interest in the first loss tranche within the meaning of Article 122a(1)(d). Such retention requirement will be satisfied on the Closing Date by RBS as Seller holding the Class R Notes. RBS as Seller will confirm its ongoing retention of the net economic interest described above in the quarterly investor reports and any change to the manner in which such interest is held will be notified to Noteholders. For further details, please refer to sub-paragraph (l) and (m) in the Section entitled "*General Information*".

Investors to assess compliance

Each prospective investor is required to independently assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a and none of the Issuer, nor the Arranger or the Joint Lead Managers, the Co-Manager or the Transaction Parties make any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective Noteholder should ensure that they comply with the implementing provisions in respect of Article 122a in their relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

CRA Regulations

The credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies, each of which is established in the European Union, and has submitted an application for registration in accordance with the CRA Regulation and as at the date of this Prospectus such application for registration has not been refused.

WEIGHTED AVERAGE LIFE OF THE NOTES

Weighted average life refers to the average amount of time that will elapse from the date of issuance of a security to the date of distribution to the investor of amounts distributed in net reduction of principal of such security (assuming no losses). The weighted average lives of the Notes will be influenced by, among other things, the actual rate of repayment of the Loans in the Portfolio.

The model used in this Prospectus for the Loans represents an assumed constant per annum rate of prepayment ("**CPR**") each month relative to the then current principal balance of a pool of mortgages. CPR does not purport to be either an historical description of the prepayment experience of any pool of loans or a prediction of the expected rate of prepayment of any Loans, including the Mortgages to be included in the Portfolio.

The following tables were prepared based on the characteristics of the Loans included in the Portfolio and the following additional assumptions (the "**Modelling Assumptions**"):

(a) there are no arrears (other than those specified herein) or enforcements;

(b) no Loan is sold by the Issuer;

(c) there is no debit balance on any of the sub-ledgers of the Principal Deficiency Ledger on any Interest Payment Date;

(d) the Seller is not in breach of the terms of the Mortgage Sale Agreement;

(e) no Loan is repurchased by the Seller;

(f) no Substitute Loans are purchased;

(g) no Further Advances are made in respect of the Portfolio;

(h) the portfolio mix of loan characteristics remains the same throughout the life of the Notes;

(i) the interest rate on each Loan in the Portfolio is equal to the Seller Standard Variable Rate, the RBS 100% Standard Variable Rate, the Tracker Rate or a fixed rate, plus any margin or less any discount, as applicable. The Seller Standard Variable Rate is equal to 4.00 per cent. (and is assumed to be the same for RBS and NWHL) and the Bank of England base rate is equal to 0.5 per cent. in respect of the Tracker Rate Loans;

(j) the Notes are issued on 31 October 2011 and all payments on the Notes are received on the 20th day of every third calendar month commencing from January 2012;

(k) LIBOR is equal to 0.88 per cent.;

(l) in the case of tables stating "with optional redemption", the Notes are redeemed at their Sterling Equivalent Principal Amount Outstanding on the Step-Up Date;

(m) the Notes will be redeemed in accordance with the Conditions;

(n) no Security has been enforced;

(o) the assets of the Issuer are not sold except as may be necessary to enable the Issuer to realise sufficient funds to exercise its option to redeem the Notes;

(p) no Enforcement Notice has been served on the Issuer and no Event of Default has occurred;

(q) the Liquidity Reserve Fund has not been funded;

(r) the Mortgages continue to be fully performing; and

(s) the Initial Portfolio will be purchased on the Issue Date and is derived from the Initial Provisional Portfolio, which has the characteristics defined below.

Replines

Collateral Line	Current Principal Balance (£)	Initial Payment Type	Reversion Payment Type	Principal Payment Type	Current Mortgage Rate (%)	Reversionary Margin (%)	Remaining Term to Maturity (months)	Interest Only Period (months)	Discount (%)	Months to Reversionary Rate
1	2,137,766,949.83	FIXED	VARIABLE RATE	REP	4.38%	0.00%	267	0	0.00%	30
2	428,794,605.30	FIXED	VARIABLE RATE	INT	3.65%	0.00%	211	210	0.00%	29
3	73,228.56	FIXED	FIXED	REP	3.81%	0.00%	159	0	0.00%	0
4	54,261.46	FIXED	FIXED	INT	4.27%	0.00%	99	98	0.00%	0
5	60,776,985.72	TRACKER	TRACKER	REP	2.35%	1.85%	229	0	0.00%	0
6	25,130,151.16	TRACKER	TRACKER	INT	2.07%	1.57%	199	198	0.00%	0
7	473,399,182.36	TRACKER	VARIABLE RATE	REP	2.81%	0.00%	243	0	0.00%	19
8	410.609.237.48	TRACKER	VARIABLE RATE	INT	2.66%	0.00%	205	204	0.00%	19
9	18,967,267.75	VARIABLE RATE	VARIABLE RATE	REP	4.12%	0.00%	273	0	0.00%	0
10	9,467,200.70	VARIABLE RATE	VARIABLE RATE	INT	4.01%	0.00%	248	247	0.00%	0

Collateral lines 1 and 2 indicate loans where a Fixed Rate applies until reversion.
Collateral lines 3 and 4 indicate loans where a Fixed Rate applies for life.
Collateral lines 5 and 6 indicate loans where a Tracker Rate applies for life.
Collateral lines 1, 2, 7, 8, 9 and 10 indicate loans where the Seller Standard Variable Rate applies following reversion.
Collateral lines 7 and 8 indicate loans where a Tracker Rate applies until reversion.
Collateral lines 9 and 10 indicate loans where the Seller Standard Variable Rate applies for life.

The table above shows certain characteristics of the Initial Provisional Portfolio.

The actual characteristics and performance of the Loans are likely to differ from the assumptions. The following tables are hypothetical in nature and are provided only to give a general sense of how the principal cash flows might behave under varying prepayment scenarios. For example, it is not expected that the Loans will prepay at a constant rate until maturity, that all of the Loans will prepay at the same rate or that there will be no defaults or delinquencies on the Loans. Moreover, the diverse remaining terms to maturity and mortgage rates of the Loans could produce slower or faster principal distributions than indicated in the tables at the various percentages of CPR specified, even if the weighted average remaining term to maturity and weighted average mortgage rates of the Loans are as assumed. Any difference between such assumptions and the actual characteristics and performance of the Loans, or actual prepayment of loss experience, will affect the percentage of the initial amount outstanding of the Notes which are outstanding over time and cause the weighted average lives of the Notes to differ (which difference could be material) from the corresponding information in the tables for each indicated percentage CPR.

The weighted average lives shown below were determined by (i) multiplying the net reduction, if any, of the Sterling Equivalent Principal Amount Outstanding of each Class of Notes by the number of years from the date of issuance of the Notes to the related Interest Payment Date and (ii) adding the results and dividing the sum by the aggregate of the net reductions of the Sterling Equivalent Principal Amount Outstanding described in (i) above.

Subject to the foregoing discussion and assumptions, the following tables indicate the weighted average lives of the Class A1c Notes, the Class A2 Notes, the Class A3 Notes, the Class A4 Notes, the Class M Notes, the Class B Notes and the Class R Notes. These average lives have been calculated on a 30/360 basis.

Percentage of the Original Principal Amount Outstanding of the Class A1c Notes at the Specified CPRs (Without Optional Redemption)

Date	0%	5%	10%	15%	20%	30%	35%	5%/10%*
31 October 11	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 12	83.2%	45.9%	8.7%	0.0%	0.0%	0.0%	0.0%	45.9%
20 October 13	65.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 14	47.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 15	28.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 16	8.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 17	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 18	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 19	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 20	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 21	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 22	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 23	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 25	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 26	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 27	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 28	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 29	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 31	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 32	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 34	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 35	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 36	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 38	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 39	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 41	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 42	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 43	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 44	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 46	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 47	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 49	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	2.92	1.03	0.64	0.47	0.39	0.30	0.27	1.01
(With Optional Redemption)								
Weighted Average Life (years)	2.91	1.03	0.64	0.47	0.39	0.30	0.27	1.01

* Pricing Speed (5% in the first 18 months, followed by 10% thereafter).

Percentage of the Original Principal Amount Outstanding of the Class A2 Notes at the Specified CPRs (Without Optional Redemption)

Date	0%	5%	10%	15%	20%	30%	35%	5%/10%*
31 October 11	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 12	100.0%	100.0%	100.0%	80.8%	55.8%	5.8%	0.0%	100.0%
20 October 13	100.0%	96.6%	51.4%	8.6%	0.0%	0.0%	0.0%	84.8%
20 October 14	100.0%	64.1%	3.0%	0.0%	0.0%	0.0%	0.0%	32.3%
20 October 15	100.0%	33.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 16	100.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 17	92.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 18	77.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 19	62.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 20	46.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 21	30.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 22	13.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 23	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 24	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 25	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 26	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 27	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 28	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 29	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 31	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 32	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 34	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 35	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 36	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 38	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 39	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 41	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 42	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 43	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 44	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 46	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 47	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 49	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	8.83	3.57	2.14	1.52	1.17	0.79	0.68	2.77
(With Optional Redemption)								
Weighted Average Life (years)	5.22	3.57	2.14	1.52	1.17	0.79	0.68	2.77

* Pricing Speed (5% in the first 18 months, followed by 10% thereafter).

Percentage of the Original Principal Amount Outstanding of the Class A3 Notes at the Specified CPRs (Without Optional Redemption)

Date	0%	5%	10%	15%	20%	30%	35%	5%/10%*
31 October 11	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 12	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	71.8%	100.0%
20 October 13	100.0%	100.0%	100.0%	100.0%	53.5%	0.0%	0.0%	100.0%
20 October 14	100.0%	100.0%	100.0%	23.9%	0.0%	0.0%	0.0%	100.0%
20 October 15	100.0%	100.0%	41.0%	0.0%	0.0%	0.0%	0.0%	78.7%
20 October 16	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	17.7%
20 October 17	100.0%	65.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 18	100.0%	26.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 19	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 20	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 21	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 22	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 23	94.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 24	67.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 25	39.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 26	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 27	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 28	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 29	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 31	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 32	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 34	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 35	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 36	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 38	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 39	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 41	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 42	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 43	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 44	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 46	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 47	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 49	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	13.70	6.50	3.96	2.79	2.13	1.43	1.20	4.57
(With Optional Redemption)								
Weighted Average Life (years)	5.22	5.22	3.96	2.79	2.13	1.43	1.20	4.56

* Pricing Speed (5% in the first 18 months, followed by 10% thereafter).

Percentage of the Original Principal Amount Outstanding of the Class A4 Notes at the Specified CPRs (Without Optional Redemption)

Date	0%	5%	10%	15%	20%	30%	35%	5%/10%*
31 October 11	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 12	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 13	100.0%	100.0%	100.0%	100.0%	100.0%	79.2%	60.5%	100.0%
20 October 14	100.0%	100.0%	100.0%	100.0%	81.7%	36.3%	17.9%	100.0%
20 October 15	100.0%	100.0%	100.0%	80.6%	51.2%	6.8%	0.0%	100.0%
20 October 16	100.0%	100.0%	94.1%	56.8%	27.3%	0.0%	0.0%	100.0%
20 October 17	100.0%	100.0%	74.9%	36.9%	8.6%	0.0%	0.0%	86.0%
20 October 18	100.0%	100.0%	57.9%	20.3%	0.0%	0.0%	0.0%	67.6%
20 October 19	100.0%	96.4%	42.9%	6.6%	0.0%	0.0%	0.0%	51.2%
20 October 20	100.0%	83.2%	29.6%	0.0%	0.0%	0.0%	0.0%	36.8%
20 October 21	100.0%	70.7%	17.8%	0.0%	0.0%	0.0%	0.0%	24.0%
20 October 22	100.0%	59.0%	7.4%	0.0%	0.0%	0.0%	0.0%	12.8%
20 October 23	100.0%	47.8%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%
20 October 24	100.0%	37.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 25	100.0%	27.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 26	100.0%	18.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 27	92.3%	9.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 28	78.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 29	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 31	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 32	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 34	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 35	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 36	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 38	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 39	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 41	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 42	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 43	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 44	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 46	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 47	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 49	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	17.23	12.10	7.85	5.61	4.30	2.84	2.39	8.41
(With Optional Redemption)								
Weighted Average Life (years)	5.22	5.22	5.21	4.78	4.13	2.84	2.39	5.22

* Pricing Speed (5% in the first 18 months, followed by 10% thereafter).

Percentage of the Original Principal Amount Outstanding of the Class M Notes at the Specified CPRs (Without Optional Redemption)

Date	0%	5%	10%	15%	20%	30%	35%	5%/10%*
31 October 11	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 12	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 13	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 14	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 15	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
20 October 16	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	100.0%
20 October 17	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	100.0%
20 October 18	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%
20 October 19	100.0%	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%	100.0%
20 October 20	100.0%	100.0%	100.0%	11.1%	0.0%	0.0%	0.0%	100.0%
20 October 21	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
20 October 22	100.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
20 October 23	100.0%	100.0%	68.1%	0.0%	0.0%	0.0%	0.0%	100.0%
20 October 24	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 25	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 26	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 27	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 28	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 29	54.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 31	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 32	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 34	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 35	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 36	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 38	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 39	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 41	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 42	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 43	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 44	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 46	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 47	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 49	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	18.11	17.22	12.22	8.90	6.85	4.53	3.81	12.72
(With Optional Redemption)								
Weighted Average Life (years)	5.22	5.22	5.22	5.22	5.22	4.53	3.81	5.22

* Pricing Speed (5% in the first 18 months, followed by 10% thereafter).

Percentage of the Original Principal Amount Outstanding of the Class B Notes at the Specified CPRs (Without Optional Redemption)

Date	0%	5%	10%	15%	20%	30%	35%	5%/10%*
31 October 11	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 12	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 13	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 14	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 15	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	89.4%	100.0%
20 October 16	100.0%	100.0%	100.0%	100.0%	100.0%	78.3%	41.7%	100.0%
20 October 17	100.0%	100.0%	100.0%	100.0%	100.0%	40.3%	11.5%	100.0%
20 October 18	100.0%	100.0%	100.0%	100.0%	98.3%	14.3%	0.0%	100.0%
20 October 19	100.0%	100.0%	100.0%	100.0%	66.7%	0.0%	0.0%	100.0%
20 October 20	100.0%	100.0%	100.0%	100.0%	42.1%	0.0%	0.0%	100.0%
20 October 21	100.0%	100.0%	100.0%	75.4%	22.9%	0.0%	0.0%	100.0%
20 October 22	100.0%	100.0%	100.0%	53.7%	8.1%	0.0%	0.0%	100.0%
20 October 23	100.0%	100.0%	100.0%	35.7%	0.0%	0.0%	0.0%	100.0%
20 October 24	100.0%	100.0%	88.0%	20.9%	0.0%	0.0%	0.0%	98.8%
20 October 25	100.0%	100.0%	68.4%	8.7%	0.0%	0.0%	0.0%	77.6%
20 October 26	100.0%	100.0%	51.2%	0.0%	0.0%	0.0%	0.0%	58.9%
20 October 27	100.0%	100.0%	36.1%	0.0%	0.0%	0.0%	0.0%	42.5%
20 October 28	100.0%	100.0%	21.9%	0.0%	0.0%	0.0%	0.0%	27.2%
20 October 29	100.0%	18.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 30	71.9%	2.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 31	35.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 32	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 33	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 34	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 35	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 36	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 38	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 39	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 41	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 42	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 43	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 44	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 46	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 47	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 49	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	19.70	17.76	15.20	11.53	8.95	5.95	5.01	15.57
(With Optional Redemption)								
Weighted Average Life (years)	5.22	5.22	5.22	5.22	5.22	5.14	4.77	5.22

* Pricing Speed (5% in the first 18 months, followed by 10% thereafter).

Percentage of the Original Principal Amount Outstanding of the Class R Notes at the Specified CPRs (Without Optional Redemption)

Date	0%	5%	10%	15%	20%	30%	35%	5%/10%*
31 October 11	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 12	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 13	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 14	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 15	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 16	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 17	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
20 October 18	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	80.8%	100.0%
20 October 19	100.0%	100.0%	100.0%	100.0%	100.0%	91.7%	50.7%	100.0%
20 October 20	100.0%	100.0%	100.0%	100.0%	100.0%	61.7%	31.7%	100.0%
20 October 21	100.0%	100.0%	100.0%	100.0%	100.0%	41.4%	19.7%	100.0%
20 October 22	100.0%	100.0%	100.0%	100.0%	100.0%	27.7%	12.2%	100.0%
20 October 23	100.0%	100.0%	100.0%	100.0%	91.4%	18.4%	7.6%	100.0%
20 October 24	100.0%	100.0%	100.0%	100.0%	69.2%	12.2%	4.7%	100.0%
20 October 25	100.0%	100.0%	100.0%	100.0%	52.1%	8.0%	2.8%	100.0%
20 October 26	100.0%	100.0%	100.0%	96.7%	38.9%	5.3%	1.7%	100.0%
20 October 27	100.0%	100.0%	100.0%	76.2%	28.9%	3.4%	1.0%	100.0%
20 October 28	100.0%	100.0%	100.0%	58.6%	20.9%	2.2%	0.6%	100.0%
20 October 29	100.0%	100.0%	55.6%	19.9%	6.7%	0.6%	0.2%	60.3%
20 October 30	100.0%	100.0%	37.8%	12.8%	4.0%	0.3%	0.1%	41.0%
20 October 31	100.0%	67.2%	22.8%	7.3%	2.2%	0.1%	0.0%	24.7%
20 October 32	100.0%	34.3%	11.0%	3.3%	0.9%	0.1%	0.0%	11.9%
20 October 33	20.8%	6.7%	2.1%	0.6%	0.2%	0.0%	0.0%	2.2%
20 October 34	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 35	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 36	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 37	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 38	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 39	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 40	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 41	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 42	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 43	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 44	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 45	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 46	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 47	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 48	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 49	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20 October 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Weighted Average Life (years)	21.73	20.67	18.94	17.31	14.75	10.33	8.76	19.05
(With Optional Redemption)								
Weighted Average Life (years)	5.22	5.22	5.22	5.22	5.22	5.22	5.22	5.22

* Pricing Speed (5% in the first 18 months, followed by 10% thereafter).

RISK FACTORS

The following is a description 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.

Credit Structure

Notes obligations of Issuer only

The Notes will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, the Arranger, the Joint Lead Managers, the Co-Manager or any of the Transaction Parties (other than the Issuer) and no person other than the Issuer will accept any liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes.

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 solely on Revenue Receipts and Principal Receipts in respect of the Loans in the Portfolio, interest earned on the Issuer Accounts and the receipts under the Swap Agreements and amounts standing to the credit of the General Reserve Fund and the Liquidity Reserve Fund (if established) (the "**Reserve Funds**"). 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 Creditors, subject to the applicable Priority of Payments. The Issuer will have no recourse to the Sellers, save as provided in the Mortgage Sale Agreement (see further the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement* ").

Limited recourse

The Notes will be limited recourse obligations of the Issuer. Other than the receipts from the Loans in the Portfolio, interest earned on the Issuer Accounts, and the receipts under the Swap Agreements and amounts standing to the credit of the Reserve Funds, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes. If at any time following:

(a) the occurrence of either:

  (i) the Final Maturity Date or any earlier date upon which all of the Notes of each Class are due and payable; or

  (ii) the service of an Enforcement Notice; and

(b) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments,

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any Class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such Class of Notes (and any Class of Notes junior to that Class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. "**Realisation**" is defined in Condition 10 (*Limited Recourse*).

Each Secured Creditor agrees that if any amount is received by it (including by way of set-off) in respect of any secured obligation owed to it other than in accordance with the provisions of the Deed of Charge, then an amount equal to the difference between the amount so received by it and the amount that it would have received had it been paid in accordance with the provisions of the Deed of Charge shall be received and held by it as trustee for the Trustee and shall be paid over to the Trustee immediately upon receipt so that such amount can be applied in accordance with the provisions of the Deed of Charge.

Deferral of interest payments on the Notes

If, on any Interest Payment Date the Issuer has insufficient funds to make payment in full of all amounts of interest (including any accrued interest thereon) payable in respect of any Class of Notes, (other than the Class A Notes), after having paid or provided for items of higher priority in the Pre-Acceleration Revenue Priority of Payments, then that amount shall not be due and payable and the Issuer will be entitled under Condition 8.11 (*Interest Accrual*) 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 such Class of Notes becomes immediately due and repayable in accordance with the Conditions and it shall not constitute an Event of Default. To the extent that there are insufficient funds on the following Interest Payment Date or such earlier date as interest in respect of such Class of Notes is scheduled to be paid in accordance with the Conditions, the deferral of interest shall continue until the Final Maturity Date.

Credit risk

The Issuer is subject to the risk of default in payment by the Borrowers and the failure by the Administrators, on behalf of the Issuer, to realise or recover sufficient funds under the arrears and default procedures in respect of the relevant Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrowers under the relevant Loans, which may adversely affect payments on the Notes. This risk is mitigated to some extent by certain credit enhancement features which are described in the section entitled "*Key Structural Features*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

Liquidity risk

The Issuer is subject to the risk of insufficiency of funds on any Interest Payment Date as a result of payments being made late by Borrowers after the end of the relevant Collection Period. This risk is addressed in respect of the Notes by the provision of liquidity from alternative sources as described in the section entitled "*Key Structural Features*". However, no assurance can be made as to the effectiveness of such credit enhancement features, or that such credit enhancement features will protect the Noteholders from all risk of loss.

Payment of Principal in respect of the Class A Notes is sequential

Prior to the service of an Enforcement Notice by the Trustee, the payment of principal amongst the Class A Notes will be made in Sequential Order as set out in "*Key Structural Features*".

Payment of principal and interest in respect of the Class M Notes, Class B Notes and Class R Notes is sequential.

The Class M Notes are subordinated in right of payment of interest and principal to the Class A Notes and the Class B Notes are subordinated in right of payment of interest and principal to the Class A Notes and the Class M Notes and the Class R Notes are subordinated in right of payment of interest and principal to the Class A Notes, the Class M Notes and the Class B Notes as set out in "*Key Structural Features*". Further, Available Revenue Receipts will be applied to credit the General Reserve Fund prior to payment of interest on the Class B Notes and the Class R Notes. There is no assurance that these subordination provisions will protect the holders of Class A Notes and the Class M Notes (as appropriate) from all risk of loss.

Basis and currency risk

The Issuer is subject to:

- the risk of the contractual interest rates on the Loans being lower than that required by the Issuer in order to meet its commitments under the Notes and its other obligations, which risk is mitigated but not obviated by the Basis Swap;

- the risk of fluctuations in relation to the exchange rate between (i) Sterling and Euro and (ii) Sterling and Dollars, such that amounts received in Sterling in respect of the Loans and available for application in satisfaction of payment obligations in respect of the EUR Notes and Dollar Notes may, following conversion into Euro (in respect of the EUR Notes) and Dollars (in respect

of the Dollar Notes), be insufficient to meet such payment obligations, which risk is mitigated (but not eradicated) by the Currency Swaps;

- the risk that any cash held by or on behalf of the Issuer may earn a rate of return below the rate of interest payable on the Notes, which risk is mitigated by (i) the GIC Account, which pays a guaranteed rate of interest on funds standing to the credit thereof and from which, the Issuer (or the Cash Manager on its behalf) shall invest sums in Authorised Investments to produce a return of LIBOR for three-month Sterling deposits, (ii) the Liquidity Reserve Fund and (iii) (for so long as the Loans are fully performing) the availability of excess Available Revenue Receipts, each of which are available to meet payments of interest due under the Notes and the other expenses of the Issuer.

Swap Provider Risk

In the event that any Swap Provider does not pay any amount payable under the Swap Agreement when due, available funds of the Issuer may be less than would otherwise be the case and this could result in reduced payments to Noteholders. In addition, if a Swap Agreement is terminated, the Cash Manager (on behalf of the Issuer) may be obliged to use available funds of the Issuer to pay a termination payment, including any default or breakage costs, under such Swap Agreement.

Except where the relevant Swap Provider has caused the relevant Swap Agreement to terminate by its own default, any termination payment in respect of such Swap Agreement (save for the Currency Swap Agreements) due by the Issuer will rank in priority to payments of interest due and payable on the Notes. Any additional amount required to be paid by the Issuer following termination of any such Swap Agreement will also generally rank ahead of payments due on the relevant classes of Notes. Any termination payment or additional amount following termination payable by the Issuer in respect of the Currency Swap Agreements will, save where the Currency Swap Provider has caused the relevant Swap Agreement to terminate by its own default, rank *pari passu* not only with payment of interest due to the holders of the sub-Class of Notes to which the relevant Currency Swap relates but also with payments of interest due to the holders of any other sub-Class of Notes which ranks *pari passu* to the sub-Class of Notes to which the relevant Currency Swap relates. If the Issuer is obliged to make a termination payment to a Swap Provider or to pay any other additional amount as a result of the termination of the relevant Swap Agreement, this may reduce or adversely affect the amount of funds which the Issuer has available to make payments on the Notes of any Class. There can be no assurance that the Issuer will have sufficient funds available to make any termination payment under the relevant Swap Agreement or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders in respect of the relevant Class of Notes.

Furthermore, if any Swap Provider were to default in respect of its obligations under a Swap Agreement so as to result in a termination of such Swap Agreement, the Issuer may enter into a replacement arrangement with another appropriately rated entity, which may require the Issuer to make a payment. A failure to enter into such a replacement arrangement may result in a downgrading on the rating of the Rated Notes, and may reduce the amount of funds available to make payments on the Notes. In addition, if the Issuer fails to enter into such replacement arrangement, the Portfolio will remain unhedged and the payment to be made in respect of the Class A1c Notes, the Class A2b Notes, the Class A2c Notes, the Class A3c Notes and the Class A4 Notes would need to be exchanged by the Issuer by reference to the relevant spot rate. This may in turn reduce the amount of funds available to make payments on the Notes.

In the event of the insolvency of a Swap Provider the Issuer will be treated as an unsecured creditor of such Swap Provider. Consequently, the Issuer will be subject to the credit risk of such Swap Provider, as well as that of the Loans.

To mitigate this risk, under the terms of the Swap Agreements, in the event that the relevant ratings of a Swap Provider fail to meet the required ratings, such Swap Provider will, in accordance with the terms of the relevant Swap Agreement, be required to take certain remedial measures within the time frame stipulated in the relevant Swap Agreement and at its own cost which may include providing collateral for its obligations under the relevant Swap Agreement, arranging for its obligations under the relevant Swap Agreement to be transferred to an entity with the required ratings, procuring another entity with the required ratings to become co-obligor or guarantor, as applicable, in respect of its obligations under the relevant Swap Agreement or such other action that would result in the Rating Agencies continuing the then current rating of the Notes or restoring such rating to the level prior to the downgrade event.

However, no assurance can be given that, at the time that such actions are required, sufficient collateral will be available to the Swap Provider or that another entity with the required rating will be available or willing to become a replacement swap provider, co-obligor or guarantor.

Priority of Payments

The validity of contractual priorities of payments such as those contemplated in this transaction has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured creditor (in that case a swap provider) and have considered whether such payment priorities breach the "anti-deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. *The Supreme Court of the United Kingdom in Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc* [2011] UKSC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of similar priority of payments to the Priority of Payments, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have, as its predominant purpose or one of its main purposes, the deprivation of the property of one of the parties on bankruptcy, the anti-deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s ("**LBSF**") motion for summary judgement on the basis that the effect was that the provisions infringed the anti-deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". In New York, whilst leave to appeal was granted, the case was settled before an appeal was heard. Therefore concerns still remain that the English and U.S. courts will diverge from each other in their approach which, in the case of an unfavourable decision in New York, may adversely affect the Issuer's ability to make payments on the Notes. There remains the issue whether in respect of foreign insolvency proceedings relating to a creditor located in a foreign jurisdiction, an English court will exercise its discretion to recognise the effects of the foreign insolvency proceedings, whether under the Cross Border Insolvency Regulations 2006 or any similar common law principles. Given the current state of U.S. law, this is likely to be an area of continued judicial focus in respect of multi-jurisdictional insolvencies.

Yield and prepayment considerations

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal and interest (including prepayments, sale proceeds arising on enforcement of a Loan and repurchases of Loans required to be made under the Mortgage Sale Agreement) on the Loans and the price paid by the holders of the Notes of each Class. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans. Furthermore, if the conditions for the purchase of Further Advances by the Issuer are not met, then the Issuer will not be able to purchase such Further Advances which may result in Principal Receipts in the form of repurchase proceeds payable by the relevant Seller, instead being used to prematurely repay the Notes. See also "*Risk Factors – Product Switches, Further Advances and Substitutions*".

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. Subject to the terms and conditions of the Loans (which may require in some cases notification to the Sellers and in other cases the consent of the Sellers), a Borrower may "overpay" or prepay principal on any day in specified circumstances. No assurance can be given as to the level of prepayments that the Portfolio will experience. See also the section entitled "*The Portfolio – Sale of the Portfolio under the Mortgage Sale Agreement* ".

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

On any Interest Payment Date from and including the Step-Up Date or Interest Payment Date on which the aggregate Sterling Equivalent Principal Amount Outstanding of all the Notes is less than 10 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of all such Notes on the Closing Date,

the Issuer may, subject to certain conditions, redeem all 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 Swap Providers being required to make a Tax Deduction in respect of any payment in respect of the Notes or a Swap Agreement, respectively or the Issuer would be subject to UK corporation tax in an accounting period on an amount which materially exceeds the Issuer Profit Amount retained during that accounting period. See Condition 9.4 (*Optional Redemption in whole for taxation reasons*) for further information.

Early redemption of the Notes may adversely affect the yield on the Notes.

Ratings of the Notes

A rating is not a recommendation to buy, sell or hold securities and there is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any one or more of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. At any time, a Rating Agency may revise its relevant rating methodology, with the result that any rating assigned to the Notes may be lowered. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the value of the Notes. The Class B Notes and the Class R Notes will not be rated by the Rating Agencies.

In addition, recent rules adopted by the United States Securities Exchange Commission require nationally recognized statistical rating organizations ("**NRSROs**") that are hired by issuers and sponsors of a structured finance transaction to facilitate a process by which other NRSROs not hired in connection with the transaction can obtain the same information available to the hired NRSROs. Non-hired NRSROs may use this information to issue (and maintain) a rating of the Notes. Failure to make information available as required could lead to the ratings of the Notes being withdrawn by the applicable Rating Agency or a non-hired NRSRO.

NRSROs have different methodologies, criteria, models and requirements, which may result in ratings on the Notes that are lower than those assigned by the applicable Rating Agency. "Unsolicited" ratings of the Notes may be assigned by a non-hired NRSRO at any time, even prior to the closing date. Such "unsolicited" ratings of the Notes by a non-hired NRSRO may be lower than those assigned by the applicable Rating Agency. If a non-hired NRSRO issues a lower rating, the liquidity and market value of the particular class or classes of the Notes could be materially and adversely affected. In addition, the mere possibility that such a rating could be issued may affect price levels in any secondary market that may develop.

Ratings confirmation in relation to the Notes in respect of certain actions

The terms of certain Transaction Documents require the Rating Agencies to confirm that certain actions proposed to be taken by the Issuer and the Trustee will not have an adverse effect on the then current rating of the Notes (a "**Ratings Confirmation**").

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Trustee will not have an adverse effect on the then current rating of the Notes does not, for example, confirm that such action (i) is permitted by the terms of the Transaction Documents or (ii) is in the best interests of, or prejudicial to, Noteholders. While entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the relevant class (or sub-Class) of Notes would not be adversely affected, the above does not impose or extend any actual or contingent liability on the Rating Agencies to the Secured Creditors (including the Noteholders), the Issuer, the Trustee or any other person or create any legal relationship between the Rating Agencies and the Secured Creditors (including the Noteholders), the Issuer, the Trustee or any other person whether by way of contract or otherwise.

Any such Ratings Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency should not be responsible for the consequences thereof. A Ratings Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Ratings Confirmation represents only a

restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

Certain Rating Agencies have indicated that they will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

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

There can be no assurance 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 or, if it does develop, that it will provide Noteholders with liquidity of investment for the life of the Notes. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until their Final Maturity Date or alternatively such investor may only be able to sell the Notes at a discount to the original purchase price of those Notes.

Moreover, at the date of this Prospectus, the secondary market for mortgage-backed securities in general is experiencing disruptions resulting from reduced investor demand for such securities. At times 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 similar to the Notes experiencing limited liquidity. It should also be noted that the market for the Notes may be affected by any restructuring of sovereign debt by countries in the Euro-zone. It is unclear what the outcome of any restructuring will be. This uncertainty may have implications for the liquidity of the Notes in the secondary market.

Limited liquidity in the secondary market may 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. It is not known for how long these market conditions will continue or whether they will worsen.

Whilst central bank schemes such as the Bank of England's Discount Window Facility which was launched in October 2008 and the European Central Bank liquidity scheme provide an important source of liquidity in respect of eligible securities, recent restrictions in respect of the relevant eligibility criteria for eligible collateral which applies and will apply in the future under such facilities are likely to adversely impact secondary market liquidity for mortgage-backed securities in general, regardless of whether the Notes are eligible securities.

Rights of Noteholders and Secured Creditors

Conflict between Noteholders

The Trust Deed and the Deed of Charge contain provisions requiring the Trustee to have regard to the interests of the Class A Noteholders, the Class M Noteholders, the Class B Noteholders and the Class R Noteholders equally as regards all powers, trusts, authorities, duties and discretions of the Trustee (except where expressly provided otherwise).

If, in the opinion of the Trustee, there is a conflict between the interests of (a) (i) the Class A Noteholders and (ii) the Class M Noteholders and/or the Class B Noteholders and/or the Class R Noteholders, the Trustee shall give priority to the interests of the Class A Noteholders whose interests shall prevail; (b) (i) the Class M Noteholders; and (ii) the Class B Noteholders and/or the Class R Noteholders, the Trustee shall (subject to (a) or if there are no Class A Notes outstanding) give priority to the interests of the Class M Noteholders whose interests shall prevail; (c) (i) Class B Noteholders; and (ii) the Class R Noteholders, the Trustee shall (subject to (a) and (b) or if there are no Class A Notes or Class M Notes outstanding) give priority to the interests of the Class B Noteholders whose interests shall prevail.

If the Sellers are the beneficial owners of the Notes, they will not be entitled to vote in respect of them, unless they (or any holding company of the Sellers or any other subsidiary of such holding company) hold all the Notes of a Class (and no other Classes exist that rank junior or *pari passu* to such Class, in respect of which persons other than the Sellers or any holding company of the Sellers or any other subsidiary of

such holding company are Noteholders), in which case they will be entitled to vote in respect of the Notes in such Class.

JPMSL (or one of its affiliates), will on the Closing Date purchase the majority of the Class A1c Notes as well as certain of the Class A2 Notes. Pursuant to its rights as a holder of such Class A Notes, JPMSL or such affiliate may exercise voting rights in respect of the Class A Notes in a way that may be prejudicial to the interests of other Noteholders.

Citigroup (or one of its affiliates), will on the Closing Date purchase the majority of the Class A3 Notes in as well as certain of the Class A2 Notes. Pursuant to its rights as a holder of such Class A Notes, Citigroup or such affiliate may exercise voting rights in respect of the Class A Notes in a way that may be prejudicial to the interests of other Noteholders.

Conflict Between Noteholders and other Secured Creditors

The Trust Deed contains provisions requiring the Trustee to have regard to the interests of both the Noteholders and the other Secured Creditors as regards all of its powers, trusts, authorities, duties and discretions, but requiring the Trustee, in the event of a conflict between the interests of the Noteholders and any other Secured Creditors, to have regard only (except where expressly provided otherwise) to the interests of the Noteholders.

Noteholders as a Class

Without prejudice to the foregoing paragraph, in the exercise of its powers, trusts, authorities, duties and discretions, the Trustee will:

(a) have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and

(b) in the event of a conflict of interests of holders of different classes have regard only to the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Acceleration Priority of Payments.

The Mortgages

Sellers to initially retain legal title to the Loans and risks relating to set-off

The sale by each Seller to the Issuer of the English Loans and their Related Security (until legal title is conveyed) takes effect in equity only. The sale by each Seller to the Issuer of the Scottish Loans and their Related Security will take effect as a contractual sale only on the Closing Date. The transfer of such Scottish Loans and their Related Security from the Seller to the Issuer will be given effect by Scottish Declarations of Trust by each Seller (and any sale of any Further Advance in respect of a Scottish Loan and its Related Security will be given effect to by a further Scottish Declaration of Trust, if necessary by the relevant Seller) in favour of the Issuer by which the beneficial interest in such Scottish Loans and their Related Security will be transferred to the Issuer. In each case, this means that the Issuer will not acquire legal title and, in the case of registered land in England or Wales, will not be registered as proprietor and legal owner of the Mortgage at the Land Registry, or in the case of land in Scotland, will not be registered or recorded as heritable creditor at the Registers of Scotland, until certain trigger events occur under the terms of the Mortgage Sale Agreement (see "*The Portfolio — Sale of the Mortgages and their Related Security*", below).

Unless a Perfection Trigger Event occurs, the Issuer has not and will not apply to the Land Registry or the Central Land Charges Registry to register or record its equitable interest in the English Mortgages and their Related Security and no steps will be taken to complete or perfect its title to the Scottish Mortgages and their Related Security with the Registers of Scotland.

There are certain consequences under English law and Scots law of the Issuer not obtaining legal title to the Loans and their Related Security or the Properties secured thereby:

(a) a *bona fide* purchaser from the relevant Seller for value of any of such Loans and their Related Security without notice of any of the interests of the Issuer might obtain a good title free of any such interest. If this occurred, then the Issuer would not have good title to the affected Loan and its Related Security, and it would not be entitled to payments by a Borrower in respect of that Loan. However, the risk of third party claims obtaining priority to the interests of the Issuer in this way would be likely to be limited to circumstances arising from a breach by the relevant Seller of its contractual obligations or fraud, negligence or mistake on the part of the relevant Seller or the Issuer or their respective personnel or agents;

(b) although as between the Sellers and the Issuer, under the Administration Agreement, each Seller has agreed that it will not vary any of the terms of the Loans or their Related Security except that they may in their capacity as Administrators vary certain terms in certain circumstances as set out in the Administration Agreement, as between any Borrower and the Issuer, if the Sellers were to modify the terms of the Loans and their Related Security the revised terms would apply and the Issuer would only have recourse against the Sellers for breach of contract or breach of trust;

(c) prior to the insolvency of either Seller, unless (i) notice of the assignment was given to a Borrower who is a creditor of the relevant Seller in the context of the English Loans and their Related Security and (ii) an assignation of the Scottish Loans and their Related Security is effected by the relevant Seller to the Issuer and notice thereof is then given to a Borrower who is a creditor of the relevant Seller, equitable or independent set-off rights may accrue in favour of the Borrower against his or her obligation to make payments to the relevant Seller under the relevant Loan. These rights may result in the Issuer receiving reduced payments on the Loans. The transfer of the benefit of any Loans to the Issuer will continue to be subject to any prior rights the Borrower may become entitled to after the transfer. Where notice of the assignment is given to the Borrower or an assignation is effected and notice thereof is given, however, some rights of set-off may not arise after the date notice is given;

(d) once notice has been given to the Borrowers of the assignment of the English Loans and their Related Security to the Issuer or an assignation of the Scottish Loans and their Related Security is effected, independent set-off rights which a Borrower has against either Seller (such as, for example, set-off rights associated with Borrowers holding deposits with either Seller) will crystallise and further rights of independent set-off would cease to accrue from that date and no new rights of independent set-off could be asserted following that notice. Set-off rights arising under "transaction set-off" (which are set-off claims arising out of a transaction connected with the Loan) will not be affected by that notice and will continue to exist (see "*Risk Factors - Set-off Risk may adversely affect the value of the Portfolio or any part thereof*" below); and

(e) until notice of the assignment is given to Borrowers or an assignation is effected and notice thereof is given, the Issuer would not be able to enforce any Borrower's obligations under a Loan or Related Security itself but would have to join the relevant Seller as a party to any legal proceedings. Borrowers will also have the right to redeem their Mortgages by repaying the relevant Loan directly to the relevant Seller. However, each Seller will undertake, pursuant to the Mortgage Sale Agreement, to hold any money repaid to it in respect of relevant Loans to the order of the Issuer. However, for so long as the Issuer does not have legal title, each Seller will undertake for the benefit of the Issuer that it will lend its name to, and take such other steps as may reasonably be required by the Issuer in relation to, any legal proceedings in respect of the relevant Loans and their Related Security.

If any of the risks described above were to occur then the realisable value of the Portfolio or any part thereof may be affected. Under the Mortgage Sale Agreement, each Seller will grant to the Issuer and the Trustee a power of attorney to give them the power to do all further things and take all necessary action to perfect the transfer of legal title to the Loans and their Related Security on the occurrence of a Perfection Trigger Event.

Set-off risk may adversely affect the value of the Portfolio or any part thereof

As described above, the sale by the Sellers to the Issuer of English Loans will be given effect by an assignment, with each sale of Scottish Loans being given effect by the Scottish Declarations of Trust. As a result, legal title to the English Loans and the Scottish Loans and their Related Security sold by the Sellers to the Issuer will remain with the Sellers until the occurrence of certain trigger events under the

terms of the Mortgage Sale Agreement. Therefore, the rights of the Issuer may be subject to "transaction set-off," being the direct rights of the Borrowers against a particular Seller, including rights of set-off which occur in relation to transactions or deposits made between the Borrowers and a Seller existing prior to notification to the Borrowers of the assignment or assignation (as appropriate) of the Loans.

By way of example, set-off rights may arise if a Seller fails to make to a Borrower a Further Advance having agreed to do so.

The relevant Borrower may set off any claim for damages (or analogous rights in Scotland) arising from that Seller's breach of contract against that Seller's (and, as equitable assignee of or holder of the beneficial interest in the Loans and the Mortgages in the Portfolio, the Issuer's) claim for payment of principal and/or interest under the relevant Loan as and when it becomes due. These set-off claims will constitute transaction set-off, as described in the immediately preceding risk factor.

The amount of any such claim against a Seller will, in many cases, be the cost to the Borrower of finding an alternative source of funds (although, in respect of a Scottish Loan, it is possible, though regarded as unlikely, that the Borrower's rights of set-off could extend to the full amount of the additional drawing). The Borrower may obtain a mortgage loan elsewhere, in which case the damages awarded could be equal to any difference in the borrowing costs together with any direct losses arising from the relevant Seller's breach of contract, namely the associated costs of obtaining alternative funds (for example, legal fees and survey fees).

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

The exercise of set-off rights by Borrowers may adversely affect the realisable value of the Portfolio and/or the ability of the Issuer to make payments under the Notes.

Income and Principal Deficiency

If, on any Interest Payment Date, as a result of shortfalls in Available Revenue Receipts relative to interest due on the Class A Notes and the Class M Notes, amounts ranking in priority to the payment of interest on the Class A Notes and amounts necessary to eliminate any debit balances on the Principal Deficiency Ledger (excluding the Class B Principal Deficiency Sub-Ledger and the Class R Principal Deficiency Sub-Ledger), there is an Income Deficit, then subject to certain conditions set out in *"Key Structural Features"*, the Issuer may apply the General Reserve Fund. If following application of the General Reserve Fund, there is a Remaining Income Deficit, then (again subject to certain conditions) the Issuer may apply first, Principal Receipts (if any) and second, amounts standing to the credit of the Liquidity Reserve Fund (if established). In this event, the consequences set out in the following paragraph may result.

Application, as described above, of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Remaining Income Deficit, (in addition to any Losses) will be recorded first on the Class R Principal Deficiency Sub-Ledger until the balance of the Class R Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class R Notes then outstanding, next on the Class B Principal Deficiency Sub-Ledger until the balance of the Class B Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class B Notes then outstanding, next on the Class M Principal Deficiency Sub-Ledger until the balance of the Class M Principal Deficiency Sub-Ledger is equal to the aggregate Principal Amount Outstanding of the Class M Notes then outstanding and finally on the Class A Principal Deficiency Sub-ledger until the balance of the Class A Principal Deficiency Sub-Ledger is equal to the aggregate Sterling Equivalent Principal Amount Outstanding of the Class A Notes then outstanding.

It is expected that during the course of the life of the Notes, principal deficiencies will be recouped from Available Revenue Receipts and, other than in respect of the Class B Notes and the Class R Notes,

amounts standing to the credit of the General Reserve Fund. Available Revenue Receipts will be applied, after meeting prior ranking obligations as set out under the Pre-Acceleration Revenue Priority of Payments, to credit first the Class A Principal Deficiency Sub-Ledger, second the Class M Principal Deficiency Sub-Ledger, third the Class B Principal Deficiency Sub-Ledger and fourth the Class R Principal Deficiency Sub-Ledger. Amounts standing to the credit of the General Reserve Fund will be applied, after meeting prior ranking obligations as further described in *"Key Structural Features"*, to credit first the Class A Principal Deficiency Sub-Ledger and second the Class M Principal Deficiency Sub-Ledger.

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

- the interest and other net income of the Issuer may not be sufficient, after making the payments to be made in priority thereto, to pay, in full or at all, interest due on the Notes; and

- there may be insufficient funds to repay the Notes on or prior to the Final Maturity Date of the Notes unless the other net income of the Issuer is sufficient, after making other payments to be made in priority thereto, to reduce to nil the balance on the Principal Deficiency Ledger.

Product Switches, Further Advances and Substitutions

A Loan and its Related Security may be repurchased where a Product Switch or Further Advance or substitution is made or following the delivery of an Interest-Only Loan Conversion Repurchase Notice, in the circumstances and for the consideration set out in "*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement* ". There can be no assurance that either Seller will have the financial resources to honour its repurchase 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 on the Notes. The yield to maturity of the Notes may be affected by the repurchase of Loans that are either subject to Product Switches, Further Advances and substitution or are Interest-Only Converted Loans repurchased following the delivery of an Interest-Only Loan Conversion Repurchase Notice.

The number of Further Advance and Product Switch requests received by either Seller and/or either Administrator 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.

Grace Period for Mortgage Arrears

On 1 December 2008 RBS announced a six month grace period for customers with mortgage arrears. Pursuant to the announcement RBS will not initiate repossession proceedings for a full six months after a customer first falls into arrears. This practice is still ongoing. This may delay or impact the amounts of monies which would otherwise form Principal Receipts and/or Revenue Receipts if they had been recovered from repossession proceedings which are initiated immediately upon mortgage arrears.

Administration and Third Party Risk

Issuer reliance on other 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 Swap Providers have agreed to provide hedging to the Issuer, the Corporate Services Provider has agreed to provide certain corporate services to the Issuer, the Account Bank has agreed to provide the GIC Account and the Transaction Account to the Issuer, the Administrators have agreed to service the Portfolio, the Cash Manager has agreed to provide cash management services and the Paying Agents, the Registrar and the Agent Bank have all agreed to provide services with respect to the Notes. 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, payments on the Notes may be adversely affected.

Ability to Appoint Substitute Administrator

If an Administrator is removed in accordance with the terms of the Administration Agreement, there is no guarantee that a substitute administrator would be found, which could delay collection of payments on the relevant Loans and ultimately could adversely affect payments of interest and principal on the Notes. If the appointment of NWHL as an Administrator pursuant to the Administration Agreement is terminated due to the occurrence of an Administrator Insolvency Event in relation to NWHL, then, under the terms of the Administration Agreement, RBS will agree, subject to the conditions contained therein, to act as a substitute administrator (the "**Substitute Administrator**") to perform the Administration Services in respect of the NWHL Loans and their Related Security on behalf of the Issuer.

If RBS is not appointed as the Substitute Administrator to perform the Administration Services in respect of the NWHL Loans and their Related Security on behalf of the Issuer due to the conditions under the Administration Agreement not being satisfied or the appointment of RBS as Substitute Administrator is terminated due to any event, there is no guarantee that a replacement for RBS as a substitute administrator with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the Loans and the Related Security sold to the Issuer by NWHL in accordance with the terms of the Administration Agreement. This could delay collection of payments on the NWHL Loans and ultimately could adversely affect payment of interest and principal on the Notes.

Each Administrator will be appointed by the Issuer to administer the relevant Loans. If an Administrator breaches the terms of the Administration Agreement, the Issuer and/or the Trustee may, having given notice to the relevant Administrator and the Rating Agencies, terminate the appointment of the relevant Administrator and appoint a substitute administrator on substantially the same terms as those set out in the Administration Agreement.

Other than where an Administrator Insolvency Event occurs in relation to NWHL and RBS is appointed as Substitute Administrator, there can be no assurance that a substitute administrator with sufficient experience of administering mortgages of residential properties would be found who would be willing and able to service the relevant Loans on the terms of the Administration Agreement. In addition, as described below, any such substitute administrator will be required to be authorised under the Financial Services and Markets Act 2000 (the "**FSMA**") in order to administer Loans that constitute Regulated Mortgage Contracts. The ability of RBS or any other entity acting as a substitute administrator 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 substitute administrator may affect payments on the Loans and hence the Issuer's ability to make payments when due on the Notes.

The Administrators have no obligations themselves to advance payments that Borrowers fail to make in a timely fashion.

The Trustee is not obliged to act in certain circumstances

The Trustee may, at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or any other party to any of the Transaction Documents as it may think fit to enforce the provisions of the Notes or the Trust Documents (including the Conditions) or of the other Transaction Documents to which it is a party and at any time after the service of an Enforcement Notice, the Trustee may, at its discretion and without notice, take such proceedings, actions or steps as it may think fit to enforce the Security. However, the Trustee shall not be bound to take any such proceedings, actions or steps (including, but not limited to, the giving of an Enforcement Notice in accordance with Condition 13 (*Events of Default*) unless it shall have been directed to do so by an Extraordinary Resolution of the Most Senior Class of Noteholders or in writing by the holders of at least 25 per cent. in Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding and it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Change of counterparties

The parties to the Transaction Documents who receive and hold monies or provide support to the transaction pursuant to the terms of such documents (such as the Account Bank and the Swap Providers) are required to satisfy certain criteria in order to remain a counterparty to the Issuer.

These criteria include requirements imposed by the FSA under the FSMA and requirements in relation to the short-term and long-term unguaranteed and unsecured ratings ascribed to such party by the Rating Agencies. If the party concerned ceases to satisfy the applicable criteria, including the ratings criteria detailed above, then the rights and obligations of that party (including the right or obligation to receive monies on behalf of the Issuer) may be required to be transferred to another entity which does satisfy the applicable criteria. In these circumstances, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the relevant Transaction Document and the cost to the Issuer may therefore increase. This may reduce amounts available to the Issuer to make payments of interest on the Notes.

In addition, should the applicable criteria cease to be satisfied, then the parties to the relevant Transaction Document may agree to amend or waive certain of the terms of such document, including the applicable criteria, in order to avoid the need for a replacement entity to be appointed. The consent of Noteholders may not be required in relation to such amendments and/or waivers.

The Portfolio

Default by Borrowers in paying amounts due on their Loans

Borrowers may default on their obligations under the Loans. Defaults may occur for a variety of reasons. The Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal, such as changes in the 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.

In particular, Loans in the Portfolio may also be subject to geographic concentration risks. To the extent that specific geographic regions within the United Kingdom have experienced or may experience in the future weaker regional economic conditions and housing markets than other regions in the United Kingdom, a concentration of the Loans in such a region may be expected to exacerbate the risks relating to the Loans described in this section. Certain geographic regions within the United Kingdom rely on different types of industries. Any downturn in a local economy or particular industry may adversely affect the regional employment levels and consequently the repayment ability of the Borrowers in that region or the region that relies most heavily on that industry. Any natural disasters in a particular region may reduce the value of affected 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 as at the Cut-off Date , see "*The Portfolio — Statistical information on the Portfolio — Geographical Distribution of Properties*".

Other factors in Borrowers' 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.

If a Borrower fails to repay its Loan and the related Property is repossessed, the likelihood of there being a net loss on disposal of the Property is increased by a higher "loan to value" ratio.

In order to enforce a power of sale in respect of a Property, the relevant mortgagee (which may be the Sellers or the Issuer) must first obtain possession of the relevant Property. Possession is usually obtained by way of a court order or decree although this can be a lengthy and costly process and will involve the mortgagee assuming certain risks. If obtaining possession of properties in such circumstances is lengthy or costly, the Issuer's ability to make payments on the Notes may be reduced. The Issuer's ability to make such payment may be reduced further if the mortgagee's method for obtaining possession of properties permitted by law is restricted in the future.

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

Borrowers with a Loan subject to a variable rate of interest or with a Loan for which the related interest rate adjusts following an initial fixed rate or low introductory rate, as applicable, may be exposed to increased monthly payments if the related mortgage interest rate adjusts upward (or, in the case of a Loan with an initial fixed rate or low introductory rate, at the end of the relevant fixed or introductory period). This increase in Borrowers' monthly payments, which (in the case of a Loan with an initial fixed rate or low introductory rate) may be compounded by any further increase in the related mortgage interest rate during the relevant fixed or introductory period, ultimately may result in higher delinquency rates and losses in the future.

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 on the Portfolio, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

Declining property values

The value of the Related Security in respect of the Loans may be affected by, among other things, a decline in the residential property values in the United Kingdom. If the residential property market in the United Kingdom should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the Related Security being significantly reduced and, in the event that the Related Security is required to be enforced, may result in an adverse effect on payments on the Notes.

The United Kingdom recorded negative GDP growth during the course of 2009 and recorded small positive growth in the first half of 2010. During the second half of 2008 and continuing in 2009, the United Kingdom property market began a period of correction as a consequence of housing demand being constrained by a combination of subdued earnings growth, greater pressure on housing finances, rising unemployment, a decline in the availability of mortgage finance and the continued effect of global market volatility. House prices stabilised towards the end of 2009 and the beginning of 2010 but began to decline again towards the end of 2010. Should residential property values decline further, Borrowers may have insufficient equity to refinance their Loans with lenders other than the Seller and may have insufficient resources to pay amounts in respect of their Loans as and when they fall due. This could lead to higher delinquency rates and losses which in turn may adversely affect payments 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 section entitled "*The Portfolio – The Loans — Characteristics of the Loans - Repayment Terms*"). Where the Borrower is only required to pay interest during the term of the Loan, with the capital being repaid in a lump sum at the end of the term, the Borrower is recommended to ensure that some repayment mechanism such as an investment policy is put in place to ensure that funds will be available to repay the capital at the end of the term. However, while the Sellers recommend that the Borrower has a suitable repayment mechanism in place in relation to the Loan, the Sellers do not verify or do not require proof of any such repayment mechanism and does not take security over any investment policies taken out by Borrowers. The Sellers also recommend that the Borrower takes out term life assurance cover in relation to the Loan, although the Sellers again do not verify or take security over such 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 at maturity without resorting to the sale of the underlying Property depends on such Borrower's responsibility in ensuring that

sufficient funds are available from a given source such as pension policies, PEPs, ISA or endowment policies, as well as the financial condition of the Borrower, tax laws and general economic conditions at the time. If a Borrower cannot repay an Interest Only Loan and a Loss occurs, this may affect repayments on the Notes if the resulting Principal Deficiency Ledger entry cannot be cured.

Buildings insurance

The practice of the Sellers in relation to buildings insurance are described under the section entitled "T*he Portfolio — The Loans – Buildings Insurance Policies*" below. No assurance can be given that the Issuer will always receive the benefit of any claims made under any applicable buildings insurance contracts or that the amounts received in respect of a successful claim will be sufficient to reinstate the affected Property. This could adversely affect the Issuer's ability to redeem the Notes.

Redemption of Scottish Mortgages

Under Section 11 of the Land Tenure Reform (Scotland) Act 1974 the grantor of any standard security has an absolute right, on giving appropriate notice, to redeem that standard security once it has subsisted for a period of 20 years subject only to the payment of certain sums specified in Section 11 of that Act. These specified sums consist essentially of the principal monies advanced by the lender and expenses incurred by the lender in relation to that standard security and interest. The specified sums recoverable under the standard security may be less than expected, which in turn may affect the ability of the Issuer to make payments of interest and principal on the Notes.

No independent investigations; reliance on warranties in relation to the Loans

Each Seller will give certain warranties to each of the Issuer and the Trustee regarding its respective Loans and their Related Security to be sold to the Issuer on the Closing Date (see "*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement* " below for a summary of these).

Neither the Trustee, the Arranger, the Joint Lead Managers, the Co-Manager 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 each Seller. Loans which have undergone such a limited investigation may be subject to matters which would have been revealed by a full investigation of title and which may have been remedied or, if incapable of remedy, may have resulted in the Related Security not being accepted as security for a Loan had such matters been revealed. The primary remedy of the Issuer against the relevant Seller if any of the warranties made by the relevant Seller is materially breached or proves to be materially untrue as at the Closing Date or, as the case may be, any relevant Advance Date, Switch Date or Substitution Date and is not remedied within 30 London Business Days of receipt by the relevant Seller of a notice from the Issuer, shall be to require the relevant Seller to repurchase any relevant Loan and its Related Security. There can be no assurance that the relevant 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.

Risks Relating to Buy-To-Let Loans

The Loans in the Portfolio may be converted to buy-to-let loans pursuant to a Permitted Variation, upon which the relevant Properties will not be owner-occupied and may be let by the relevant Borrower to tenants. The Borrower's ability to service payment obligations in respect of such Loan is likely to depend on the Borrower's ability to lease the relevant Properties on appropriate terms. However, there can be no guarantee that the Borrower will be able to lease the relevant Property, 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 apparent 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 relevant Administrator may not be able to obtain vacant possession of the Property in which case the

relevant Administrator 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 relevant Administrator could realise upon enforcement of the Mortgage and a sale of the Property.

However, enforcement procedures in relation to such Mortgages (excluding any Scottish Mortgage) 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. Under Scots law, a receiver cannot be appointed under a land charge and the only enforcement which may be carried out under a standard security (the Scottish land charge) is a full enforcement of the charge (i.e. it cannot be enforced selectively by, for instance, attaching to rentals). The conclusion is that in Scotland, any attempt to secure the rental flows will depend upon the enforcement of the standard security.

Certain Regulatory Considerations

Mortgages Regulated under FSMA

In the United Kingdom, regulation of residential mortgage business by the Financial Services Authority ("**FSA**") under the Financial Services and Markets Act 2000 ("**FSMA**") came into force on 31 October, 2004 (the "**Mortgage Regulation Date**"). Subject to certain exemptions, entering into, arranging or advising in respect of or administering Regulated Mortgage Contracts (or agreeing to do any of these things) are regulated activities under FSMA requiring authorisation and permission from the FSA.

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

Each Seller holds authorisation and permission to enter into and to administer and (where applicable) to advise in respect of Regulated Mortgage Contracts. Subject to certain exemptions, brokers will be required to hold authorisation and permission to arrange and, where applicable, to advise in respect of Regulated Mortgage Contracts. The Issuer is not and does not propose to be an authorised person under FSMA. The Issuer does not require authorisation in order to acquire legal or beneficial title to a Regulated Mortgage Contract. The Issuer does not carry on the regulated activity of administering Regulated Mortgage Contracts by having them administered pursuant to an administration agreement by an entity having the required FSA authorisation and permission. If such an administration agreement terminates, however, the Issuer will use reasonable endeavours to arrange for mortgage administration to be carried out by a replacement administrator having the required FSA authorisation and permission.

The Issuer will not itself be an authorised person under the FSMA. However, in the event that a mortgage is varied, such that a new contract is entered into and that contract constitutes a Regulated Mortgage Contract then the arrangement of, advice on, administration of and entering into of such variation would need to be carried out by an appropriately authorised entity. In addition, on and after the Mortgage Regulation Date no variation has been or will be made to the Loans and no Further Advance or Product Switch has been or will be made in relation to a Loan, where it would result in the Issuer arranging or advising in respect of, administering or entering into a Regulated Mortgage Contract or agreeing to carry on any of these activities, if the Issuer would be required to be authorised under the FSMA to do so.

Any credit agreement intended to be a Regulated Mortgage Contract under the FSMA might instead be wholly or partly regulated by the Consumer Credit Act 1974 (the "**CCA**") or treated as such, or unregulated, and any credit agreement intended to be regulated by the CCA or treated as such, or unregulated, might instead be a Regulated Mortgage Contract under the FSMA, because of technical rules on (a) determining whether the credit agreement or any part of it falls within the definition of Regulated Mortgage Contract and (b) changes to credit agreements.

The FSA's Mortgages and Home Finance: Conduct of Business Sourcebook ("**MCOB**"), which sets out the FSA's rules for regulated mortgage activities, came into force on 31 October, 2004. These rules cover, *inter alia*, certain pre-origination matters such as financial promotion and pre-application illustrations,

pre-contract and start-of-contract and post-contract disclosure, contract changes, charges and arrears and repossessions.

If requirements as to authorisation and permission of lenders and brokers or as to issue and approval of financial promotions are not complied with, a Regulated Mortgage Contract will be unenforceable against the Borrower except with the approval of a court. In addition, a Borrower who is a private person may be entitled to claim damages for loss suffered as a result of any contravention by an authorised person of an FSA rule, and may set off the amount of the claim against the amount owing by the Borrower under the loan or any other loan that the Borrower has taken. Any such set-off may adversely affect the Issuer's ability to make payments on the Notes. An unauthorised person who administers a Regulated Mortgage Contract entered into on or after the Mortgage Regulation Date may commit a criminal offence, but this will not render the contract unenforceable against the Borrower.

So as to avoid dual regulation, it is intended that Regulated Mortgage Contracts will not be regulated by the CCA. Certain regulations made in 2005 and 2008 under FSMA are designed to clarify the position in this regard. This exemption only affects (i) credit agreements made on or after the Mortgage Regulation Date and (ii) credit agreements made before the Mortgage Regulation Date but subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date and constitutes a separate Regulated Mortgage Contract.

By virtue of the definition of Regulated Mortgage Contracts under the FSMA, Loans that have been converted to buy-to-let loans pursuant to a Permitted Variation would not normally be construed as Regulated Mortgage Contracts, subject to the risk of re-characterisation discussed above.

Each Seller will make certain warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each relevant Loan and its Related Security is enforceable (subject to certain exceptions). If a Loan or its Related Security does not comply with these warranties, and if the default (if capable of remedy) cannot be or is not cured within 30 London Business Days, then the relevant Seller will, upon receipt of notice from the Issuer, be required to repurchase the relevant Loans under the relevant mortgage account and their Related Security from the Issuer.

Credit agreements that were entered into before the Mortgage Regulation Date, but are subsequently changed such that a new contract is entered into on or after the Mortgage Regulation Date, are regulated under FSMA where they fall within the definition of "Regulated Mortgage Contract". All Loans originated by the Sellers on or after the Mortgage Regulation Date were intended to be Regulated Mortgage Contracts under FSMA.

Proposed expansion of MCOB regulation

In November 2009, the UK Government launched a consultation on mortgage regulation, which sets out proposals to extend the scope of FSA regulation to include buy-to-let mortgages and introduce a regulated activity of managing Regulated Mortgage Contracts which is intended to protect consumers when mortgage loans are sold. The consultation follows the announcements on mortgage regulation made in the July 2009 "Reforming financial markets" consultation, which set out the Government's proposals for reform of the financial system.

In its follow-up paper "Mortgage regulation: summary of responses", published in March 2010, the Treasury acknowledged an industry concern that the proposed regulated activity of managing Regulated Mortgage Contracts was drawn too widely and could potentially extend to include the activities of special purpose vehicles (such as the Issuer) used in the wholesale mortgage markets. The Treasury is continuing to address this concern and may publish revised proposals on the sale of mortgage books during the course of 2011.

On 26 January 2011, the Treasury announced a package of measures intended to enhance consumer protection in the mortgage market. These measures will transfer the regulation of new and existing second charge residential mortgages from the OFT to the FSA, ensure consistent standards of consumer protection and simplify the regulatory environment for lenders and borrowers; ensure consumer protections are maintained when a mortgage book is sold by a mortgage lender to an unregulated firm; and extend the current regulation of the sale and rent back market to all providers, to ensure appropriate protection for consumers. The statutory instruments introducing these measures are expected to be published during the course of 2011. Until such measures are published or implemented, it is not certain

what effect the implementation of such measures would have on the Loans, the Sellers, the Issuer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

The CCA Regime

Provided that the Loans are either regulated under FSMA or are (if converted pursuant to a Permitted Variation) buy-to-let loans to purchase property that will not be occupied by the Borrower (or any of his or her relatives), then none of the Loans should be regulated credit agreements within the meaning of the CCA. Each Seller will make certain warranties to the Issuer in the Mortgage Sale Agreement that, among other things, each relevant Loan falls within the scope of regulation under MCOB and therefore outside the scope of regulation under the CCA.

There remains a risk that any amount borrowed back under the Loans will constitute a separate credit agreement, and in some circumstances it is possible that some of those credit agreements will be regulated under the CCA. As the procedures for regulated credit agreements under the CCA will not have been followed in respect of those credit agreements, there is a risk that they will be enforceable only by order of the OFT or a court (depending on the breach involved).

On the basis of the warranties provided by each Seller, none of the Loans should be regulated agreements within the meaning of the CCA. Further, the Issuer does not intend to obtain a CCA licence. If any Loan is in fact regulated under the CCA and the Issuer does not have a CCA licence, such Loan would be unenforceable against the relevant Borrower without a validation order from the OFT if a Perfection Trigger Event has occurred and the Issuer has obtained legal title to such Loan.

EU proposal for a directive on credit agreements relating to residential property

On 31 March 2011, the European Commission published a proposal for a directive on credit agreements relating to residential immovable property for consumers. The proposed directive applies to: (a) credit agreements secured by a mortgage or comparable security commonly used in a member state on residential immovable property, or secured by a right relating to residential immoveable property; (b) credit agreements the purpose of which is to purchase or retain rights in land or in an existing or proposed residential building; and (c) credit agreements the purpose of which is to renovate residential immovable property and which are outside the Consumer Credit Directive (Directive 2008/48/EC). The proposed directive does not apply to credit agreements to be repaid from the sale proceeds of an immovable property, or to certain credit granted by an employer to its employees.

The proposed directive requires (among other things): standard information in advertising; standard pre-contractual information; adequate explanations to the borrower on the proposed credit agreement and any ancillary service; calculation of the annual percentage rate of charge in accordance with a prescribed formula; assessment of creditworthiness of the borrower; and a right of the borrower to make early repayment of the credit agreement. The proposed directive also imposes prudential and supervisory requirements for credit intermediaries and non-bank lenders.

Until the proposed directive is considered and adopted by the European Parliament and the Council, and implemented into UK law, it is not possible to tell what effect the directive and the implementation of the directive into UK law would have on the Loans, the Sellers, the Administrators, the Issuer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full on the Notes when due.

Distance Marketing Regulations

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

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

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

(a) the Borrower is liable to repay the principal and any other sums paid by the originator to the Borrower under or in relation to the cancelled agreement, within 30 days beginning with the day of the Borrower sending the notice of cancellation or, if later, the originator receiving notice of cancellation;

(b) the Borrower is liable to pay interest, or any early repayment charge or other charge for credit under the cancelled agreement, only if the Borrower received certain prescribed information at the prescribed time and if other conditions are met; and

(c) any security provided in relation to the contract is to be treated as never having had effect.

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

Consultation Paper on the power of sale and residential property

On 29 December 2009, the Ministry of Justice of the United Kingdom published a consultation paper (entitled "*Mortgages: power of sale and residential property" (CP55/09)*) which contains proposals to amend the law to prevent mortgagees from selling residential properties in England and Wales without a court order or the consent of the Borrower. It is not known if, and to what extent, these proposals will be enacted in the future as a matter of law. If the proposals are enacted, the ability of the mortgagee to exercise its power of sale in relation to the English Mortgages may be restricted and this may affect the Issuer's ability to make payments on the Notes.

Home Owner and Debtor Protection (Scotland) Act 2010

Part 1 of the Home Owner and Debtor Protection (Scotland) Act 2010 (the "**2010 Act**"), contains provisions imposing additional requirements on heritable creditors (the Scottish equivalent to mortgagees) in relation to the enforcement of standard securities over residential property in Scotland. Under the 2010 Act, a heritable creditor will be required to obtain a court order to exercise its power of sale, unless the Borrower has surrendered the property voluntarily. The ability of the Sellers as heritable creditor of the Scottish Mortgages to exercise its power of sale may be restricted and this may adversely affect the Issuer's ability to make payments on the Notes.

Unfair Terms in Consumer Contracts Regulations 1994 and 1999

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

The UTCCR provide that a consumer (which would include a Borrower under all or almost all of the Loans) may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer (although the rest of the agreement will remain enforceable if it is capable of continuing in existence without the unfair term).

The UTCCR will not affect 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 terms which define the main subject matter of the contract, such as the lender's power to vary the interest rate and certain terms imposing early repayment charges and mortgage exit administration fees. If any term of the Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

Both the Office of Fair Trading ("**OFT**") and the FSA have powers in relation to unfair contract terms under the UTCCR. Under concordats agreed between the FSA and the OFT, most recently in November

2009, the division of responsibility for the enforcement of the UTCCR in loan agreements was agreed to be allocated by them, generally, to the FSA in relation to Regulated Mortgage Contracts under FSMA originated by lenders authorised by the FSA and to the OFT in relation to other mortgages. In May 2005, the FSA issued a statement of good practice on fairness of terms in consumer contracts, which is relevant to firms authorised and regulated by the FSA in relation to products and services within the FSA's regulatory scope. This statement provides that, for locked-in Borrowers, a lender may consider drafting the contract to permit a change in the contract to be made only where any lock-in clause is not exercised. In January 2007, the FSA issued a statement of good practice on mortgage exit administration fees. This statement provides that the lender should ensure that the fee represents in fact the cost of the administration services that the lender provides when a Borrower exits the mortgage. The FSA issued a follow-up communication in November 2007 emphasising that this statement should not be interpreted narrowly and, where appropriate, firms should consider applying its principles to other charges. In August 2007, the FSA's Unfair Contract Terms Regulatory Guide came into force. This guide is designed to explain the FSA's policy on how it will use its powers under the 1999 Regulations.

Whilst the OFT and FSA have powers to enforce the UTCCR, it would be for a court to determine their proper interpretation. The extremely broad and general wording of the UTCCR makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any Loans which have been made to Borrowers covered by the UTCCR may contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans. If any term of the Loans is found to be unfair for the purpose of the UTCCR, this may adversely affect the ability of the Issuer to make payments to Noteholders on the Notes.

The guidance issued by the FSA and OFT has changed over time and it is possible that it may change in the future. No assurance can be given that any such changes in guidance on the UTCCR, will not have a material adverse effect on the Sellers, the Issuer and their respective businesses and operations.

Pre-action Protocol for mortgage possession cases

A new protocol for mortgage possession cases in England and Wales came into force on 19 November, 2008 and sets out the steps that judges will expect any lender to take before starting a claim. In response to this, a number of mortgage lenders have confirmed that they will delay the initiation of repossession action for at least three (or, in the case of some lenders, six) months after a Borrower, who is an owner-occupier, is in arrears. The application of such a moratorium is subject to the wishes of the relevant Borrower and may not apply in cases of fraud.

There can be no assurance that any delay in starting and/or completing repossession actions by the Seller would not result in the amounts recovered being less than if the Seller did not allow any such delays (which may ultimately affect the ability of the Issuer to make payments of interest and principal on the Notes when due). The protocol is addressed to residential mortgage lenders and may have adverse effects in markets experiencing above average levels of possession claims.

In addition, the Mortgage Repossession (Protection of Tenants etc) Act 2010 (the "**Repossession Act 2010**") came into force in October, 2010. The Repossession Act 2010 introduces new powers for courts hearing a mortgage repossession case where the property is occupied by unauthorised tenants, including powers to delay a repossession order and suspend a warrant of eviction on application by an unauthorised tenant.

Certain amendments to Chapter 13 of MCOB (which came into force on 25 June 2010) prevent, in relation to Regulated Mortgage Contracts: (a) repossessing the property unless all other reasonable attempts to resolve the position have failed, which include considering whether it is appropriate to offer an extension of term or a product switch and (b) automatically capitalising a payment shortfall. Formerly, these were the subject of non-binding guidance only.

The protocol and MCOB requirements for mortgage possession cases and the Repossession Act 2010 may have adverse effects in markets experiencing above average levels of possession claims. Delays in the initiation of responsive action in respect of the Loans may result in lower recoveries and a lower repayment rate on the Notes.

Mortgage Market Review

As noted above, in June 2010 the FSA made changes to MCOB which effectively convert previous guidance on the policies and procedures to be applied by authorised firms (such as the Sellers) with respect to forbearance in the context of Regulated Mortgage Contracts into formal mandatory rules. Under the new rules, a firm is restricted from repossessing a property unless all other reasonable attempts to resolve the position have failed and, in complying with such restriction, a firm is required to consider whether, given the borrower's circumstances, it is appropriate to take certain actions. Such actions refer to (amongst other things) the extension of the term of the mortgage, product type changes and deferral of interest payments. While the FSA has indicated that it does not expect each forbearance option referred to in the new rules to be explored at every stage of interaction with the borrower, it is clear that the new rules impose mandatory obligations on firms without regard to any relevant contractual obligations or restrictions. As a result, the new rules may operate in certain circumstances to require the Administrators to take certain forbearance-related actions which do not comply with the Transaction Documents (and, in particular, the asset servicing arrangements contemplated by such Transaction Documents) in respect of one or more Loans. No assurance can be made that any such actions will not impact on the Issuer's ability to make payments in full when due on the Notes, although the impact of this will depend on the number of Loans which involve a borrower which experiences payment difficulties.

Proposed changes to the UK regulatory structure

Responsibility for financial stability in the UK is currently shared by HM Treasury, the Bank of England, and the FSA. However, in July 2010 and February 2011, HM Treasury published consultations on proposals to reform the current system. The proposed reforms will result in the FSA ceasing to exist, and the establishment of three new regulatory bodies: (i) the Financial Policy Committee (the "**FPC**"), which will be a new macro-prudential regulator within the Bank of England to monitor and respond to systemic risks, (ii) the Prudential Regulation Authority (the "**PRA**") established as a subsidiary of the Bank of England, which will be responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and (iii) a new Financial Conduct Authority (the "**FCA**"), (previously referred to as the Consumer Protection and Markets Authority), which will be responsible for conduct of business and ensuring that business across financial services and markets is conducted in a way that advances the interests of all users and participants. HM Treasury proposes, inter alia, that the FCA will have power to render unenforceable contracts made in contravention of its product intervention rules, and that formalised cooperation will exist between the FCA and the Financial Ombudsman Service particularly where issues identified potentially have wider implications. It is likely that each of the PRA and the FCA will have some control over activities related to regulated mortgages and, potentially, some of the activities currently performed by the OFT, in respect of mortgage loans regulated by the CCA and unregulated mortgage loans. The new regulatory structure is expected to be in place by the end of 2012.

No assurance can be given that changes will not be made to the regulatory regime and the developments described above may impact the mortgage market in the United Kingdom generally, the Sellers' particular sector in that market or the Sellers specifically. Any consequence of such developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Sellers, the Issuer, the Administrators and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full when due on the Notes.

Financial Ombudsman Service

Under FSMA, the Financial Ombudsman Service is required to make decisions on, among other things, complaints relating to activities and transactions under its jurisdiction on the basis of what, in the Ombudsman's opinion, would be fair and reasonable in all circumstances of the case, taking into account, among other things, law and guidance. Transitional provisions exist by which certain complaints relating to breach of the Mortgage Code, the "**CML Code**" issued by the Council of Mortgage Lenders occurring before the Mortgage Regulation Date may be dealt with by the Financial Ombudsman Service.

Complaints brought before the Financial Ombudsman Service for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each case would first be adjudicated by an adjudicator. Either party to the case may appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by the Ombudsman. As the Financial Ombudsman Service is required to make decisions on the basis of, among other things, the principles of fairness, and may

order a money award to a complaining Borrower, it is not possible to predict how any future decision of the Financial Ombudsman Service would affect the ability of the Issuer to make payments to Noteholders.

Consumer Protection from Unfair Trading Regulations 2008

On 11 May, 2005, the European Parliament and Council adopted a directive on unfair business-to-consumer commercial practices (the "**Unfair Practices Directive**"). The Unfair Practices Directive was implemented into United Kingdom law through the Consumer Protection from Unfair Trading Regulations 2008 ("**CPUTRs**"). The CPUTRs came into effect on 26 May 2008 and affect all contracts entered into with persons who are natural persons and acting for purposes outside their respective business. Although the CPUTRs are not concerned solely with financial services, they do apply to the residential mortgage market. The OFT and FSA agreed a concordat most recently in November, 2009 to co-ordinate enforcement action and co-operate regarding the delivery of consumer protection in relation to the CPUTRs.

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

(a) contrary to the standard of special skill and care which a trader may reasonably be expected to exercise towards consumers, commensurate with honest market practice and/or general principles of good faith in the trader's field of activity; and

(b) materially distorts or is likely to materially distort the economic behaviour of the average consumer (who is reasonably well-informed and reasonably observant and circumspect, and taking into account social, cultural and linguistic factors) who the practice reaches or to whom it is addressed (or where a practice is directed at or is of a type which may affect a particular group of consumers, the average consumer of that group).

In addition to the general prohibition on unfair commercial practices, the CPUTRs contain provisions aimed at aggressive and misleading practices (including, but not limited to: (i) pressure selling; (ii) misleading marketing (whether by action or omission); and (iii) falsely claiming to be a signatory to a code of conduct) and a list of practices which will in all cases be considered unfair. The effect (if any) of the CPUTRs on the Loans, the Sellers or the Issuer and their respective businesses and operations will depend on whether those entities engage in any of the practices described in the CPUTRs. Whilst engaging in an unfair commercial practice does not render a contract void or unenforceable, to do so is an offence punishable by a fine and/or imprisonment. In practical terms, the CPUTRs have not added much to the regulatory requirements already in place, such as treating customers fairly and conduct of business rules. Breach of the CPUTRs would initiate intervention by a regulator.

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

Potential effects of any additional regulatory changes

No assurance can be given that changes will not be made to the regulatory regime and developments described above, the mortgage market in the United Kingdom generally or in any jurisdiction (including the United States), the relevant Seller's particular sector in the United Kingdom or any other jurisdiction (including the United States) or specifically in relation to the relevant Seller or in respect of the market for asset-backed securities (and any investment in respect thereof). Any such action or developments, in particular, but not limited to, the cost of compliance, may have a material adverse effect on the Sellers, the Issuer and/or the Servicer and their respective businesses and operations. This may adversely affect the Issuer's ability to make payments in full when due on the Notes.

English law security and insolvency considerations

The Issuer will enter into the Deed of Charge pursuant to which it will grant the Security in respect of certain of its obligations, including its obligations under the Notes. If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Security may be delayed and/or the value of the Security impaired.

The Insolvency Act allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charge created by the Issuer and granted by way of

security to the Trustee. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent which may lead to the ability to realise the Security being delayed and/or the value of the Security being impaired.

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

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

Fixed charges may take effect under English law as floating charges

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only, if, for example, it is determined that the Trustee does not exert sufficient control over the Charged Property (although it should be noted that there is no equivalent concept of recharacterisation of fixed security as floating charges under Scots law). If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Trustee in respect of the floating charge assets.

The interest of the Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Security. Section 251 of the Enterprise Act 2002 abolishes Crown preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but Section 176A of the Insolvency Act requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration or liquidator, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to Noteholders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors.

Liquidation expenses

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

Risks relating to the Banking Act 2009

If an instrument or order were to be made under the Banking Act 2009 in respect of a UK-incorporated institution with permission to accept deposits pursuant to Part IV of FSMA (such as the Sellers, the Swap Providers, the Account Banks, etc), 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 and (in the case of the Sellers) trigger events in respect of perfection of legal title to the Loans). 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 and may result in a change in the contractual terms applicable to the Notes without the consent of the Noteholders. While there is provision for compensation in certain circumstances under the Banking Act 2009, there can be no assurance that Noteholders would recover compensation promptly and equal to any loss actually incurred. As at the date of this Prospectus, none of the FSA, HM Treasury or the Bank of England have made an instrument or order under the Banking Act 2009 in respect of the relevant entities referred to above and there has been no indication that the FSA, HM Treasury or the Bank of England 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.

The Independent Commission on Banking has published its final report on competition and possible structural reforms in the UK banking industry. The implementation of the recommendations included in the final report could have a material adverse effect on the Group.

The Independent Commission on Banking (the "**ICB**") was appointed by the UK Government in June 2010 to review possible structural measures to reform the UK banking system in order to promote, amongst other things, stability and competition. The ICB published its final report to the Cabinet Committee on Banking Reform on 12 September 2011 (the "**Final Report**") which sets out the ICB's views on possible reforms to improve stability and competition in UK banking. The Final Report makes a number of recommendations, including in relation to (i) the implementation of a ring-fence of retail banking operations, (ii) loss-absorbency (including bail-in) and (iii) competition. The ICB has recommended 2019 as the final deadline for the implementation of its recommendations. The Group will continue to participate in the debate and to consult with the UK Government on the implementation of the recommendations set out in the Final Report, the effects of which could materially adversely affect the Group's structure, results of operations, financial condition and prospects. There can be no assurance that the Noteholders will not be adversely affected by the implementation of the recommendations set out in the Final Report.

Implementation of, and amendments to, the Basel II framework may affect the regulatory capital and liquidity treatment of the Notes

The regulatory capital framework published by the Basel Committee on Banking Supervision (the "**Basel Committee**") in 2006 (the "**Basel II Framework**") has not been fully implemented in all participating countries. The implementation of the framework in relevant jurisdictions may affect the risk-weighting of the Notes for investors who are or may become subject to capital adequacy requirements that follow the framework.

It should also be noted that the Basel Committee has approved significant changes to the Basel II Framework (such changes being commonly referred to as "**Basel III**"), including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions. In particular, the changes refer to, amongst other things, new requirements for the capital base held by credit institutions, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the "**Liquidity Coverage Ratio**" and the "**Net Stable Funding Ratio**"). Member countries will be required to implement the new capital standards from January 2013, the new Liquidity Coverage Ratio from January 2015 and the new Net Stable Funding Ratio from January 2018. The European Commission's corresponding proposals to implement the changes (through amendments to the Capital Requirements

Directive (or "**CRD**") known as "**CRD 4**") were published in July 2011. The changes approved by the Basel Committee may have an impact on incentives to hold the Notes for investors that are subject to requirements that follow the revised framework and, as a result, they may affect the liquidity and/or value of the Notes.

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

Impact of regulatory initiatives on certain investors

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a raft of measures for increased regulation including, without limitation Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC, and which together with Directive 2006/49/EC forms the second Capital Requirements Directive or "**CRD 2**") ("**Article 122a**") of the CRD and Directive 2009/138/EC ("**Solvency II**") which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes are responsible for analysing their own regulatory position and none of the Issuer, the Joint Lead Managers, the Co-Manager, the Arranger or any Seller makes any representation to any prospective investor or purchaser of the Notes regarding the regulatory capital treatment of their investment (or the liquidity of such investment as a result thereof) on the Closing Date or at any time in the future.

In particular, investors should be aware of Article 122a (as amended). Article 122a applies where certain credit institutions become exposed to the credit risk of a securitisation position issued under securitisations established after 31 December 2010, and imposes certain restrictions and requirements on such credit institutions as investors, as well as on the sponsors and/or originators with respect to such securitisations. Failure to comply with one or more of the restrictions or requirements set out in Article 122a may result in the imposition of a penal regulatory charge on the Notes acquired by the relevant investor. Investors which are EU regulated credit institutions should make themselves aware of the requirements of Article 122a (and any implementing rules in relation to a relevant jurisdiction). There remains considerable uncertainty with respect to Article 122a and it is not clear what is required to demonstrate compliance to national regulators. Investors who are uncertain as to the requirements that will need to be complied with in order to avoid the additional regulatory capital charges for non-compliance with Article 122a and any implementing rules in a relevant jurisdiction should seek guidance from their regulator. Similar requirements to those set out in Article 122a are expected to be implemented for other EU regulated investors (such as investment firms, insurance and reinsurance undertakings, UCITS funds and certain hedge fund managers) in the future.

In general, Article 122a, Solvency II and any other changes to the regulation or regulatory treatment of the Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Notes in the secondary market.

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 of the Notes should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the 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 the Notes under any applicable risk-based capital or similar rules.

Securitisation Company Tax Regime

The Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") were made under section 84 of the Finance Act 2005 on 11 December 2006 (and now take effect under Chapter 4, Part 13 of the Corporation Tax Act 2010). The TSC Regulations deal with the corporation tax position of securitisation companies such as the Issuer with effect for periods of account beginning on or after 1 January 2007. The TSC Regulations have been amended by, in particular, the Taxation of Securitisation

Companies (Amendment) Regulations 2007, which came into force on 27 December 2007 (and have effect for periods beginning on or after 1 January 2007).

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

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

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

EU Savings Directive

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

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

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in the European economic and monetary union and that the Euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of the Notes may become payable in Euro; (ii) law may allow or require the Notes to be redenominated into Euro and additional measures to be taken in respect of such Notes; and (iii) there may no longer be available published or displayed rates for deposits in Sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect a Borrower's ability to repay its Loan as well as adversely affect investors in the Notes.

Book-Entry Interests

Unless and until Definitive Registered 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 the 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 in respect of the Notes to DTC, Euroclear or Clearstream, Luxembourg or to holders or beneficial owners of Book-Entry Interests.

Cede & Co. will be considered the registered holder of Rule 144A Notes as shown in the records of DTC and will be the sole legal holder of the Rule 144A Global Registered Notes (other than those representing EUR Notes under the Trust Deed while the Rule 144A Notes are represented by the Rule 144A Global Registered Notes. A nominee for the Common Depository will be considered the registered holder of the Rule 144A Global Registered Notes representing EUR Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal holder of such Rule 144A Global Registered Notes under the Trust Deed while such Rule 144A Global Registered Notes are represented by the Rule 144A Global Registered Notes. A nominee for the Common Depository will be considered the registered holder of the Non-Euro Reg S Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal holder of the Non-Euro Reg S Global Registered Notes under the Trust Deed while the Non-Euro Reg S Notes are represented by the Non-Euro Reg S Global Registered Notes. A nominee for the Common Safekeeper will be considered the registered holder of the Euro Reg S Notes as shown in the records of Euroclear or Clearstream, Luxembourg and will be the sole legal holder of the Euro Reg S Global Registered Notes under the Trust Deed while the Euro Reg S Notes are represented by the Euro Reg S Global Registered Notes. Accordingly, each person owning a Book-Entry Interest must rely on the relevant procedures of DTC, 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.

Except as noted in the previous paragraph, payments of principal and interest on, and other amounts due in respect of, the Global Registered Notes will be made by the Principal Paying Agent to (i) Cede & Co. (as nominee of DTC) or a nominee of the Common Depository (as applicable) in the case of the Rule 144A Global Registered Notes, (ii) a nominee of the Common Safekeeper for Euroclear and Clearstream, Luxembourg in the case of the Euro Reg S Global Registered Notes and (iii) a nominee of the Common Depository in the case of the Non-Euro Reg S Global Registered Notes. Upon receipt of any payment from the Principal Paying Agent, DTC, 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 Trustee, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, the Book-Entry Interests or for maintaining, supervising or reviewing any records relating to such Book-Entry Interests.

Unlike 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 DTC, 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 DTC, Euroclear and Clearstream, Luxembourg unless and until Definitive Registered 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 DTC, Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among participants of DTC and 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 Trustee, any Paying Agent, the Registrar or any of their agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

Because transactions in the Rule 144A Global Registered Notes (other than those representing EUR Notes) will be effected only through DTC, direct or indirect participants in DTC's book-entry system and certain banks, the ability of a holder to pledge such interest to persons or entities that do not participate in

the DTC system, or otherwise to take actions in respect of such interests, may be limited due to the lack of physical security representing such interest.

The lack of Notes in physical form could also make it difficult for a Noteholder to pledge such Notes if Notes in physical form are required by the party demanding the pledge and hinder the ability of the Noteholder to recall such Notes because some investors may be unwilling to buy Notes that are not in physical form.

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

Meetings of Noteholders, modification and waiver

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 Trust Deed provides that, without the consent or sanction of the Noteholders or any of the other Secured Creditors, the Trustee may:

(a) concur with the Issuer and/or any other person, in making any modification to the Conditions or the Transaction Documents:

  (i) (including a Reserved Matter) which, in the opinion of the Trustee, is of a formal, minor or technical nature, or is to correct a manifest error; or

  (ii) (other than a Reserved Matter) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding,

(b) authorise or waive, on such terms and conditions (if any) as it may decide, any proposed breach or breach of any Transaction Document, if in the Trustee's opinion, the interests of the holders of the Most Senior Class of Notes then outstanding will not be materially prejudiced thereby, and

(c) determine that any Event of Default or Potential Event of Default shall not be treated as such, if in the Trustee's opinion, the interests of the holders of the Most Senior Class of Notes then outstanding will not be materially prejudiced thereby,

provided always that the Trustee shall not exercise any powers under paragraphs (b) or (c) in contravention of any express direction given by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (but no such direction or request shall affect (a) any authorisation, waiver or determination previously given or made; or (b) shall authorise or waive any proposed breach or breach relating to a Reserved Matter unless each Class of Notes, has by Extraordinary Resolution, so authorised its exercise).

The Trustee may also, without the consent of any of the Noteholders or other Secured Creditors, concur with the Issuer in substituting in place of the Issuer a Substituted Obligor as the principal debtor in respect of the Transaction Documents provided that certain conditions as set out in the Trust Deed are satisfied.

United States Federal Income Tax Treatment

The proper U.S. federal income tax treatment of the Rule 144A Notes will depend upon whether the Notes are classified as debt or equity for U.S. federal income tax purposes. However, there are no authorities addressing similar transactions involving instruments issued by an entity with terms similar to those of the Rule 144A Notes. As a result, certain aspects of the U.S. federal income tax consequences of an investment in the Rule 144A Notes are not certain. The Issuer intends, and each holder, by purchasing the Rule 144A Notes, agrees, to treat such Rule 144A Notes as indebtedness of the Issuer for U.S. federal income tax purposes. Special U.S. Tax Counsel to the Issuer is of the opinion that, although there is no statutory, judicial or administrative authority directly addressing the characterisation of the Rule 144A

Notes for U.S. federal income tax purposes, when issued, the Class A Notes and the Class M Notes will, be treated as indebtedness for U.S. federal income taxation purposes. Holders may not rely upon the foregoing opinion and such opinion will not be binding upon the U.S. Internal Revenue Service (the "**IRS**"), or the courts, and no ruling will be sought from the IRS regarding this, or any other, aspect of the U.S. federal income tax treatment of the Rule 144A Notes. Accordingly, there can be no assurances that the IRS will not contend, and that a court will not ultimately hold, that one or more classes of the Notes are equity in the Issuer or that any of the other items discussed below under "*United States Federal Income Taxation*" are treated differently. If any class of Rule 144A Notes is treated as equity in the Issuer for U.S. federal income tax purposes, there might be adverse tax consequences upon the sale, exchange or other disposition of, or the receipt of certain types of distributions on, such Notes by a U.S. Holder. Prospective U.S. Holders in the Rule 144A Notes should consult with their tax advisers as to the effect of a recharacterisation of the Rule 144A Notes as equity interests in the Issuer.

The Issuer may be subject to U.S. withholding tax if it fails to enter into an agreement with the IRS to report certain information about the holders of the Notes, which may reduce amounts available to the Issuer to make payments on the Notes.

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act, ("**FATCA**") generally impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to certain non-US financial institutions (including entities such as the Issuer) that do not enter into and comply with an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information on the holders of its debt or equity (other than debt or equity interests that are regularly traded on an established securities market). The new withholding regime will be phased in beginning in 2014.

The IRS has not yet provided comprehensive guidance regarding FATCA and no assurance can be provided that the Issuer will enter into such an agreement with the IRS. If the Issuer determines that it must comply with FATCA in order to receive certain payments free of U.S. withholding tax, holders may be required to provide certain information. If a holder does not provide the necessary information, amounts paid to such holder on the Notes may be reduced.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISOR TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

Change of law

The structure of the transaction as described in this Prospectus 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.

USE OF PROCEEDS

The Issuer will use the gross proceeds of the Notes (exchanged at the appropriate exchange rate under the Currency Swaps) to pay the Initial Consideration of £3,526,605,291.63 payable by the Issuer for the Initial Portfolio to be acquired from the Sellers on the Closing Date and will deposit the remainder of the proceeds in the GIC Account (see "*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement* ").

ISSUER

The Issuer was incorporated in England and Wales on 7 April 2011 (registered number 7596584) and is a public limited company under the Companies Act 2006 (as amended). The name of the Issuer was changed to Arran Residential Mortgages Funding 2011-2 plc on 26 August 2011. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP. The telephone number of the Issuer's registered office is 020 7398 6300.

The issued share capital of the Issuer comprises 50,000 ordinary shares of £1 each, 49,998 shares of which are partly paid to £0.25 each and 2 of which are fully paid and all of which are beneficially owned by Holdings (see the section entitled "*Holdings*" below).

The Issuer was established as a special purpose vehicle for the purposes of issuing the Notes. The Issuer has no subsidiaries. The Sellers do not own directly or indirectly any of the share capital of Holdings or the Issuer.

The Issuer has not engaged, since its incorporation, in any material activities nor commenced operations other than those incidental to its registration as a public company under the Companies Act 2006 (as amended) and to the proposed issue of the Notes and the authorisation of the other Transaction Documents referred to in this Prospectus to which it is or will be a party and other matters which are incidental or ancillary to the foregoing. Save as disclosed in this Prospectus, the Issuer has no loan capital, borrowings or material contingent liabilities (including guarantees) as at the date of this Prospectus. The Issuer has no employees.

As at the date of this Prospectus, no statutory accounts have been prepared or delivered to the Registrar of Companies on behalf of the Issuer. The accounting reference date of the Issuer is 31 December and the first statutory accounts of the Issuer will be drawn up to 31 December 2011.

Under the Corporate Services Agreement, the Corporate Services Provider will provide to the Issuer certain directors and other corporate services for the Issuer in consideration for the payment of an annual fee to the Corporate Services Provider.

Directors and secretary

The following table sets out the directors of the Issuer and their respective business addresses and occupations.

Name	Business address	Business Occupation
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Corporate Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director

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

Name	Business address	Principal activities/business occupation
Jocelyn Coad	35 Great St. Helen's, London EC3A 6AP	Director
Jonathan Keighley	35 Great St. Helen's, London EC3A 6AP	Director
James Macdonald	35 Great St. Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director

Name	Business address	Principal activities/business occupation
Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

The business address of each of the directors of Structured Finance Management Limited is 35 Great St. Helen's, London EC3A 6AP.

The company secretary of the Issuer is SFM Corporate Services Limited, whose principal office is at 35 Great St. Helen's, London EC3A 6AP.

HOLDINGS

Holdings was incorporated in England and Wales on 26 August 2009 (registered number 7001873) as a private limited company under the Companies Acts 1985 and 2006 (as amended). The name of Holdings was changed to Arran Securitisation Holdings Limited on 30 July 2010. The registered office of Holdings is 35 Great St. Helen's, London EC3A 6AP. The telephone number of Holdings' registered office is 020 7398 6300.

The issued share capital of Holdings comprises one ordinary share of £1.

The entire beneficial interest in the share of Holdings is beneficially owned by SFM Corporate Services Limited (the "**Share Trustee**") on a discretionary trust for charitable purposes.

Holdings holds the entire beneficial interest in the issued share capital of the Issuer.

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

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

Holdings has not engaged in any other activities since its incorporation other than acquiring and holding shares in Arran Residential Mortgages Funding 2010-1 plc and Arran Residential Mortgages Funding 2011-1 plc, entering into term loans in order to capitalise Arran Residential Mortgages Funding 2010-1 plc and Arran Residential Mortgage Funding 2011-1 plc, respectively, and other ancillary transaction documents in relation to its holdings in Arran Residential Mortgages Funding 2010-1 plc and Arran Residential Mortgages Funding 2011-1 plc. Holdings has authorised and entered into a term loan in order to capitalise Arran Residential Mortgages Funding 2011-2 plc and other ancillary transaction documents in relation to its holdings in Arran Residential Mortgages Funding 2011-2 plc. Holdings has no employees.

Directors

The directors of Holdings and their respective business addresses and occupations are:

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

The directors of SFM Directors Limited and SFM Directors (No. 2) Limited and their respective occupations are:

Name	Business Address	Business Occupation
Jocelyn Coad	35 Great St. Helen's, London EC3A 6AP	Director
Jonathan Keighley	35 Great St. Helen's, London EC3A 6AP	Director
James Macdonald	35 Great St. Helen's, London EC3A 6AP	Director
Robert Berry	35 Great St. Helen's, London EC3A 6AP	Director
J-P Nowacki	35 Great St. Helen's, London EC3A 6AP	Director
Claudia Wallace	35 Great St. Helen's, London EC3A 6AP	Director

Vinoy Nursiah	35 Great St. Helen's, London EC3A 6AP	Director
Helena Whitaker	35 Great St. Helen's, London EC3A 6AP	Director

The company secretary of Holdings is SFM Corporate Services Limited whose registered office is at 35 Great St. Helens, London EC3A 6AP.

The accounting reference date of Holdings is 31 December.

Holdings has no employees.

NATIONAL WESTMINSTER HOME LOANS LIMITED AND THE ROYAL BANK OF SCOTLAND PLC

General

NWHL will perform the following roles in connection with the issuance of the Notes:

- Seller; and
- Administrator.

NWHL (in its capacity as Administrator) will sub-delegate the performance of its administration obligations to RBS. See *"The Administrators"* below.

The registered office of NWHL is 135 Bishopsgate, London EC2M 3UR.

RBS will perform the following roles in connection with the issuance of the Notes:

- Seller;
- Administrator;
- Delegate Administrator;
- Seller Collection Account Bank;
- Cash Manager;
- Currency Swap Provider;
- Basis Swap Provider;
- Subordinated Loan Provider;
- Account Bank;
- Arranger; and
- Joint Lead Manager.

The registered office of RBS is 36 St Andrew Square, Edinburgh EH2 2YB.

NWHL and RBS will be responsible for the selection of the pool of loans to be securitised and for ongoing administration and reporting. NWHL will delegate the performance of its administration and reporting obligations to RBS which will also perform its own administration and reporting obligations.

RBS will provide cash management services, act as joint lead manager and be responsible for structuring of the transaction, cashflow modelling, liaison with Rating Agencies, arranging distribution and marketing of the securities, arranging interest rate and other hedging, engaging various third party service providers and advisors, overseeing pricing of the securities as well as overall transaction management.

Overview

RBS is a public limited company incorporated in Scotland with registration number SC090312 and was incorporated under Scots law on 31 October 1984. RBS is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc ("**RBSG**" or the "**Group**"), which is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, RBS, National Westminster Bank Plc ("**NatWest**") and The Royal Bank of Scotland N.V. ("**RBS N.V.**") Both RBS and NatWest are major United Kingdom clearing banks. RBS N.V. is a bank regulated by the Dutch Central Bank. In the United States, the Group's subsidiary Citizens Financial Group, Inc is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

Assets, owners' equity and capital ratios

The Group had total assets of £1,446.0 billion and owners' equity of £74.7 billion as at 30 June 2011. As at 30 June 2011, the Group's capital ratios were a total capital ratio of 14.4 per cent., a Core Tier 1 capital ratio of 11.1 per cent. and a Tier 1 capital ratio of 13.5 per cent..

Principal subsidiaries

RBSG's directly-owned principal subsidiaries are RBS and RBS Insurance Group Limited. In addition, RFS Holdings B.V. (the holding company of RBS Holdings N.V. and its subsidiary RBS N.V.) is approximately 98 per cent. owned, and is also controlled, by RBSG. Each of these companies is included in the consolidated financial statements of RBSG and has an accounting reference date of 31 December.

RBS is wholly-owned by RBSG and supervised by the FSA as a bank.

The principal subsidiaries of RBS are shown below. Their capital consists of ordinary and preference shares, which are unlisted with the exception of certain preference shares issued by NatWest.

All of the subsidiaries are owned directly or indirectly through intermediate holding companies and are wholly-owned. All of these subsidiaries are included in the consolidated financial statements of RBSG and have an accounting reference date of 31 December.

- Citizens Financial Group, Inc.
- Coutts & Company
- RBS Securities Inc.
- National Westminster Bank Plc
- Ulster Bank Limited

Proposed transfers of a substantial part of the business activities of The Royal Bank of Scotland N.V. to The Royal Bank of Scotland plc

On 19 April 2011, the boards of RBSG, RBS, RBS Holdings N.V. and RBS N.V. approved the proposed transfers of a substantial part of the business activities of RBS N.V. to RBS (the "**Proposed Transfers**"), subject, among other matters, to regulatory and other approvals, further tax and other analysis in respect of the assets and liabilities to be transferred and employee consultation procedures. It is expected that the Proposed Transfers will be implemented on a phased basis over a period ending 31 December 2013. A large part of the Proposed Transfers (including the transfers of certain securities issued by RBS N.V.) is expected to have taken place by the end of 2012. On 23 September 2011, RBS announced that the Court of Session in Scotland (the "**Court**") had approved an order under Part VII of the UK Financial Services and Markets Act 2000 to sanction a banking business transfer scheme in respect of eligible business carried on in the UK by RBS N.V. (the "**Part VII Scheme**"). The Part VII Scheme, as approved by the Court, will take effect from 00:01hrs on 17 October 2011.

The Group's businesses

The Group's activities are organised on a divisional basis as follows:

UK Retail offers a comprehensive range of banking products and related financial services to the personal market. It serves customers through the RBS and NatWest networks of branches and ATMs in the United Kingdom, and also through telephone and internet channels. UK Retail launched the Retail Customer Charter in June 2010 and progress against the commitments made are formally reported as part of the year-end results.

UK Corporate is a leading provider of banking, finance, and risk management services to the corporate and SME sector in the United Kingdom. It offers a full range of banking products and related financial services through a nationwide network of relationship managers, and also through telephone and internet channels. The product range includes asset finance through the Lombard brand.

Wealth provides private banking and investment services in the United Kingdom through Coutts & Co and Adam & Company, offshore banking through RBS International, NatWest Offshore and Isle of Man Bank, and international private banking through RBS Coutts.

Global Transaction Services ranks among the top five global transaction services providers, offering global payments, cash and liquidity management, and trade finance and commercial card products and services. It includes the Group's corporate money transmission activities in the United Kingdom and the United States.

Ulster Bank is the leading retail and business bank in Northern Ireland and the third largest banking group on the island of Ireland. It provides a comprehensive range of financial services. The Retail Markets division, which has a network of 236 branches, operates in the personal and financial planning sectors. The Corporate Markets division provides services to SME business customers, corporates and institutional markets.

US Retail & Commercial provides financial services primarily through the Citizens and Charter One brands. US Retail & Commercial is engaged in retail and corporate banking activities through its branch network in 12 states in the United States and through non-branch offices in other states.

The divisions discussed above are collectively referred to as Retail & Commercial.

Global Banking & Markets ("**GBM**") is a leading banking partner to major corporations and financial institutions around the world, providing an extensive range of debt and equity financing, risk management and investment services to its customers. The division is organised along six principal business lines: money markets; rates flow trading; currencies and commodities; equities; credit and mortgage markets and portfolio management & origination.

RBS Insurance provides a wide range of general insurance products to consumers through a number of well known brands including: Direct Line, Churchill and Privilege. It also provides insurance services for third party brands, through its UKI Partnerships division. In the commercial sector, its NIG and Direct Line for Business operations provide insurance products for businesses via brokers or directly respectively. Through its international division, RBS Insurance sells general insurance, mainly motor, in Germany and Italy. In addition to insurance services, RBS Insurance continues to provide support and reassurance to millions of UK motorists through its Green Flag breakdown recovery service and Tracker stolen vehicle recovery and telematics business.

Central Functions comprises Group and corporate functions, such as treasury, funding and finance, risk management, legal, communications and human resources. The Centre manages the Group's capital resources and Group-wide regulatory projects and provides services to the operating divisions.

Non-Core Division manages separately assets that the Group intends to run off or dispose. The division contains a range of businesses and asset portfolios, primarily from the GBM division, linked to proprietary trading, higher risk profile asset portfolios including excess risk concentrations, and other illiquid portfolios. It also includes a number of other portfolios and businesses including regional markets businesses that the Group has concluded are no longer strategic.

Business Services supports the customer-facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services. Business Services drives efficiencies and supports income growth across multiple brands and channels by using a single, scalable platform and common processes wherever possible. It also leverages the Group's purchasing power and is the Group's centre of excellence for managing large-scale and complex change. For reporting purposes, Business Services costs are allocated to the divisions above and below. It is not deemed a reportable segment.

RBSG's major shareholder

HM Treasury currently holds approximately 66 per cent. of the issued ordinary share capital of RBSG and £25.5 billion of B shares bringing HM Treasury's economic interest in RBSG to approximately 84 per cent..

The B shares are convertible, at the option of the holder at any time, into ordinary shares. HM Treasury has agreed that it shall not exercise the rights of conversion in respect of the B shares if and to the extent

that, following any such conversion, it would hold more than 75 per cent. of the total issued ordinary shares in RBSG. Furthermore, HM Treasury has agreed that it shall not be entitled to vote in respect of the B shares held by it to the extent that votes cast on such shares, together with any other votes which HM Treasury is entitled to cast in respect of any other shares held by or on behalf of HM Treasury, would exceed 75 per cent. of the total votes eligible to be cast on a resolution proposed at a general meeting of RBSG.

RBS Ratings

As at the date of this Prospectus, RBS's long-term unsecured, unsubordinated and unguaranteed debt obligations are rated A+ by S&P, A by Fitch and A2 by Moody's and its short-term unsecured, unsubordinated and unguaranteed debt obligations are rated A-1 by S&P, F1 by Fitch and P-1 Moody's; however, investors should be aware that these ratings do not necessarily correlate to the ratings assigned to the Rated Notes.

THE PORTFOLIO[1]

THE LOANS

1. **Introduction**

The housing market in the UK primarily consists of owner-occupied housing and private landlord ownership, the latter often funded by buy-to-let residential mortgage loans. The remainder of dwellings are in some form of public or social ownership. The mortgage market, in which mortgage loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the UK.

The following is a description of some of the characteristics of the mortgage loans currently or previously offered by the Sellers and includes details of mortgage loan types, the underwriting process, Lending Criteria and selected statistical information. Each Loan in the Portfolio incorporates one or more of the features referred to in this section.

RBSG originates residential mortgages using a multi-brand, multi-channel strategy. It offers mortgages under the NatWest, RBS, Ulster, Coutts and the One Account brands in the UK. RBSG also offered residential mortgages under the First Active UK and Direct Line brands until March 2010. The Portfolio will consist of mortgages sold under the NatWest and RBS brands only.

NWHL was established as a dedicated mortgage lender by the National Westminster Bank Group in 1980 to provide residential mortgages on behalf of the National Westminster Bank Group. Subsequent to the acquisition of the National Westminster Bank Group in 2000 by RBSG, RBSG has continued to originate mortgages under the NatWest brand through NWHL, whilst RBS originates RBS brand mortgages directly.

Each mortgage loan offered under the NatWest and RBS brands is currently held on one of four systems:

- **Group Mortgage System (GMS)** — holding some traditional mortgages applied for before 31 October 2004 in anticipation of the introduction of the Mortgages Conduct of Business and all RBS and NWHL traditional MCOB regulated mortgages applied for from 31 October 2004 onwards following the introduction of MCOB, together with non-MCOB regulated buy-to-let mortgages following the transfer of the new buy-to-let mortgage business to GMS during 2005 and First Active UK mortgages from 2008 and referred to throughout as "**GMS**".

- **Mortgage Manager (MM)** — holding traditional mortgages applied for before 31 October 2004 (when MCOB was introduced) and buy-to-let mortgages, until the new buy-to-let mortgage business was transferred to GMS in 2005. The NatWest brand mortgages are maintained on a separate copy of the system to the RBS brand mortgages, but both systems are substantially the same.

- **Customer Mortgage System (CMS)** — holding offset flexible mortgages (launched in August 2004) and current account mortgages, where the provider is RBS, together with traditional mortgages offered by First Active UK and Direct Line.

- **Caustic (Caustic)** — holding current account mortgages originated by RBS until August 2004, a type of flexible mortgage known as "Foundations" originated by NatWest until November 2002 and a small portfolio of staff mortgages.

The Portfolio will consist of residential mortgage loans held on GMS only.

Under the Mortgage Sale Agreement, RBS (in its capacity as Seller) will transfer its rights under each All Monies Mortgage to the Issuer. See "*Characteristics of the Loans*" below.

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[1] All statistics in the following section "The Portfolio" are by balance unless otherwise stated

2. **Characteristics of the Loans**

General

As at the Closing Date, the Loans to be included in the Portfolio each have an original repayment term of up to 35.06 years. No Loan in the Portfolio will have a final repayment date beyond two years prior to the latest Final Maturity Date for the Notes.

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

(a) (i) first ranking legal charges over freehold or leasehold properties located in England or Wales or (ii) in the case of the Right To Buy Loans for which the Sellers have not obtained a deed of postponement from the local authority or other social landlord, a second ranking legal charge unless the relevant statutory charge in favour of the local authority or other social landlord has expired (in which case, it will constitute a first ranking charge over the relevant Property (each such charge referred to in (i) or (ii), an "**English Mortgage**" and together, the "**English Mortgages**"); or

(b) (i) first priority standard securities over heritable properties or properties held under long leases located in Scotland or (ii) in the case of the Right To Buy Loans for which the Sellers have not obtained a deed of postponement from the local authority or other social landlord, a second priority standard security unless the relevant statutory charge in favour of the local authority or other social landlord has expired (in which case, it will constitute a first priority standard security over the relevant Property) (each such standard security referred to in (i) or (ii) a "**Scottish Mortgage**" and together, the "**Scottish Mortgages**" and, together with the English Mortgages, the "**Mortgages**" and each, a "**Mortgage**" and each property the subject of a Mortgage, a "**Property**" and together, the "**Properties**").

The Mortgages for the Loans to be included in the Portfolio sold by RBS constitute "all monies charges" in that they stand as security for other indebtedness that a Borrower owes or may owe to RBS from time to time which is not a Loan (such as business loans) ("**Associated Debt**") as well as for a Loan (each, an "**All Monies Mortgage**" and together, the "**All Monies Mortgages**"). An All Monies Mortgage will be enforceable on the occurrence of a default by a Borrower either under a Loan or any Associated Debt secured by the relevant All Monies Mortgage.

On the Closing Date, pursuant to the terms of the Mortgage Sale Agreement, RBS will transfer to the Issuer all its rights under each of the All Monies Mortgages by way of assignment (in respect of the All Monies Mortgages relating to English Loans) or by a Scottish declaration of trust (in respect of the All Monies Mortgages relating to Scottish Loans) and will procure that the proceeds of enforcement of each of the All Monies Mortgages are paid to the Issuer by payment into a non-interest bearing account to be specified by the Issuer. The Issuer, pursuant to the declaration of trusts (the "**Issuer Declaration of Trusts**"), will declare a separate trust over its right, title, interest and benefit under each All Monies Mortgage and the proceeds of enforcement of that All Monies Mortgage (each trust and the property subject thereof, a "**Trust**" and the "**Trust Property**" respectively) in favour of itself and RBS absolutely as to both capital and income. The Issuer's share of Trust Property in respect of each All Monies Mortgage will be an amount equal to the outstanding principal balance of the relevant Loan plus accrued interest and any other amounts due in respect thereof. RBS's share of Trust Property in respect of each All Monies Mortgage will be an amount equal to the outstanding balance of any Associated Debt of the relevant Borrower plus any accrued interest thereon and other amounts due in respect thereof. RBS's share of Trust Property in respect of each All Monies Mortgage will be subordinated to the Issuer's share of Trust Property in respect of each All Monies Mortgage.

For the avoidance of doubt, All Monies Mortgages are administered by the Administrators in the same manner as are all other Mortgages.

Loan Products

The Portfolio will comprise traditional owner-occupied residential mortgage loans and (if any such residential mortgage loan is converted into a buy-to-let residential mortgage loan pursuant to a Permitted Variation) buy-to-let residential mortgage loans originated and administered by the Sellers through GMS, which include fixed rate, variable rate and tracker rate mortgages. No discounted rate mortgages will be

included in the Initial Portfolio; however a fixed rate, variable rate or tracker rate mortgage may be converted to a discounted rate mortgage pursuant to a Product Switch.

Each Seller will assign to the Issuer on the Closing Date the following of its mortgage loan products, which in each case may comprise one or more of the following:

- **Variable Rate Loans**: Loans subject to the Seller Standard Variable Rate, the NWHL Buy-to-Let Variable Rate (which will be applicable should any NWHL Loans be converted to buy-to-let loans) and the RBS 100% Standard Variable Rate for the life of the loan or until an alternative product that the Borrower qualifies for is selected by the Borrower. Each Seller Standard Variable Rate is set by the relevant Seller by reference to the general level of interest rates and competitor rates in the UK mortgage market. RBS Loans originated under the Standard Documentation introduced by RBS in March 2011 may be subject to the RBS Buy-to-Let Variable Rate; however this variable rate is not currently applied by RBS in respect of the RBS Loans. The NWHL Buy-to-Let Variable Rate and, should it be applied by RBS in the future, the RBS Buy-to-Let Variable Rate may be set at a margin of up to 2 per cent. above the NWHL Standard Variable Rate and RBS Standard Variable Rate respectively. These Variable Rate Loans will not usually have an early repayment charge.

- **Fixed Rate Loans**: Loans subject to a fixed interest rate for a specified period of time (or in some instances for the life of the loan) and which at the expiration of that period generally convert to Variable Rate Loans. An early repayment charge may be payable in respect of these loans for a set period of time, which generally corresponds with the term of the fixed interest rate.

- **Tracker Rate Loans**: Loans subject to a variable rate of interest that is linked to either the NatWest base rate (the "**NatWest Base Rate**") or the Bank of England base rate (the "**BoE Base Rate**") plus (or potentially minus) an additional fixed percentage (the "**Tracker Rate**"), usually for a fixed period but, in some instances, for the life of the loan (the "**Life Tracker Rate Loans**"). At the end of any fixed period, generally the loans (excluding the Life Tracker Rate Loans) convert to a Variable Rate Loan.

- **RBSG Staff Loans**: Loans, for which RBS or NWHL is the Seller, made available to full time permanent staff of RBSG where a subsidised staff rate or a subsidy via their salary is made to the individual and identified as such on GMS.

The mortgage loan products assigned to the Issuer by each Seller on the Closing Date may be converted to the following mortgage loan product pursuant to a Product Switch:

- **Discounted Rate Loans**: Loans which allow the Borrower for a set period of time to pay interest at a specified discount to the relevant Seller Standard Variable Rate. At the end of the discounted period, generally the mortgages convert to a Variable Rate Loan. An early repayment charge may be payable in respect of these loans for a set period of time, which generally corresponds with the term of the discounted interest rate.

Please refer to the section entitled "*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Product Switches, Further Advances and Substitution*" for more information.

Buy-to-let residential mortgage loans

The Sellers may permit Borrowers to convert owner-occupied residential mortgage loans to buy-to-let residential mortgage loans, at which point the Portfolio may include buy-to-let residential mortgage loans. Borrowers with buy-to-let residential mortgage loans are only permitted to let their properties (in England and Wales) either by way of an assured shorthold tenancy under the Housing Act 1996 or by way of a tenancy which would be an assured shorthold tenancy, but for the rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies, or, (in Scotland) a short assured tenancy under the Housing (Scotland) Act 1988 or by way of a tenancy which would be an short assured tenancy, but for the rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies. The term of the permitted tenancy must be for at least six months and must not exceed twelve months. The permitted tenancy agreement must be in writing and must be signed by all the tenants. The agreement must not contain a clause extending or conferring an

option to extend the term referred to above. The Borrower must ensure that the property's insurers are informed of the letting. The Borrower must send a copy of the tenancy agreement to the relevant Seller if requested.

Each Borrower may have more than one mortgage sub-account incorporating different features, but all sub-accounts secured on the same property will be incorporated in a single account with the relevant Seller which is called the "**Mortgage Account**".

Repayment Terms

Borrowers typically make payments of interest on, and repay principal of, their loans using one of the following methods:

- **Repayment Loans**: the Borrower makes monthly payments of both interest and principal so that, when the loan matures, the Borrower will have repaid the full amount of the principal of the loan.

- **Interest Only Loans (with a standard repayment vehicle plan)**: the Borrower makes monthly payments of interest but not of principal; when the loan matures, the entire principal amount of the loan is still outstanding and the Borrower must repay that amount in one lump sum. The Borrower may be required to arrange a separate investment plan which will be administered by an organisation other than the relevant Seller, which plan provides for a lump sum payment to coincide with the end of the mortgage term. Although these investment plans are forecast to provide sufficient sums to repay the principal balance of the loan upon its maturity, to the extent that the lump sum payment is insufficient to pay the principal amount owing, the Borrower will be liable to make up any shortfall. These types of "**Standard Repayment Vehicle Plans**" include:

    - **Endowment**: the Borrower makes regular payments to a life assurance company which invests the premiums; the endowment policy is intended to repay the loan at maturity.

    - **Pension Policy**: the Borrower makes regular payments to a personal pension plan; upon retirement, or plan maturity, the Borrower will receive a tax-free lump sum which is intended to repay the loan.

    - **Individual Savings Accounts or ISAs**: the Borrower makes contributions to a tax-free ISA account; once the value of the ISA equals or exceeds the outstanding mortgage debt, Borrower may use those amounts to repay the loan at any time thereafter or may wait to repay the loan upon its maturity.

    - **Personal Equity Plans or PEPs**: similar to ISAs, the Borrower makes contributions to a tax free PEP account and uses these amounts to repay the loan. Although PEPs have been discontinued in the United Kingdom, some Loans with PEP repayment vehicles may be included in the Portfolio.

    - **Unit Trusts**: the Borrower makes regular payments to the trustees of a unit trust, and the accumulated unit trust is used to repay the loan by the end of its term.

  The Sellers do not currently verify that a Borrower has any such Standard Repayment Vehicle Plan in place although it is a condition of the loan that this is in place and the Borrower is reminded on an annual basis to this effect.

- **Sale of Property**: where the loan is no more than 85 per cent. of the most recent valuation of the property, for buy-to-let residential mortgage loans the Borrower may use the proceeds of sale of the property to repay the loan.

- **Interest Only Loans (without a Standard Repayment Vehicle Plan)**: where the Borrower makes monthly payments of interest but not of principal and when the loan matures, the entire principal amount of the loan is due. However, the Borrower has no formal repayment vehicle in place to repay the loan in full.

- **Combination of Repayment and Interest Only Loans (Combination Loans)**: this situation most often occurs when the Borrower had an Interest Only Loan with a repayment vehicle on a

prior property, and after selling that property the Borrower purchased a property with a loan issued by the relevant Seller, where the subsequent home was either more expensive than the prior home or the Borrower took out a larger loan or further advance. The Borrower used the existing Standard Repayment Vehicle Plan for the new loan or further advance issued by the relevant Seller and made up the difference between the anticipated maturity value of the Standard Repayment Vehicle Plan and the higher loan amount with a repayment mortgage. The Sellers do not verify that a Borrower has any such Standard Repayment Vehicle Plan in place, although it is a condition of the loan that a Standard Repayment Vehicle Plan is in place and the Borrower is reminded on an annual basis of this obligation.

During the life of a loan, a Borrower may, with the consent of the relevant Seller, change the type of the Borrower's loan from the repayment type to the interest-only type or *vice versa*. If a Borrower wishes to do so, the Borrower must make a request to the relevant Seller and the relevant Seller will give the Borrower written notice if it agrees to make such change.

The required monthly payment in connection with any Repayment Loans or Interest Only Loans which are not Fixed Rate Loans may vary from month to month for various reasons, including changes in interest rates.

The Sellers do not now (and in some cases cannot) take security over investment plans. The Sellers only take an assignment of life policies as security for any loan at the request of the Borrower or as a condition of sanction of the lending unit. See "*Risk Factors — Interest Only Loans*".

Flexible Features

Under 0.01 per cent. of the Loans in the Initial Provisional Portfolio are loans with "flexible features", in respect of which the relevant Borrower is typically permitted to take one or more Payment Holidays of up to six months. Loans with "flexible features" do not give the relevant Borrower exercisable re-draw rights and as such are not Flexible Loans. During the life of a loan, a Borrower may change the type of the loan from a Tracker Rate Loan to a Fixed Rate Loan without paying an early repayment charge although a new product fee would be payable. See "*The Portfolio – Statistical Information on the Portfolio*".

Partial Redemptions

Partial redemptions may be subject to early repayment charges, as described under "*Early Repayment Charges*"; however a Borrower may overpay by up to 10% of an advance on an annual basis without such partial redemption being subject to an early repayment charge.

If a Borrower under a loan makes a monthly payment which is less than the required monthly payment (an "**Unauthorised Underpayment**"), those Unauthorised Underpayments are treated by the Sellers as arrears. If a Borrower pays more than the required monthly payment, this will be credited to the relevant account when it is received and in the first instance set off against any existing arrears on the loan.

Early Repayment Charges

If a Borrower wishes to repay the whole of an advance before the time agreed, the Borrower may do so. A Borrower may repay part of an advance before the time agreed provided such partial repayment is not prohibited under the terms of the loan. In the case of repayment in full, the Borrower must pay to the relevant Seller all sums owing to it in respect of such advance by way of principal, interest and costs (including, if the terms of the advance so provide, an early repayment charge) together with the relevant Seller's expenses reasonably and properly incurred in connection with such repayment. Not all products offered by the Sellers carry an early repayment charge.

Repayment charges will be calculated on the basis provided under the relevant offer of advance in relation to a loan. In these cases, the Sellers retain absolute discretion to waive or enforce early repayment charges in accordance with each Seller's policy from time to time. The amount of any early repayment charges which may become payable on the Loans that are sold to the Issuer will comprise Revenue Receipts.

Interest Payments and Setting of Interest Rates

Interest on the Loans in the Portfolio is computed on a daily basis. The Portfolio comprises Loans where interest is payable by the Borrower monthly in arrear. The balance on which the monthly interest charge is calculated is reset daily.

Each Loan which will comprise the Portfolio accrues interest at any time at a fixed or a variable rate.

Fixed Rate Loans provide that the Borrower pays interest on such Loan at a fixed rate of interest for the period specified in the offer of advance. At the end of that period, the interest rate generally reverts to the relevant Seller Standard Variable Rate.

As at the date of this Prospectus, the NWHL Standard Variable Rate, the RBS Standard Variable Rate, the RBS 100% Standard Variable Rate and the NWHL Buy-to-Let Variable Rate (which will be applicable should any NWHL Loans be converted to buy-to-let loans) applicable to the relevant Loans in the Portfolio are 4 per cent., 4 per cent., 4 per cent. and 4.5 per cent. respectively. RBS Loans originated under the Standard Documentation introduced in March 2011 may be subject to the RBS Buy-to-Let Variable Rate; however this variable rate is not currently applied by RBS in respect of the RBS Loans.

Interest accrues on Tracker Rate Loans at varying margins above or below the NatWest Base Rate or BoE Base Rate (depending upon the product selected at the time). As at the date of this Prospectus, the NatWest Base Rate and the BoE Base Rate applicable to the relevant Loans in the Portfolio are both 0.5 per cent..

The actual interest rate that the Sellers charge for some Variable Rate Loans, Discounted Rate Loans and for Fixed Rate Loans upon conversion from a fixed rate to the relevant Seller Standard Variable Rate, where applicable, could be changed for any of the following reasons:

- to reflect a change which has occurred or which the relevant Seller reasonably expects to occur, in both base rates or in interest rates generally;
- to reflect changes in the relevant Seller's overall costs of providing the loan;
- to reflect changes in the law or a decision by the courts;
- to reflect a change which has occurred or which the relevant Seller reasonably expects to occur, in the interest rates charged by other mortgage lenders; and
- to reflect a decision or recommendation by an ombudsman, regulator or similar body.

Interest rates may be varied in respect of buy-to-let loans by either (i) changing the variable mortgage rate in the circumstances described above or (ii) by changing the percentage which is added to the relevant Seller's variable mortgage rate to arrive at the buy-to-let mortgage rate. Any change in (ii) will not take the percentage above 2 per cent. and will only be changed when the relevant Seller considers it reasonably prudent.

Loans may combine one or more of the features listed in this section. For Loans with an interest rate that lasts for a limited period of time specified in the offer of advance, after the expiration of that period the interest rate adjusts to some other interest rate type or else it reverts to, or remains at, the relevant Seller Standard Variable Rate. The features that may apply to a particular loan are specified in the offer of advance.

Except in limited circumstances as set out in "*The Administrators - The Administration Agreement*", each Administrator on behalf of the Issuer will be responsible for setting the applicable interest rate and margin on the relevant Loans in the Portfolio.

As at the date of this Prospectus, the rate that the Borrower is required to pay under the Variable Rate Loans for both owner occupied and buy-to-let cases must not be greater than the NWHL Buy-to-Let Variable Rate in the case of NWHL originated loans or in the case of RBS originated loans, the RBS 100% Standard Variable Rate. The rate that the Borrower is required to pay under the Tracker Rate Loans must not be greater than the NatWest Base Rate or BoE Base Rate, as applicable, plus or minus a set margin. The rate that the Borrower is required to pay under the Discounted Rate Loans must not be

greater than the relevant Seller Standard Variable Rate less a set margin. In maintaining, determining or setting the variable mortgage rate for the relevant Loans within the Portfolio, the Administrators will apply the factors set out here and have undertaken to maintain, determine or set the Issuer Variable Rate and other applicable discretionary rates or margins at rates which are not higher than either Seller's equivalent rates from time to time.

The Issuer will give the Administrators the power to set the Issuer Variable Rate and other applicable discretionary rates or margins, but that power may only be exercised in limited circumstances.

Right To Buy Loans

Properties sold under the Right To Buy Legislation are sold by the local authority or other social landlord at a discount to market value calculated in accordance with the Right To Buy Legislation. A purchaser must repay a proportion of the discount received or the resale price (the "**Resale Share**") if he or she sells the property within three years (or, in the cases where the right to buy was exercised in relation to properties in England and Wales after 18 January 2005, 5 years) (the "**RTB Disposal Period**").

Under the Right To Buy Legislation the local authority or other social landlord as vendor obtains a statutory charge (or, in the case of a property in Scotland, a standard security) over the property in respect of the contingent liability of the purchaser under the scheme to repay the Resale Share.

In Scotland, under the provisions of the Housing (Scotland) Act 1987 (the "**1987 Act**"), a standard security granted in respect of the Resale Share ranks immediately after (1) a standard security granted as security for a loan for the purchase of the property or sums advanced for the purpose of improvements to that property and (2) a standard security over the property granted as security for any other loan where the local authority or other social landlord has consented. The 1987 Act does not contain specific provisions obliging the local authority or social landlord to agree to the postponement of the discount security granted in respect of the Resale Share, but the point is specifically addressed and ranking established by the legislation which as noted specifically ranks any standard security granted in respect of the Resale Share behind security which is given in respect of a loan for the purchase or improvement of the property. In respect of loans given for any other purpose(s), it is necessary to approach the local authority or social landlord for consent to the security ranking prior to the discount security granted in respect of the Resale Share, although it should be noted that the 1987 Act does not oblige the local authority/social landlord to grant such consent.

In England the statutory charge ranks senior to other charges including that of a mortgage lender unless (i) the mortgage lender has extended the mortgage loan to the purchaser for the purpose of enabling him to exercise the right to buy or for "approved purposes" under the scheme (including refinancing loans made for the purpose of enabling the exercise of the right to buy and repair works to the property) and is an approved lending institution for the purposes of the Housing Act 1985 and the Housing Act 1996 or (ii) the relevant local authority or other social landlord issues a deed of postponement postponing its statutory charge to that of the mortgage lender. In the case of loans made for approved purposes, the statutory charge is only postponed if the relevant local authority or other social landlord agrees to the postponement but the relevant legislation obliges the relevant local authority or other social landlord to agree to the postponement. However, in practice the lender will need to provide evidence to the relevant local authority or other social landlord as to whether the mortgage loan was made for approved purposes.

The Sellers are approved lending institutions under the Housing Act 1985 and the Housing Act 1996. The Sellers, as a matter of policy, do not lend during the RTB Disposal Period above the amount required to purchase such Properties unless wholly for an approved purpose under the applicable Right To Buy Legislation.

Each Seller will warrant in the Mortgage Sale Agreement (a) in relation to each Right To Buy Loan that is an English Loan originated by it that (i) the relevant Seller is an approved lending institution under the relevant legislation and (ii) the Right To Buy Loan was made to the person exercising the right to buy for that purpose or other approved purposes which are approved purposes under the applicable Right To Buy Legislation and (b) in relation to the Right To Buy Loans that are Scottish Loans that the Right To Buy Loan was (i) made to a person exercising the right to buy solely for that purpose (and/or improving the property) and the relevant Scottish Mortgage has priority over any statutory charge or (ii) made for some other purpose in which case the statutory charge has priority.

The Right To Buy Loans included in the Initial Provisional Portfolio represent 0.31 per cent. of the Initial Provisional Portfolio. The RTB Disposal Period will expire by no later than July 2016 Each Seller will warrant in the Mortgage Sale Agreement in relation to each Right To Buy Loan included in the Initial Portfolio that the RTB Disposal Period expires on or before July 2016 or in relation to a Substitute Loan, the RTB Disposal Period will expire on or before the date falling 5 years after the relevant Substitution Date.

The Group supports the affordable home ownership proposition of "Shared Equity" supporting approved developer schemes and Government backed schemes which enable borrowers to buy a property on the open market with the help of an equity loan, either from a housing association, from The Homes & Communities Agency or from a developer. The borrower then gets a conventional mortgage for their share. In 2009 a change in policy was made to support Government backed schemes only. At the same time a change to Lending Criteria was also made to allow borrowers under such Government backed schemes to provide a deposit of 5% of the non equity amount.

Further Advances

A Borrower may apply to the relevant Seller for a further amount to be lent to him or her under his or her Loan. This further amount will be secured by the same Property as the Loan, and will be added as a separate sub-account to the Loan. Any Further Advance made by the relevant Seller and purchased by the Issuer will be added to the outstanding principal balance of that Borrower's Loan on the relevant Advance Date. The aggregate of the outstanding amount of the Loan and the Further Advance may be greater than the original amount of the Loan.

Flexible Loans

The Sellers will give a representation as at the Closing Date, on each Switch Date in respect of any Product Switches and on each Substitution Date in respect of a substitution that there will be no Flexible Loans in the Portfolio.

Product Switches

From time to time a Borrower may request, or the relevant Seller or the relevant Administrator (on behalf of the relevant Seller) may offer, in limited circumstances, a variation in the financial terms and conditions applicable to the Borrower's Loan. In addition, in order to promote the retention of Borrowers, the relevant Seller may periodically contact certain Borrowers in respect of the relevant Seller's total portfolio of outstanding owner-occupied residential mortgage loans and (to the extent of the conversion of such owner-occupied residential mortgage loans to buy-to-let residential mortgage loans as described below) buy-to-let residential mortgage loans in order to encourage a Borrower to review the relevant Seller's other residential mortgage loans and buy-to-let residential mortgage loan products and to discuss moving that Borrower to an alternative mortgage product. Any such variation (subject to certain exceptions) is called a "**Product Switch**". If a Borrower moves to an alternative mortgage loan product within the Group and there is no increase in the amount borrowed under such Borrower's existing Loan, then so long as the request is within the required product parameters, no additional underwriting procedures will be required save that, any such Product Switch will be declined in the case of the Borrower's bankruptcy or any individual voluntary arrangement or typically if the Borrower is in arrears. In the event any Borrower moves to an alternate mortgage loan product that is not a Variable Rate Loan, a Fixed Rate Loan, a Discounted Rate Loan, a Tracker Rate Loan or a RBSG Staff Loan, then the relevant Seller shall notify the Rating Agencies of that change.

A Loan which is subject to a Product Switch may remain in the Portfolio subject to the terms contained in the Mortgage Sale Agreement. See "*The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement* ".

The Sellers may agree to the conversion of an owner occupied residential mortgage loan in the Portfolio to a buy-to-let residential mortgage loan. Such conversion shall be a Permitted Variation (and not, for the avoidance of doubt, a Product Switch) and may be made by the Seller without the requirement for the Seller to obtain any further consent or comply with any further condition, provided that the relevant tenancy, at the point of conversion, in respect of the relevant Property (in England and Wales) is an assured shorthold tenancy under the Housing Act 1996 or by way of a tenancy which would be an assured shorthold tenancy but for rent payable under such tenancy exceeding the maximum amount prescribed by

statute in respect of such tenancies or (in Scotland) a short assured tenancy under the Housing (Scotland) Act 1988 or by way of a tenancy which would be a short assured tenancy but for rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies and each tenancy agreement as at the time of conversion of the relevant Loan is on terms which would be acceptable to a Reasonable, Prudent Mortgage Lender and the relevant Seller is not aware of any material breach of such agreement.

References below to buy-to-let applications (and the origination, underwriting and lending criteria processes relevant thereto) shall apply in the case of an application by a Borrower to convert an owner-occupied residential mortgage loan to a buy-to-let residential mortgage loan. Likewise, descriptions of the decision process with regard to the status of a buy-to-let applicant and the related credit requirements also apply in the case of the decision process by a Seller to permit a Borrower to convert an owner-occupied residential mortgage loan to a buy-to-let residential mortgage loan.

See "*Sale of the Portfolio under the Mortgage Sale Agreement – Mortgage Sale Agreement – Product Switches, Further Advances and Substitution*" for more information.

Arrears Capitalisation

From time to time, where a Borrower has demonstrated a regular payment history following previous arrears, the relevant Seller may capitalise any outstanding amounts in arrears. In those circumstances, the relevant Seller will set the arrears tracking balance to zero and the related loan will no longer be considered to be in arrears. The outstanding balance will be required to be repaid over the remaining term of such loan although the relevant Seller may agree, in exceptional circumstances, to extend the term of the loan.

In the majority of cases, capitalisation of interest in respect of a Loan described above is only permitted to be done once in the lifetime of such Loan.

Origination of the Loans

The Mortgages included in the Initial Provisional Portfolio were all made not earlier than 28 September 2005 and on or before 28 July 2011 and the Sellers derived their mortgage lending business at the relevant times from the following sources:

- the RBSG branch networks throughout the United Kingdom;
- a centralised telephone-based lending operation (including applications received through the relevant Seller's websites); and
- intermediaries that included mortgage brokers and independent financial advisors.

As at the date of this Prospectus, the Sellers continue to derive their mortgage lending business from the three sources outlined above.

Underwriting

The decision to offer a loan to a potential Borrower is currently made by the Sellers using a combination of credit scoring, which includes credit reference agency data and policy rules and guidelines. These are either automated or considered by one of the relevant Seller's associated underwriters and/or mandate holders located in one of its lending centres. Each associated underwriter and/or mandate holder must pass a formal training programme to gain the authority to approve mortgage loans. Various levels of authority have been established for the underwriters who approve mortgage loan applications. The levels are differentiated on a risk basis by applicant type (for example, employed or self-employed) product type sought and value of the loan. An underwriter wishing to move to the next level of authority must first demonstrate their competency at their current level and also undertake further training. The quality of underwriting decisions is also monitored on a regular basis.

A revised process was introduced in the first half of 2007, whereby the level of underwriting carried out is varied according to the risk profile of the applicant. The lowest risk applications are subjected to an automated evaluation process whilst the highest will remain subject to full underwriting by mandated underwriters.

The risk profile takes account of the credit score and LTV, but in all cases an affordability calculation will remain a key element of the lending decision.

Lending Criteria

Summary

The Loans to be included in the Portfolio were originated according to the relevant Seller's lending policies at the applicable time the Loan was offered. Whilst earlier policies differed in some detailed respects from the current policies, they were appropriate for a Reasonable, Prudent Mortgage Lender at the time.

Subject to the above, the lending criteria in the case of each Loan included in the Portfolio as of the Closing Date were the same as or similar to the criteria described in this section (the "**Lending Criteria**"). The Sellers retain the right to revise their respective Lending Criteria from time to time.

To obtain a loan, each prospective Borrower (an "**applicant**") completes an application form which includes information about the applicant's income, anticipated rental income (in respect of buy-to-let applications, including in the case of a conversion to a buy-to-let residential mortgage loan from an owner occupied residential mortgage loan), current employment details, bank account information, current mortgage information, if any, and certain other personal information. Some of this information is then credit scored through the relevant Seller's scorecard system, which process includes a credit reference agency search. The credit reference agency search is completed on applicant(s) in accordance with the relevant Seller's agreed procedures including the searching of their current address and, if necessary, former addresses. This gives details of public information including any county court judgments and details of any bankruptcy as well as performance information on other credit commitments that are shared by other lenders in accordance with the "Lending Industry's Principles of Data Reciprocity". Some of the factors currently used in making a lending decision are set out below.

Valuation

All properties have been valued on origination of each Loan in the Portfolio through undertaking a standard valuation by a valuer approved by the relevant Seller or, where appropriate, according to a methodology which would meet the standards of a Reasonable, Prudent Mortgage Lender and which has been approved by the relevant Seller.

For buy-to-let applications, including in the case of a conversion to a buy-to-let residential mortgage loan from an owner occupied residential mortgage loan, where a full valuation is obtained, the valuer is asked to confirm what the likely rental income might be, that the property is in a suitable condition to let and in an area with demand for rental accommodation of this type.

When granting a further advance, the relevant Seller may in certain circumstances apply movements in the Halifax House Price Index for the relevant region, between the date of the most recent standard valuation held on file and the date of the further advance application, to the most recent standard valuation to produce an updated indexed valuation. The indexed property value will be one of the inputs to the lending decision and may be keyed to GMS to enable the relevant customer's application to be processed without triggering fees (such as the HLC (as defined below)). While the Seller may occasionally revalue the properties in the way described above, no revaluation of the properties is being done for the purpose of this transaction alone.

For further advances given under buy-to-let cases (including following a conversion to a buy-to-let loan from an owner-occupied residential mortgage loan) an indexed valuation as described above is only permitted for cases up to a maximum LTV of 75 per cent. and where the customer can provide a current Assured Shorthold Tenancy agreement with at least 3 months remaining to confirm the relevant rental test can be met. For further advances given under buy-to-let cases where the LTV is up to 75 per cent. and lending does not exceed £350,000, it is permissible to obtain a drive by valuation, again provided that the customer can provide a current Assured Shorthold Tenancy agreement with at least 3 months remaining to confirm the relevant test can be met.

For further advances given under owner occupied cases, a drive by valuation may be used where the further advance is less than £100,000 and the total balance of the Loan following the further advance is below (i) 90 per cent. LTV and (ii) £350,000.

In certain low risk remortgage and further advance cases, the Sellers utilise "Automated Valuation Methodology", whereby the property value is assessed utilising statistical data based on other similar properties in the locality.

Property Types

Properties may be either freehold, leasehold or (in Scotland) heritable or held under a long lease. In the case of leasehold properties including properties in Scotland held under a long lease, the unexpired portion of the lease must in most cases be at least 30 years at the maturity of the loan. However, some flexibility is allocated for prime locations in central London. The property must be solely used for residential or (in the case of buy-to-let residential mortgage loans) residential letting purposes (with extremely limited individual case exceptions) and must be in sound structural condition and repair or be capable of being put into such state. House boats, mobile homes and property on which insurance cannot be arranged are not acceptable. All persons who are to be owners or (in Scotland) heritable proprietors of the property on completion of the relevant Mortgage must be applicants.

A centrally controlled list of acceptable and unacceptable property types is held to determine quality.

Term of Loan

The minimum loan term is three years. There is no maximum term but loans normally must be repaid by the age of 70 years, subject to serviceability beyond normal retirement age. Serviceability beyond normal retirement age (65) is considered where the applicant is 65 or above by final maturity. Serviceability evidence is required via future rental, pension and investment income. As a responsible lender, each Seller endeavours to ensure the repayment of a loan is affordable on a long-term basis. Any further advance will usually be required to be repaid within the existing term of the house purchase loan. If the Borrower requests an increase to this term, the loan must still be normally repaid prior to the age of 70 years subject to affordability and serviceability.

Age of Applicant

All applicants must be aged 18 or over. The maximum age limit is normally 70 years but this is subject to serviceability beyond normal retirement age as outlined in the paragraph above.

Status of Applicant

The maximum amount of aggregate loan(s) under a Mortgage Account is determined by a number of factors, including any rental income and affordability.

Owner occupied

In determining income, each Seller includes basic salary as primary income, along with allowances, mortgage subsidies, pensions, annuities and acceptable state benefits. Overtime, bonus and commissions will not be automatically included in income. In determining affordability, each Seller deducts the proposed mortgage payment (based on the current relevant Seller Standard Variable Rate on a capital and interest repayment method), existing personal loans, hire purchase agreements, child maintenance payments and 5 per cent. of outstanding credit card balances from the applicant(s) net monthly income. The remaining net free income needed to meet predetermined thresholds for loan(s) to be approved. All employed applicants needed to have a minimum employment history of at least six months in an existing job or a continuous period of at least six months within concurrent employment. Each Seller currently verifies the applicant's income in all cases.

The Portfolio will contain low LTV Loans (less than 75 per cent. LTV) which were processed under a "fast track" procedure where income will have been validated by a FSA authorised intermediary, and sample checked by the Sellers. Since 12 October 2009, the "fast track" procedure is no longer used by either Seller.

Self-employed applicants must have been trading within that particular business for a minimum period of two years and provide appropriate financial data to support this. On determining this information, each Seller will assess whether or not the income declared is appropriate.

When there are joint applicants, each Seller has the option of using the main applicant's income as the primary income multiple and adding the second applicant's income to the income multiplier or combining both incomes and multiplying these jointly by an agreed policy factor. Each Seller may exercise discretion within its Lending Criteria in applying those factors which are used to determine the maximum amount of loan(s). Accordingly, these parameters may vary for some loans. The following may be taken into consideration when exercising discretion: credit score passed, LTV, existing customer relationship, stability of employment, career prospects, affordability, additional income and security being offered.

Buy-to-let

Affordability for buy-to-let lending (including with regard to any decisions to convert an owner-occupied residential mortgage loan to a buy-to-let residential mortgage loan) is currently determined by ensuring that rental income exceeds notional loan interest calculated by using a nominal rate of 6.75 per cent. multiplied by 125 per cent. (the "**125 per cent. test**"). Where this is not met, personal income may be permitted to cover the shortfall within the following parameters for branch originated loans including tele-sales:

Until the second quarter of 2008, (a) if a Borrower had a gross annual income between £30,000 and £74,999 then their minimum rental income must be 110 per cent. of the interest only payment, or (b) if a Borrower had a gross annual income £75,000 or more then their minimum rental income must be 100 per cent. of the interest only payment. From the second quarter of 2008 only parameter (b) applied in branches, all other parameters other than the 125 per cent. test being removed.

For intermediary introduced business where the LTV of the buy-to-let loan was below 75.01 per cent., applications were accepted where rental income covered notional loan interest by 110 per cent. and the applicant's income was greater than £40,000 per annum. This test was removed on 9 October 2008 and currently all buy-to-let lending, regardless of introduction, is determined by the 125 per cent. test.

In determining income, each Seller includes basic salary as primary income, along with allowances, mortgage subsidies, pensions, annuities and acceptable state benefits. Overtime, bonus and commissions will not be automatically included in income. In determining affordability, each Seller deducts existing mortgage and personal loans, hire purchase agreements, child maintenance payments, 5 per cent. of outstanding credit card balances and the difference in the rental income between 125 per cent. and the actual figure confirmed from the applicant(s) net monthly income. The remaining net free income must be sufficient to meet predetermined thresholds for loan(s) to be approved.

The following may be taken into consideration when exercising discretion: credit score passed, LTV, existing customer relationship, stability of employment, career prospects, affordability, additional income and security being offered.

Credit Search

A credit reference search is carried out as an integral part of credit scoring in respect of all applications. Applications may be declined where an adverse credit history is revealed (e.g., bankruptcy or sequestration, county court judgments, Scottish court decree for payment of defaults).

Other Credit History

Owner occupied income verification

For employed applicants, except those via the 'fast track' process described above (that was in place between 6 August 2007 and 12 October 2009), proof of income is established as follows:

- For applications where (i) the LTV is less than or equal to 75 per cent.; (ii) the total loan amount is less than or equal to £500,000; and (iii) the credit scoring system issues an agreement in principle to the customer (an "**Agreement In Principle**"), the customer is required to provide a bank statement, payslip or form P60 to verify their income or for existing bank customers bank records are referred to.

- For remaining applicants three months' personal bank statements are required.

- If an applicant's income cannot be easily verified from the bank statements provided, one of the applicant's last three months payslips, P60 or an employer's reference may be requested.

For self-employed applicants, the applicant is required to provide proof of income as follows:

- For applications where (i) the LTV is less than or equal to 75 per cent.; (ii) the total loan amount is less than or equal to £500,000; and (iii) the credit scoring system issues an Agreement In Principle and the applicant is not an existing bank customer, the customer is required to provide either three months' personal bank statements or one year's accounts or one year's HM Revenue and Customs Tax Assessment or an Accountant's Certificate to verify income.

- Other applicants, where the LTV is higher than 75 per cent. and the total loan amount is greater than £500,000 are required to provide three months' business bank statements, three months' personal bank statements and either (1) two years' other financial data (such as finalised accounts of the business or, if the applicant is a sole trader, a HM Revenue and Customs Tax Assessment) or (2) an Accountant's Certificate.

Up until May 2006, the threshold for requiring bank statements was 75 per cent. LTV with the maximum loan amount being £350,000. A policy change was effected at that time raising the loan amount threshold to £500,000.

Buy-to-let income verification

For applicants (including with regard to any decisions to convert an owner-occupied residential mortgage loan to a buy-to-let residential mortgage loan) where rental income does not meet the notional loan interest coverage test referred to above, additional information is requested to verify other income as above.

Each Seller retains the right to revise its Lending Criteria from time to time.

Scorecard

Each Seller uses some of the above criteria and various other criteria to provide 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 defaulting. In addition, for existing current account customers, behavioural data on their current account is taken into account in the credit score on initial and further lending decisions. Each Seller has the discretion to decline an application where the credit score is passed but other adverse information is known. In addition, a declined credit score decision can be appealed by following a centrally determined appeals process. Instances of such appeals are few and monitored closely.

Sellers' Discretion to Lend Outside Lending Criteria

On a case-by-case basis, and within the underwriter levels of authority referred to above, the relevant Seller may have determined that, based upon compensating factors, an applicant that did not strictly qualify under its Lending Criteria at that time warranted an underwriting exception. Compensating factors may be considered including, but not limited to, a low LTV ratio, overall affordability position and track record with the organisation.

Maximum LTV Ratio

At the date of this Prospectus, for loans of £500,000 or less, the relevant Seller may lend up to 90 per cent. of the improved valuation of the property (the original valuation plus the increase in value deriving from any improvements). For loans in excess of £500,000, the permissible LTV ratio decreases as the loan increases.

From the third quarter of 2008, the maximum LTV for Interest Only Loans has been reduced to 75 per cent. for new lending.

Until 2006 an exception to the maximum LTV ratio was made in a small number of cases within the RBS brand where the Borrower is a professional. Here, the loan amount may be increased to an LTV of up to 110 per cent.

Borrowers normally are required to pay a higher lending charge (the "**HLC**") to the relevant Seller for each Mortgage Account where the aggregate of the outstanding principal balance of the relevant loan(s) at origination (excluding any capitalised HLC or booking fees and/or valuation fees) exceeds certain specified percentages. If the LTV ratio exceeds 90 per cent., the Borrower pays a HLC. In a number of cases HLC and/or legal, booking and valuation fees may be added to the loan, thereby increasing the LTV above 100 per cent.

For buy-to-let loans, the maximum current LTV ratio is normally 75 per cent. but individual exceptions may be made to this, determined on a case by case basis and in appropriate circumstances. This is restricted to 65 per cent. in respect of buy-to-let loans for new build flats and houses.

Buildings Insurance Policies

Insurance on the Property

All Borrowers are required to have appropriate buildings insurance to cover the recommended reinstatement value of the property (as confirmed by a valuer approved by the relevant Seller). All such buildings insurance policies must be held with a company registered with the Association of British Insurers. Where a loan exceeds £500,000 on an individual property, the relevant Seller has its interest noted on the policy schedule.

When any claim arises or is made under any insurance policy relating to the property, the relevant Seller shall have the power and authority to settle and adjust with the insurers any question relating to such insurance. The relevant Seller's receipt for any moneys receivable under any such policy shall be a sufficient discharge to the insurers. The relevant Seller may in its discretion apply any such moneys in or towards the reinstatement of the property or the redemption of the mortgage, and shall pay the surplus (if any) to the person entitled thereto.

Whenever any fire, life or other insurance of whatever kind is effected through the relevant Seller's agency, all sums allowed to the relevant Seller by way of commission or otherwise by the insurers shall belong absolutely to the relevant Seller and it shall not be required to account therefor.

A Borrower may apply for insurance when they make a mortgage application. If such an application is received, the relevant Seller will pass the application to an affiliate, UK Insurance Limited, who will deal with the Borrower and issue cover. UK Insurance Limited's registered number is 1179980 and its address is The Wharf, Neville Street, Leeds LS1 4AZ. Neither Seller has any involvement in the provision of such insurance other than passing on the Borrower's initial application.

Household Contingency Policy

For loan amounts of under £1,500,000, the Sellers are insured under a block policy which covers the value of the loan rather than the property (the "**Household Contingency Policy**"). The Household Contingency Policy provides cover up to £1,500,000 in any one claim and is subject to a maximum total claim of £5,000,000 in any one year. No material claims have been made for some time but it is envisaged that the amounts recovered under the policy would be generally used by the relevant Seller to fund the reinstatement of the property or otherwise paid to the relevant Seller to reduce the amount of the loan. Each Seller will assign their rights under this policy to the Issuer for any Loan sold by it which is in the Portfolio.

Leases of roof space for fitting photovoltaic (solar) panels

The Department of Energy and Climate Change, via the Energy Act 2008, introduced a system of Feed in Tariffs ("**FITs**") to incentivise small-scale low carbon electrical generation. The FITs are paid to providers of small-scale low-carbon electrical technologies, including photovoltaic (solar) panels.

FITs went live on 1 April 2010. Since then, a market of photovoltaic ("**PV**") panel providers has emerged, offering free installation of the panels onto roofs of residential and social housing. The providers receive a

FIT payment calculated on pence per kilowatt hour, and those who have the PV panels installed on their property, receive free electricity generated by the panels.

Under the Council of Mortgage Lenders standard certification process, the Sellers may receive a request from a PV panel provider (on behalf of the borrower) to consent to the registration of a lease of the airspace above a roof of a mortgaged property, in order to install the panels. The PV panel provider must supply certain information to the Sellers, to enable the Sellers to make a decision about whether to grant consent to the lease. To ensure the granting of consent for the lease is acceptable for security purposes, one of the requirements for providing consent is the right for the Sellers to terminate the lease if they repossess the property in accordance with the Mortgage Conditions.

Selection of the Portfolio

The Sellers selected loans from GMS that, as of the Cut-off Date (as defined in "*Statistical Information on the Portfolio*"), had been provisionally identified to comprise the Initial Portfolio (the "**Initial Provisional Portfolio**"). Each Seller set exclusion criteria corresponding to informational requirements and relevant representations and warranties that the Sellers would be required to make in the Mortgage Sale Agreement in relation to the Loans comprising the Initial Portfolio. The Initial Provisional Portfolio comprised all loans in GMS that were not excluded by these criteria up to the required amount.

The Initial Portfolio comprises all Loans included in the Initial Provisional Portfolio other than those Loans which have been redeemed or have become ineligible in the interim.

SALE OF THE PORTFOLIO UNDER THE MORTGAGE SALE AGREEMENT

Mortgage Sale Agreement

The following section contains a summary of the material terms of the Mortgage Sale Agreement. The summary does not purport to be complete and is subject to the provisions of the Mortgage Sale Agreement.

The Portfolio

Pursuant to the terms of the Mortgage Sale Agreement, each Seller will sell its interest 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 Loans, the "**Initial Related Security**") and all moneys derived therefrom from time to time (collectively referred to herein as the "**Initial Portfolio**") to the Issuer on the Closing Date. The sale by each Seller to the Issuer of the relevant Loans in the Portfolio (including pursuant to a substitution, as described below) will be given effect to by (a) as regards English Loans, an assignment and (b) as regards Scottish Loans, a Scottish Declaration of Trust. The consideration due to the Sellers in respect of the Initial Portfolio will be the aggregate of:

(a) £3,526,605,291.63 as Initial Consideration; and

(b) an obligation of the Issuer to pay, at a later date, the Deferred Consideration in respect of the sale of the Portfolio.

RBS will be paid the Initial Consideration (on behalf of itself and NWHL). Any Deferred Consideration will be paid solely to RBS (on behalf of itself and NWHL) in accordance with the Pre-Acceleration Revenue Priority of Payments, Pre-Acceleration Principal Priority of Payments or, if applicable, the Post-Acceleration Priority of Payments. RBS will pay NWHL its share of any Deferred Consideration in accordance with the arrangements agreed between them.

The Issuer shall, subject to the satisfaction of certain conditions, purchase Further Advances made by the relevant Seller under a Loan.

Perfection Trigger Events

The completion of the legal 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 relevant Seller. Notice of the sale of the Loans and their Related Security to the Issuer will not (except as stated below) be given to any Borrower.

Legal assignment or assignation (as applicable) of the Loans and their Related Security to the Issuer (including, where applicable, their registration or recording in the relevant property register) will be completed as soon as reasonably practicable after the earliest to occur of any of:

(a) a Seller, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in paragraph (b) below, ceases or, through an authorised action of the board of directors of that Seller, threatens to cease to carry on all or substantially all of its business or its mortgage administration business or is deemed unable to pay its debts as and when they fall due within the meaning of Section 123(1)(a) of the Insolvency Act 1986 (on the basis that the reference in such section to £750 was read as a reference to £10 million), Section 123(1)(b), (d) and (e), 123(1)(c) (on the basis that the words "for a sum exceeding £10 million" were inserted after the words "extract registered bond" and "extract registered protest") or 123(2) of the Insolvency Act 1986 (as that Section may be amended); or

(b) an order is made or an effective resolution is passed for the winding-up of a Seller, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction (a) with or by RBSG or any of its subsidiaries or (b) the terms of which have previously been approved by the Trustee in writing; or

(c) proceedings shall be initiated against a 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 administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and (except in the case of presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) such proceedings are not being disputed in good faith with a reasonable prospect of success or an administration order shall be granted or the appointment of an administrator takes effect or an administrative receiver or other receiver, liquidator, trustee in sequestration or other similar official shall be appointed in relation to a Seller or in relation to the whole or any substantial part of the undertaking or assets of a Seller, or an encumbrancer shall take possession of the whole or any substantial part of the undertaking or assets of a 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 a 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 a 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 (a), (b) and (c) being a "**Seller Insolvency Event**" and a "**Perfection Trigger Event**".

If RBS ceases to be assigned a long term unsecured, unsubordinated debt obligation rating from Moody's of at least Baa3 or from Fitch of at least BBB- (or such other long term rating which is otherwise acceptable to the relevant Rating Agency, provided that any confirmation that such long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy) (a "**RBS Downgrade Event**"), the Sellers shall be obliged to prepare the documentation required to perfect legal title to the Loans and Related Security, but shall not be required to give notice of the transfer of the equitable or beneficial interest in the Loans to the Borrowers nor complete any other step necessary to perfect legal title to the Loans or the Related Security to the Issuer.

The title information documents and customer files relating to the Portfolio are currently held by or to the order of the relevant Seller. Each Seller has undertaken that, until perfection of the assignments contemplated by the Mortgage Sale Agreement, all the title information documents and customer files relating to the Portfolio 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 Trustee nor the Issuer has made or will make or has caused to be made or will cause to be made on its behalf any enquiries, searches or investigations in relation to the Portfolio, but each is relying entirely on the representations and warranties to be given by the Sellers contained in the Mortgage Sale Agreement.

Representations and Warranties

Except as stated otherwise, each Seller will represent and warrant in the Mortgage Sale Agreement, with respect to itself, the Loans originated by it and their Related Security comprising the Portfolio or, to the Issuer and the Trustee to the effect that, as at the Closing Date (or in the case of the Substitute Loans, as at the Substitution Date) or, in the case of (vv) below only, at the date (if applicable) of termination of RBS as Administrator, *inter alia*:

(a) Each Loan was originated by the relevant Seller as principal in the ordinary course of business and was originated, and is denominated, in pounds sterling;

(b) Each Loan sold by the Sellers was made no earlier than 28 September 2005 and each Loan in the Portfolio matures for repayment not later than two years prior to the latest Final Maturity Date for the Notes;

(c) No Loan in the Portfolio is an off-set loan;

(d) No lien or right of set-off or counterclaim or other right of deduction has been created or arisen between any Borrower and the relevant Seller or any other party which would entitle such Borrower to reduce the amount of any payment otherwise due under the Loan;

(e) Prior to the making of the initial advance and any further advance in respect of each Loan prior to the Closing Date, the Lending Criteria of the relevant Seller and all preconditions to the making of any Loan were satisfied in all material respects subject only to such exceptions as made on a case by case basis as would be acceptable to a Reasonable, Prudent Mortgage Lender;

(f) Each Loan was made and its Related Security taken or received on the terms of the standard documentation of the relevant Seller without any material variation thereto and nothing has been done subsequently to add to, lessen, modify or otherwise vary the express provisions of any of the same in any material respect;

(g) The brochures, application forms, offers, offer conditions and marketing material distributed by the relevant Seller to the Borrower when offering a Loan to a Borrower:

(i) do not conflict in any material respect with the terms applicable to the relevant Loan and its Related Security at the time that the Loan was entered into; and

(ii) do not conflict with, and would not prohibit or otherwise limit the terms of, the Transaction Documents or the matters contemplated thereby;

(h) Each Borrower has made at least one monthly payment;

(i) Other than with respect to monthly payments, no Borrower is, or has been, since the date of the relevant Mortgage, in material breach of any obligation owed in respect of the relevant Loan or under the Related Security and accordingly no steps have been taken by the relevant Seller to enforce any Related Security and such Seller is not aware of any fraud in relation to any Loan or Related Security;

(j) The total amount of arrears of interest or principal, together with any fees, commissions and premiums payable at the same time as such interest payment or principal repayment, on any Loan is not as at the Closing Date in respect of such Loan more than three times the monthly payment payable in respect of such Loan in respect of the month in which such date falls;

(k) No Loan is guaranteed by a third party save where the guarantee constitutes legal, valid and binding obligations of the guarantor enforceable in accordance with their terms;

(l) The outstanding principal balance on each Loan and its Related Security constitutes a valid debt due to the relevant Seller from the relevant Borrower and the terms of each Loan and its Related Security constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their terms and each Loan and its Related Security is non-cancellable (except that the relevant Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or its right to unilaterally revoke its consent to letting);

(m) Interest on each Loan is charged and paid by the relevant Borrower in accordance with the provisions of the standard documentation of the relevant Seller and is payable monthly in arrear;

(n) (In the case of NWHL) in relation to any Loan in respect of which interest is calculated by reference to the NWHL Standard Variable Rate or (should an NWHL Loan that is an owner-occupied residential mortgage loan be converted to a Buy-to-Let Mortgage Loan) the NWHL Buy-to-Let Variable Rate (as appropriate) and (in the case of RBS) in relation to any Loan in respect of which interest is calculated by reference to the RBS Standard Variable Rate, the RBS Buy-to-Let Variable Rate (if applicable), or the RBS 100% Standard Variable Rate (as appropriate), the Issuer or the Trustee has a right to set (as applicable);

(i) the NWHL Standard Variable Rate or the NWHL Buy-to-Let Variable Rate (which will be applicable should any NWHL Loans be converted to buy-to-let loans) (as appropriate) at any time and from time to time and such NWHL Standard Variable Rate or NWHL Buy-to-Let Variable Rate (which will be applicable should any NWHL Loans be

converted to buy-to-let loans) is and will be binding on, and enforceable against, the relevant Borrower pursuant to the terms and conditions applicable to the relevant Loan and/or the Mortgage (the "**NWHL Mortgage Terms**"); or

(ii) the RBS Standard Variable Rate, the RBS Buy-to-Let Variable Rate (if applicable) or the RBS 100% Standard Variable Rate, at any time and from time to time and such RBS Standard Variable Rate, RBS Buy-to-Let Variable Rate (if applicable) or the RBS 100% Standard Variable Rate is and will be binding on, and enforceable against, the relevant Borrower pursuant to the terms and conditions applicable to the relevant Loan and/or the Mortgage (the "**RBS Mortgage Terms**" and, together with the NWHL Mortgage Terms, the "**Mortgage Terms**");

(o) No Loan is a regulated agreement under the CCA, provided that to the extent any agreement for a Loan or any part of it has ever been a regulated agreement or treated as such under the CCA or is or has ever been a linked transaction under the CCA, in respect of that Loan:

(i) the relevant Seller has at all relevant times held an appropriate consumer credit licence as required under the CCA; and

(ii) all material requirements of the CCA have been met;

(p) All of the Borrowers are individuals and were aged 18 years or older at the date of entering into the relevant Loan and its Related Security and the identity of each Borrower has been verified by the relevant Seller in accordance with procedures which would be acceptable to a Reasonable, Prudent Mortgage Lender;

(q) In respect of a Loan, there are no other loans or other indebtedness which may be secured or intended to be secured by the Related Security in respect of such Loan which would, if any such other loans or other indebtedness was invalid, unenforceable, not binding or cancellable (and cancelled), cause that Loan, Mortgage and the Related Security to be invalid, unenforceable, not binding or cancellable (or cancelled);

(r) The whole of the outstanding principal balance on each Loan and all further advances and flexible drawings made prior to the Closing Date and interest, fees, costs, expenses and any other amounts payable under or in respect of such Loan are secured by a Mortgage over a residential property;

(s) Each Mortgage constitutes (i) a valid and subsisting first ranking charge by way of legal mortgage (in relation to the English Loans) or first priority standard security (in relation to the Scottish Loans) over the relevant Property; or (ii) in the case of the Loans that are Right to Buy Loans for which the relevant Seller has not obtained a deed of postponement from the local authority or other social landlord, a valid and subsisting second ranking legal charge in relation to such Right to Buy Loans that are English Loans or a second priority standard security in relation to such Right to Buy Loans that are Scottish Loans, unless (in each case) the relevant statutory charge or standard security (as the case may be) in favour of the local authority or other social landlord has expired (in which case, such Mortgages will constitute a first ranking charge (in relation to the English Loans) or first priority standard security (in relation to the Scottish Loans) over the relevant Property);

(t) Each Mortgage has first priority for the whole of the outstanding principal balance on the Loan and interest on such outstanding principal balance and all fees, costs, expenses and other amounts payable under or in respect of such Loan or Mortgage subject (in the case of each Seller) to the entering into of a deed of postponement with the relevant local authority or other social landlord and the registration of the deed of postponement at the Land Registry and/or the Registers of Scotland (as the case may be) in relation to any Loan that is a Right to Buy Loan for which the relevant Seller has not yet obtained a deed of postponement from the local authority or other social landlord;

(u) Neither the relevant Seller nor its assignees are under an obligation to make further amounts available or to release retentions or to pay fees or other sums relating to any Loan or its Related Security to any Borrower;

(v) All of the Properties are residential properties situated in England, Wales or Scotland;

(w) Each Property constitutes a separate dwelling unit and is either freehold, leasehold or heritable and if a Property is leasehold, written notice has been given to the landlord of the creation of the relevant Mortgage;

(x) In respect of each Loan secured on leasehold Property (other than leasehold Properties located in central London), the relevant leasehold interest has an unexpired term left to run of not less than 30 years after the maturity of the relevant Loan;

(y) Every person who, at the date upon which a Mortgage over property situated in England and Wales was granted, had attained the age of 18 and was in or about to be in actual occupation of the relevant property (other than children of the Borrower under the age of 25 who have no legal interest in the relevant property), is either named as a Borrower or has signed a deed of consent in the form of the pro forma contained in the standard documentation and, in relation to each Mortgage over property situated in Scotland, all necessary MHA Documentation has been obtained so as to ensure that neither the relevant property nor the relevant Mortgage is subject to or affected by any statutory right of occupancy;

(z) Each Borrower has a good and marketable title to the Property free from any encumbrance which:

(i) would materially adversely affect such title; and

(ii) a Reasonable, Prudent Mortgage Lender would regard as unacceptable for security purposes.

(aa) Not more than 12 months prior to the granting of each Mortgage (for further advances prior to June 2009 the original valuation report may have been relied upon), the relevant Seller received a valuation report from a valuer on the relevant Property (or such other form of valuation as would be acceptable to a Reasonable, Prudent Mortgage Lender), the contents of which were such as would be acceptable to a Reasonable, Prudent Mortgage Lender (except in relation to newly built properties where no such valuation was received prior to 2006), such Seller shall have received confirmation of the purchase price of the relevant property from the solicitor responsible for registering such Seller's security in relation to such property).

(bb) Prior to the inception of each Mortgage, the relevant Seller:

(i) instructed its solicitor or licensed conveyancer or (in Scotland) qualified conveyancer to carry out an investigation of title to the relevant Property and to undertake such other searches, investigation, enquiries and other actions on behalf of the relevant Seller as are set out in the instructions which such Seller issued to the relevant solicitor, licensed conveyancer or qualified conveyancer as are set out in the case of English Loans in the CML's Lenders' Handbook for England and Wales and, in the case of Scottish Loans, the CML's Lenders' Handbook for Scotland (or such comparable, predecessor or successor instructions and/or guidelines as may for the time being be in place), subject only to such variations as would have been acceptable to a Reasonable, Prudent Mortgage Lender at the relevant time; and

(ii) received a report on title from the solicitor or licensed conveyancer or (in Scotland) qualified conveyancer in paragraph (i) above, relating to such Property the contents of which were such as would have been acceptable to a Reasonable, Prudent Mortgage Lender at that time;

(cc) The benefit of all valuation reports, any other valuations referred to in paragraph (aa) (above) and all reports on title can be validly assigned to the Issuer without obtaining the consent of the relevant valuer, solicitor, licensed conveyancer or qualified conveyance;

(dd) Each Property was at the time of inception of the Mortgage insured under:

(i) a Buildings Insurance Policy arranged by the Borrower in accordance with the Mortgage Conditions; or

(ii) a Buildings Insurance Policy arranged by the relevant Seller; or

(iii) with respect to leasehold Properties, a Buildings Insurance Policy arranged by the relevant landlord,

and in all cases: (A) against risks usually covered by a comprehensive building insurance policy; (B) with the interest of the relevant Seller noted thereon with effect from the origination of the relevant Loan in the event that it exceeds £500,000 for completions prior to June 2010 and £1,500,000 thereafter; and (C) the relevant Seller has received no notice from the Borrower that any Property has ceased to be insured at all;

(ee) No act, event or circumstance has occurred which would adversely affect the Household Contingency Policy or entitle the insurers to refuse to make payment thereunder or to reduce the amount payable in respect of any claim thereunder;

(ff) All claims under the Household Contingency Policy have been paid in full within a reasonable time of the date of submission of the claim;

(gg) The relevant Seller has good title to, and is the absolute unencumbered legal and beneficial owner of, all property, interests, rights and benefits agreed to be sold and/or assigned by such Seller to the Issuer free and clear of all security, claims and equities (including, without limitation, rights of set-off or counterclaim) and, other than pursuant to the Mortgage Sale Agreement, such Seller has not charged or dealt with the benefit of any Loans or their Related Security, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold or assigned to the Issuer nor is such Seller in breach of any covenant or warrandice implied by reason of its selling any Loans in the Portfolio with full title guarantee or absolute warrandice or as beneficial owner (or which would be implied if the registered transfers, unregistered transfers, as applicable, were completed);

(hh) All steps necessary to perfect the relevant Seller's title to the Loans and the Related Security were duly taken at the appropriate time or are in the process of being taken, in each case (where relevant) within any applicable priority periods or time limits for registration with all due diligence and without undue delay;

(ii) Save for title deeds held at the Land Registry or Registers of Scotland (as applicable), the title information documents and the customer files (if any) relating to each of the Loans and their Related Security are held by, or are under the control of the relevant Seller, the relevant Administrator or such Seller's solicitors, licensed conveyancers or (in Scotland) qualified conveyancers to the order of such Seller;

(jj) Neither the entry by the relevant Seller into the Mortgage Sale Agreement nor any transfer or assignment or creation of trust contemplated by the Mortgage Sale Agreement affects or will adversely affect any of the Loans and their Related Security and such Seller may freely assign its interests therein, or create a trust in respect of such interests, without breaching any term or condition applying to any of them;

(kk) The relevant Seller has not knowingly waived or acquiesced in any breach of any of its rights in respect of a Loan, Mortgage or its Related Security, other than waivers and acquiescence such as a Reasonable, Prudent Mortgage Lender might make;

(ll) The Issuer will not have any liability for costs or fees payable by the relevant Seller in connection with the making of the Loan or the granting of the Related Security;

(mm) The relevant Seller has, since the making of each Loan, kept or procured the keeping of full and proper accounts, books and records showing clearly all transactions, payments, receipts, proceedings and notices relating to such Loan and all such accounts, books and records are up to date and in the possession of such Seller or held to its order;

(nn) Neither the relevant Seller nor as far as such Seller is aware any of its agents has received written notice of any litigation or dispute (subsisting, threatened or pending) in respect of any Borrower, a Property, Loan, Related Security or Insurance Policy which (if adversely determined) might have a material adverse effect on the Portfolio or any part of it;

(oo) There are no authorisations, approvals, licences or consents required as appropriate for the relevant Seller to enter into or perform its obligations under the Mortgage Sale Agreement to render the Mortgage Sale Agreement legal, valid, binding, enforceable and admissible in evidence and, with the exception of sending notification of assignment to the Borrowers, all formal approvals, consents and other steps necessary to permit a legal transfer of the Loans and their Related Security to be sold under the Mortgage Sale Agreement have been obtained or taken;

(pp) To the best knowledge and belief of the relevant Seller, no corporate action has been taken or is pending, no other steps have been taken and no legal proceedings have been commenced or are threatened or are pending for (i) the winding-up, liquidation, dissolution, administration or reorganisation of such Seller, (ii) such Seller to enter into any composition or arrangement with its creditors generally or (iii) the appointment of a receiver, administrative receiver, trustee or other similar officer in respect of such Seller or any of its property, undertaking or assets, and no documents have been filed with the court for the appointment of an administrator and no notice of intention to appoint an administrator has been served, and no steps have been taken by such Seller with a view to obtaining a moratorium in respect of any indebtedness of such Seller or for the purpose of proposing a company voluntary arrangement, and no event equivalent to any of the foregoing has occurred in or under the laws of any relevant jurisdiction applicable to such Seller;

(qq) The relevant Seller is and has been in material compliance with the requirements of MCOB and ICOB in so far as they apply to any of the Loans, Related Security or Insurance Policies at all relevant times, and such Seller has at all relevant times held all authorisations, approvals, licenses, consents and orders required by it under the FSMA in connection with the Loans, Related Security and Insurance Policies, and, to the extent that a Loan is or has ever been a Regulated Mortgage Contract under the FSMA, such Loan would be binding on the Borrower and enforceable against it;

(rr) None of the terms in any Loan or its Related Security is not binding by virtue of it being unfair within the meaning of the UTCCR (except that the relevant Seller makes no representation as to the fairness or otherwise of terms which relate to its ability to vary the rate of interest or its right to unilaterally revoke its consent to letting);

(ss) To the extent that any Loan and its Related Security and any guarantee in relation to that Loan is subject to UTCCR no action (whether formal or informal) has been taken by the OFT or by a qualifying body as defined in the 1999 Regulations against the relevant Seller, pursuant to the UTCCR or otherwise which might prevent or restrict the use in such agreement of any material term or the enforcement of any such term;

(tt) No agreement for any Loan gives rise (whether on its own or taken together with any related agreement) to an unfair relationship under Sections 140A to 140D of the CCA;

(uu) In relation to Loans that are Right to Buy Loans, (i) the Right to Buy was offered to Borrowers who wish to use the Loans as a means to purchase, refinance or improve residential property in the public sector under the "Right to Buy" scheme governed by the Right to Buy Legislation (or for such other approved purposes under the Right to Buy Legislation), (ii) that are English Loans, save where the relevant statutory charge has expired, (1) the relevant Seller is an approved lending institution under the relevant legislation, (2) the Right to Buy Loan was made to the person exercising the right to buy for that purpose or for such other purposes which are approved purposes under the applicable Right to Buy Legislation, (iii) that are Scottish Loans, the Right to Buy Loan was either (1) made to a person exercising the right to buy solely for that purpose (and/or improving the property) and the relevant Scottish Mortgage has priority over any statutory charge or (2) made for some other purpose in which case the statutory charge has priority and (iv) the RTB Disposal Period will expire on or before July 2016 or in relation to a Substitute Loan, the RTB Disposal Period will expire on or before the date falling 5 years after the relevant Substitution Date;

(vv) (In respect of each House Loan) RBS is the agent of the Issuer for handling of arrears and setting of mortgage interest rates (as defined therein) for the purposes of the provision of such House

Loan relating to the transfer of such House Loans and will apply no less favourable policy in respect thereof to that which RBS applies to loans beneficially owned by it outside the Portfolio;

(ww) No Loan is a Flexible Loan;

(xx) The Loans sold by each Seller to the Issuer pursuant to the Mortgage Sale Agreement are "financial assets" as defined in International Accounting Standard 32 (IAS 32); and

(yy) No Related Security or ancillary right in respect of a Loan is stock or a marketable security (as such terms are defined for the purposes of section 122 of the Stamp Act 1891), a chargeable security (as such term is defined for the purposes of section 99 of the Finance Act 1986) or a "chargeable interest" (as such term is defined for the purposes of section 48 of the Finance Act 2003).

Repurchase by the Sellers

Each Seller has agreed in the Mortgage Sale Agreement to repurchase any of the Loans together with their Related Security sold by it to the Issuer in the circumstances described below.

If any of the representations or warranties given by the relevant Seller are materially breached in respect of any Loan and/or its Related Security or any representation or warranty proves to be materially untrue as at the Closing Date (and, with respect to representation and warranty (vv), on the date that the appointment of RBS as administrator is terminated pursuant to the Administration Agreement) and this (where capable of remedy) has not been remedied within 30 London Business Days of receipt by the relevant Seller of notice from the Issuer in relation thereto, the relevant Seller will, upon receipt of a further notice from the Issuer, purchase such Loan and its Related Security from the Issuer on the next London Business Day after receipt of such notice by the relevant Seller (or such other date as the Issuer may direct in the notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the relevant Seller of such notice)). Consideration for such repurchase shall be provided by payment in cash and/or the substitution of equivalent Loan(s) (the "**Substitute Loans**") such that the aggregate of the outstanding principal balance of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the True Balance of the Loans subject to repurchase.

A Loan and its Related Security may also be repurchased in certain circumstances where a Product Switch, Further Advance or, substitution is made or following the delivery of an Interest-Only Loan Conversion Repurchase Notice. See *"Product Switches, Further Advances and Substitution"* and "*Interest-Only Converted Loans*" below.

Each Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and the Trustee of any breach of a warranty as soon as the relevant Seller becomes aware of such breach.

Product Switches, Further Advances and Substitution

(a) Further Advances

Under the Mortgage Sale Agreement, the Issuer has agreed that the relevant Seller or the relevant Administrator (on behalf of the relevant Seller) may make an offer to, any Borrower for a Further Advance. If a Borrower requests, or the relevant Seller or the relevant Administrator (on behalf of the relevant Seller) offers, a Further Advance under a Loan, the relevant Seller or the relevant Administrator (on behalf of the relevant Seller) will be solely responsible for offering, documenting and funding that Further Advance. Any Further Advance made to a Borrower will be purchased by the Issuer on the date that the Further Advance is made by the relevant Seller to the relevant Borrower (the "**Advance Date**") unless a notice has been given by the Sellers to the Issuer no later than one London Business Day immediately prior to the Advance Date that any of the Further Advance Conditions are not satisfied (a "**Notice of Non-Satisfaction of Further Advance Conditions**") and such notice has not been revoked.

A Notice of Non-Satisfaction of Further Advance Conditions may be given by the Sellers to the Issuer if the Sellers have identified beyond a reasonable doubt that any of the following conditions (the "**Further Advance Conditions**") are not satisfied:

(a) no Event of Default has occurred and is continuing;

(b) RBS's short term unsecured, unsubordinated and unguaranteed debt rating has not fallen below F2 by Fitch or P-2 by Moody's (or such other short term rating acceptable to the relevant Rating Agency, provided that any confirmation that such other short term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy);

(c) no Seller Insolvency Event has occurred;

(d) the purchase of the Further Advance will not result in the aggregate principal balance outstanding of all Further Advances purchased by the Issuer exceeding 12.50 per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date;

(e) if required, the Basis Swap Agreement will be appropriately varied or, if appropriate, the Issuer will enter into a new basis rate swap in order to hedge against the interest rate payable on the Loan subject to the Further Advance and the floating rate of interest payable on the Notes; and

(f) (in the case of NWHL Loans) NatWest has consented to the Further Advance being made by NWHL where applicable;

(g) the Capital Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the monthly payment payable, is not greater than 7.5 per cent. of the aggregate Capital Balance of the Loans comprising the Portfolio;

(h) the General Reserve Fund is at the General Reserve Required Amount;

(i) the Class A Principal Deficiency Sub-Ledger does not have a debit balance as at the most recent Interest Payment Date after applying all Available Revenue Receipts and the General Reserve Fund (if permitted in accordance with the terms of the Transaction Documents); and

(j) after giving effect to the margin generated by the Basis Rate Swaps, the weighted average yield of the Loans in the Portfolio is at least three months GBP LIBOR plus 1.00 per cent.

If no Notice of Non-Satisfaction of Further Advance Conditions has been given by the Sellers to the Issuer, or has been so given and subsequently revoked by the Sellers no later than one London Business Day prior to the relevant Advance Date, and the Further Advance is accordingly purchased by the Issuer on the relevant Advance Date, the relevant Seller must, in relation to the Loan which is subject to the Further Advance, give the representations and warranties in respect of Further Advances set out in the Mortgage Sale Agreement as at the relevant Advance Date. Further, the Issuer must pay the Further Advance Purchase Price to the relevant Seller on the fifth London Business Day following the relevant Advance Date to the extent that the Issuer has sufficient Principal Receipts and otherwise on each subsequent London Business Day until and to the extent that such Further Advance Purchase Price is paid in full. The purchase price for the relevant Further Advance shall be an amount equal to the principal amount of the Further Advance (the "**Further Advance Purchase Price**") and will be paid from Principal Receipts.

If a Notice of Non-Satisfaction of Further Advance Conditions has been given by the Sellers to the Issuer and has yet to be revoked by the Sellers no later than 12 noon on the London Business Day prior to the relevant Advance Date, then the relevant Seller must repurchase the relevant Loan and its Related Security from the Issuer on the Advance Date. Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the outstanding principal balance of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the True Balance of the Loans subject to repurchase.

In addition, each Seller has agreed in the Mortgage Sale Agreement that, if it is subsequently determined that:

(a) any of the representations or warranties made by it in respect of any Loan originated by it subject to a Further Advance was materially untrue as at the relevant Advance Date; or

(b) any of the Further Advance Conditions was in fact not satisfied on the Advance Date for a Further Advance:

(i) despite no Notice of Non-Satisfaction of Further Advance Conditions having been given by the Sellers to the Issuer no later than one London Business Day prior to the relevant Advance Date; or

(ii) where a Notice of Non-Satisfaction of Further Advance Conditions was given but was revoked by the Sellers by the London Business Day prior to the relevant Advance Date,

and, in either case, this (where capable of remedy) has not been remedied within 30 London Business Days of receipt by the relevant Seller of notice from the Issuer in relation thereto, the relevant Seller will, upon receipt of a further notice from the Issuer, repurchase the entire Loan and its Related Security (including, for the avoidance of doubt, the Further Advance) from the Issuer on the next London Business Day after receipt of such further notice by the relevant Seller (or such other date as the Issuer may direct in that notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the relevant Seller of such further notice)). Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the outstanding principal balance of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the True Balance of the Loans subject to repurchase.

Neither Seller nor Administrator (as applicable) shall be permitted to issue any offer for a Further Advance to any Borrower with a Loan which is delinquent or which is in default.

A "**Further Advance**", for the purposes of this Prospectus, is a further amount lent to a Borrower under his or her Loan after the Closing Date, which amount is secured by the same Property as the Loan.

(b) Product Switches

A Loan will be subject to a "**Product Switch**" if there is any variation of the financial terms and conditions of the Loan other than:

1. an addition or a release of a party to the Loan;

2. any variation agreed with a Borrower to control or manage arrears on the Loan;

3. any variation which extends the maturity date of the Loan up to 20 October 2046;

4. any variation imposed by statute;

5. any variation of a Loan from Repayment Loan to an Interest Only Loan or *vice versa*; and

6. any conversion of an owner-occupied residential mortgage loan to a buy-to-let residential mortgage loan, provided that the relevant tenancy, at the point of conversion, in respect of the relevant Property (in England and Wales) is an assured shorthold tenancy under the Housing Act 1996 or by way of a tenancy which would be an assured shorthold tenancy but for rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies or (in Scotland) a short assured tenancy under the Housing (Scotland) Act 1988 or by way of a tenancy which would be a short assured tenancy but for rent payable under such tenancy exceeding the maximum amount prescribed by statute in respect of such tenancies and each tenancy agreement as at the time of conversion of the relevant Loan is on terms which would be acceptable to a Reasonable, Prudent Mortgage Lender and the relevant Seller is not aware of any material breach of such agreement.

each a "**Permitted Variation**".

Such Permitted Variations may be made to the Loans without the requirement for the Sellers to obtain any further consent or comply with any further condition.

If a Borrower requests, or the relevant Seller or the relevant Administrator (on behalf of the relevant Seller) offers, a Product Switch under a Loan, the relevant Seller or the relevant Administrator (on behalf of the relevant 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 unless the Sellers have given notice to the Issuer no later than one London Business Day prior to the Switch Date that any of the

Product Switch Conditions are not satisfied (a "**Notice of Non-Satisfaction of Product Switch Conditions**") and such notice has not been revoked prior to such date.

The relevant Seller or the relevant Administrator (on behalf of the relevant Seller) may offer a Borrower (and the Borrower may accept), or a Borrower may request, a Product Switch. Any Loan which has been subject to a Product Switch will remain in the Portfolio unless a Notice of Non-Satisfaction of Product Switch Conditions has been given by the Sellers to the Issuer and such notice has not been revoked by the Sellers no later than the London Business Day prior to the date that the Product Switch is made (the "**Switch Date**").

A Notice of Non-Satisfaction of Product Switch Conditions may be given by the Sellers to the Issuer if any Seller has identified beyond a reasonable doubt that any of the following conditions (the "**Product Switch Conditions**") are not satisfied:

(a) no Event of Default has occurred and is continuing;

(b) RBS's short term unsecured, unsubordinated and unguaranteed debt rating has not fallen below F2 by Fitch or P-2 by Moody's (or such other short term rating acceptable to the relevant Rating Agency, provided that any confirmation that such other short term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy);

(c) no Seller Insolvency Event has occurred;

(d) if required, the Basis Swap Agreement will be appropriately varied or, if appropriate, the Issuer will enter into a new basis swap in order to hedge against the interest rate payable on the Loan subject to the Product Switch and the floating rate of interest payable on the Notes;

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

(f) the Product Switch will be similar to switches offered to the relevant Seller's mortgage Borrowers whose mortgages do not form part of the Portfolio;

(g) the Product Switch will not result in the Loan, which is subject to such Product Switch, being a Flexible Loan;

(h) the Capital Balance of the Loans comprising the Portfolio, in respect of which the aggregate amount in arrears is more than three times the monthly payment payable, is not greater than 7.5 per cent. of the aggregate Capital Balance of the Loans comprising the Portfolio;

(i) the General Reserve Fund is at the General Reserve Required Amount;

(j) the Class A Principal Deficiency Sub-Ledger does not have a debit balance as at the most recent Interest Payment Date after applying all Available Revenue Receipts and the General Reserve Fund (if permitted in accordance with the terms of the Transaction Documents); and

(k) after giving effect to the margin generated by the Basis Rate Swaps, the weighted average yield of the Loans in the Portfolio is at least three months GBP LIBOR plus 1.00 per cent.

If no Notice of Non-Satisfaction of Product Switch Conditions has been given by the Sellers to the Issuer, or has been so given and subsequently revoked by the Sellers no later than the London Business Day prior to the relevant Switch Date, and the Loan which is the subject of a Product Switch remains in the Portfolio, the relevant Seller must, in relation to the relevant Loan, give the representations and warranties in respect of Product Switches set out in the Mortgage Sale Agreement as at the relevant Switch Date.

If a Notice of Non-Satisfaction of Product Switch Conditions has been given by the Sellers to the Issuer and has yet to be revoked by the Sellers no later than 12 noon on the London Business Day prior to the relevant Switch Date, then the relevant Seller must repurchase the relevant Loan and its Related Security from the Issuer on the Switch Date. Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the outstanding principal

balance of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the True Balance of the Loans subject to repurchase.

In addition, each Seller has agreed in the Mortgage Sale Agreement that, if it is subsequently determined that:

(a) any representation or warranty made by it in respect of any of its Loans which is subject to a Product Switch was materially untrue as at the Switch Date; or

(b) any of the Product Switch Conditions were in fact not satisfied on the Switch Date for a Product Switch:

(i) despite no Notice of Non-Satisfaction of Product Switch Conditions being given by the Sellers to the Issuer no later than one London Business Day prior to the relevant Switch Date; or

(ii) where a Notice of Non-Satisfaction of Product Switch Conditions was given but was revoked by the Sellers by the London Business Day prior to the relevant Switch Date,

and, in either case, this (where capable of remedy) has not been remedied within 30 London Business Days of receipt by the relevant Seller of notice from the Issuer, the relevant Seller will, upon receipt of a further notice from the Issuer, repurchase the entire Loan and its Related Security from the Issuer on the next London Business Day after receipt of such further notice by the relevant Seller (or such other date as the Issuer may direct in the notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the relevant Seller of such further notice)). Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the outstanding principal balance of the Substitute Loan(s), if any, and the cash payment, if any, equals at least the True Balance of the Loans subject to repurchase.

Where in relation to a proposed Further Advance or a Product Switch, the relevant Seller or the relevant Administrator (on behalf of the relevant Seller) proposes making a Further Advance or Product Switch (as applicable), the relevant Seller may, despite the Sellers not having given (in the case of the Further Advance) a Notice of Non-Satisfaction of Further Advance Conditions or (in the case of the Product Switch) a Notice of Non-Satisfaction of Product Switch Conditions (as applicable) to the Issuer, as alternatives to selling the Further Advance to the Issuer or the Loan which is the subject of a Product Switch remaining in the Portfolio (as applicable), elect to repurchase the relevant Loan and its Related Security from the Issuer on the relevant Advance Date or Switch Date (as applicable) for a consideration equal to its True Balance. Any such election must be made prior to the relevant Advance Date or Switch Date (as applicable). The relevant Seller must pay to the Issuer the consideration for the relevant Loan and its Related Security which is the subject of a Further Advance or a Product Switch (as applicable) no later than the fifth London Business Day following the Advance Date or the Switch Date (as applicable).

(c) Substitute Loans

The relevant Seller may offer the Issuer (and the Issuer shall accept) a Substitute Loan as consideration for the repurchase of a Loan which was in breach of any representation or warranty or in respect of which an unrevoked Notice of Non-Satisfaction of Further Advance Conditions or unrevoked Notice of Non-Satisfaction of Product Switch Conditions has been given by the Sellers to the Issuer. Any Substitute Loan will be assigned to the Issuer unless the Sellers have given notice to the Issuer no later than one London Business Day prior to the Substitution Date that any of the Substitution Conditions are not satisfied (a "**Notice of Non-Satisfaction of Substitution Conditions**") has been given by the Sellers to the Issuer and such notice has not been revoked by the Sellers no later than the London Business Day prior to the date that the substitution is made (the "**Substitution Date**").

A Notice of Non-Satisfaction of Substitution Conditions may be given by the Sellers to the Issuer if any Seller has identified beyond a reasonable doubt that any of the following conditions, which may be varied or waived by the Issuer from time to time (and notification of such variation or waiver shall be provided to Moody's) (the "**Substitution Conditions**") are not satisfied:

(a) no Event of Default has occurred and is continuing;

(b) no Seller Insolvency Event has occurred;

(c) RBS's short term unsecured, unsubordinated and unguaranteed debt rating has not fallen below F2 by Fitch or P-2 by Moody's (or such other short term rating acceptable to the relevant Rating Agency provided that any confirmation that such other short term is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy);

(d) if required, the Basis Swap Agreement will be appropriately varied or, if appropriate, the Issuer will enter into a new basis swap in order to hedge against the interest rate payable on the Substitute Loan and the floating rate of interest payable on the Notes;

(e) the Substitute Loan and Related Security constitutes the same ranking and priority security over a Property as the security provided in respect of the relevant repurchased Loan;

(f) a Loan may be a Substitute Loan only if its corresponding repurchased Loan is of the same Loan Product Type save that, in respect of the repurchase by the Seller of an Interest-Only Converted Loan pursuant to Clause 7 (*Interest-Only Converted Loans*) of the Mortgage Sale Agreement, the Substitute Loan shall not be an Interest-Only Loan; and

(g) a Substitute Loan may not be a buy-to-let loan.

If no Notice of Non-Satisfaction of Substitution Conditions has been given by the Sellers to the Issuer, or has been so given and subsequently revoked by the Sellers no later than 12 noon on the London Business Day prior to the relevant Substitution Date, and the Substitute Loan is assigned to the Issuer, the relevant Seller must, in relation to the relevant Loan, give the representations and warranties in respect of Substitute Loans set out in the Mortgage Sale Agreement as at the relevant Substitution Date.

Each Seller has agreed in the Mortgage Sale Agreement that, if it is subsequently determined that:

(a) any representation or warranty made by it in respect of any of its Substitute Loans was materially untrue as at the Substitution Date or, in the case of representation (vv) above in "*Representations and Warranties*" only, at the date (if applicable) of termination of RBS as Administrator; or

(b) any Substitution Condition was in fact not satisfied on the Substitution Date for a Substitute Loan:

(i) despite no Notice of Non-Satisfaction of Substitution Conditions being given by the Sellers to the Issuer no later than one London Business Day prior to the relevant Substitution Date; or

(ii) where a Notice of Non-Satisfaction of Substitution Conditions was given but was revoked by the Sellers by the London Business Day prior to the relevant Substitution Date,

and, in either case, this (where capable of remedy) has not been remedied within 30 London Business Days of receipt by the relevant Seller of notice from the Issuer, the relevant Seller will, upon receipt of a further notice from the Issuer, repurchase the entire Substitute Loan and its Related Security from the Issuer on the next London Business Day after receipt of such further notice by the relevant Seller (or such other date as the Issuer may direct in the notice (provided that the date so specified by the Issuer shall not be later than 15 days after receipt by the relevant Seller of such further notice)). Consideration for such repurchase shall be provided by payment in cash and/or the substitution of Substitute Loan(s) such that the aggregate of the outstanding principal balance of the Substitute Loan(s), if any, and the cash payment amount, if any, equals at least the True Balance of the Loans subject to repurchase.

Each Seller must, pursuant to the terms of the Mortgage Sale Agreement, notify the Issuer and the Trustee of any breach of warranty in respect of any of the relevant Loans subject to Further Advances, Product Switches or substitution as soon as it has identified such breach.

Interest-Only Converted Loans

If an Administrator delivers to any Seller an Interest-Only Loan Conversion Repurchase Notice having determined, on any Calculation Date, that the Interest-Only Converted Loans Calculation Percentage shall

exceed the Interest-Only Converted Loans Trigger on the Interest Payment Date immediately following such Calculation Date, then the relevant Seller shall (in accordance with the terms of the Mortgage Sale Agreement) repurchase all Interest-Only Loans in the Portfolio and their Related Security (and any other Loan or Loans secured or intended to be secured by that Related Security or any part of it) which converted into Interest-Only Converted Loans during the previous Collection Period and which convert into Interest-Only Converted Loans in subsequent Collection Periods, on an on-going basis, until the date on which an Interest-Only Converted Loans Stop Notice is delivered in accordance with the provisions of the Mortgage Sale Agreement. Such repurchase shall take place on or prior to the relevant Interest-Only Converted Loans Repurchase Cut-off Date.

The Interest-Only Converted Loans Trigger will be exceeded if, in respect of any Calculation Date, the Interest-Only Converted Loans Calculation Percentage on such Calculation Date is an amount greater than (but not equal to) 30 per cent.

If, following the service of an Interest-Only Converted Loans Repurchase Notice given on any Interest Payment Date, the Administrators determine on a subsequent Calculation Date that the Interest-Only Converted Loans Calculation Percentage shall no longer exceed the Interest-Only Converted Loans Trigger on the Interest Payment Date immediately following such Calculation Date, then:

(a) the Administrator will deliver an Interest-Only Converted Loans Stop Notice to the relevant Seller on the relevant Interest Payment Date; and

(b) the obligation of the Seller to repurchase any further Loans and their Related Security (and any other Loan or Loans secured or intended to be secured by that Related Security or any part of it) in the Portfolio which convert into Interest-Only Converted Loans from the date of the relevant Interest-Only Converted Loans Stop Notice shall cease until such time (if at all) as the Administrators serve upon each of the Sellers a further notice in the form of the Interest-Only Converted Loans Repurchase Notice, *save that*, for the avoidance of doubt, the Seller shall continue to be obliged to repurchase any Interest-Only Converted Loans identified to be repurchased prior to such Interest-Only Converted Loans Stop Notice on the relevant Interest-Only Converted Loans Repurchase Cut-Off Date.

Assignment by NWHL

NWHL may assign or transfer any of its rights and obligations under or in respect of the Mortgage Sale Agreement to any other entity within the Group without the prior written consent of the other parties thereto.

Governing Law

The Mortgage Sale Agreement and any non-contractual obligations arising out or in connection with the Mortgage Sale Agreement, other than certain aspects of it in relation to Scottish Loans and their Related Security which will be construed in accordance with Scots law, will be governed by English law.

STATISTICAL INFORMATION ON THE PORTFOLIO

The statistical and other information contained in this section has been compiled by reference to the Initial Provisional Portfolio of £3,565,039,070.32 as at 31 July 2011 (the "**Cut-off Date**"). The Initial Portfolio of £3,526,605,291.63 was determined as at 30 September 2011 as described further in "*The Portfolio - The Loans – Selection of the Portfolio*" above.

The information contained in this section has not been updated to reflect any decrease in the size of the Initial Portfolio from that of the Initial Provisional Portfolio.

Except as otherwise indicated, these tables have been prepared using the outstanding principal balance as at the Cut-off Date. Columns may not add up to the total due to rounding.

As of the Cut-off Date, the Initial Provisional Portfolio had the following characteristics:

Aggregate Loan Balance (£)	3,565,039,070.32
No of Loans	26704
Largest Loan (£)	2,525,526.73
Smallest Loan (£)	5,535.11
Average Loan Balance (£)	133,502.06
Weighted Average Current LTV	63.40%
Weighted Average Original LTV	63.52%
Weighted Average Seasoning (years)	0.25
Weighted Average Remaining Term (years)	20.77
Percentage of Fixed Rate Loans (%)	72.00
Percentage of Discount Loans (%)	0.00

Approximately 86.38 per cent. of the Loans comprising the Initial Provisional Portfolio are Loans of NWHL and the residual 13.62 per cent. are Loans of RBS.

All the Loans comprising the Initial Provisional Portfolio are owner-occupied residential mortgage loans. Approximately 0.31 per cent. of the Loans comprising the Initial Provisional Portfolio are Right to Buy Loans.

1. **Outstanding Principal Balances as at the Cut-off Date**

The following table shows the range of outstanding balances of mortgage accounts (including capitalised interest, capitalised high LTV fees, booking fees and valuation fees) in the Initial Provisional Portfolio as at the Cut-off Date.

Distribution of Loans by Current Principal outstanding (£)	Aggregate Outstanding Principal Balance (£)	Total Balance	No of Loans	Total No of Loans
	£	%		%
£0.00 - £24,999.99	6,506,027.43	0.18	273	1.02
£25,000.00 - £49,999.99	110,322,792.82	3.09	2851	10.68
£50,000.00 - £74,999.99	270,807,554.83	7.60	4284	16.04
£75,000.00 - £99,999.99	405,007,849.02	11.36	4624	17.32
£100,000.00 - £124,999.99	455,095,458.98	12.77	4063	15.21
£125,000.00 - £149,999.99	425,445,255.06	11.93	3107	11.63
£150,000.00 - £174,999.99	338,200,194.20	9.49	2098	7.86
£175,000.00 - £199,999.99	284,614,408.51	7.98	1524	5.71
£200,000.00 - £224,999.99	205,588,425.55	5.77	975	3.65
£225,000.00 - £249,999.99	146,694,250.79	4.11	621	2.33
£250,000.00 - £274,999.99	119,593,375.36	3.35	458	1.72
£275,000.00 - £299,999.99	97,687,202.21	2.74	340	1.27
£300,000.00 - £324,999.99	79,003,185.49	2.22	254	0.95
£325,000.00 - £349,999.99	66,035,003.71	1.85	196	0.73
£350,000.00 - £374,999.99	56,912,622.03	1.60	158	0.59
£375,000.00 - £399,999.99	51,514,573.47	1.44	133	0.50
£400,000.00 - £424,999.99	44,524,342.62	1.25	108	0.40
£425,000.00 - £449,999.99	44,204,367.75	1.24	101	0.38
£450,000.00 - £474,999.99	32,289,748.35	0.91	70	0.26
£475,000.00 - £499,999.99	29,671,774.63	0.83	61	0.23
£500,000.99 - £999,999.99	228,968,324.75	6.42	357	1.34
>= £1,000,000.00	66,352,332.76	1.86	48	0.18
Grand Total	**3,565,039,070.32**	**100.00**	**26704**	**100.00**

The maximum, minimum and average outstanding balances of the Loans in the Initial Provisional Portfolio as of the Cut-off Date were:

Maximum Outstanding Balance	2,525,526.73
Minimum Outstanding Balance	5,535.11
Average Outstanding Balance	133,502.06

2. **Original Principal Balances**

The following table shows the outstanding balance of mortgage accounts (including capitalised interest, capitalised high LTV fees, booking fees and valuation fees) in the Initial Provisional Portfolio as at the Cut-off Date by range of original balance on such mortgage.

Distribution of Loans by Original Principal outstanding	Aggregate Outstanding Principal Balance	Total Balance	No of Loans	Total No of Loans
£	£	%		%
£0.00 - £24,999.99	466,583.52	0.01	24	0.09
£25,000.00 - £49,999.99	106,662,539.67	2.99	2899	10.86
£50,000.00 - £74,999.99	269,628,865.72	7.56	4331	16.22
£75,000.00 - £99,999.99	398,917,038.11	11.19	4600	17.23
£100,000.00 - £124,999.99	465,659,210.44	13.06	4183	15.66
£125,000.00 - £149,999.99	416,557,951.45	11.68	3059	11.46
£150,000.00 - £174,999.99	347,714,224.37	9.75	2168	8.12
£175,000.00 - £199,999.99	279,915,947.61	7.85	1505	5.64
£200,000.00 - £224,999.99	208,554,513.54	5.85	995	3.73
£225,000.00 - £249,999.99	145,311,245.93	4.08	619	2.32
£250,000.00 - £274,999.99	125,497,110.40	3.52	483	1.81
£275,000.00 - £299,999.99	89,984,229.44	2.52	315	1.18
£300,000.00 - £324,999.99	86,946,045.50	2.44	281	1.05
£325,000.00 - £349,999.99	67,351,156.01	1.89	200	0.75
£350,000.00 - £374,999.99	57,588,881.15	1.62	160	0.60
£375,000.00 - £399,999.99	46,665,092.78	1.31	121	0.45
£400,000.00 - £424,999.99	48,424,582.06	1.36	118	0.44
£425,000.00 - £449,999.99	39,894,893.14	1.12	92	0.34
£450,000.00 - £474,999.99	37,532,221.40	1.05	82	0.31
£475,000.00 - £499,999.99	28,076,046.96	0.79	58	0.22
£500,000.00 - £999,999.99	232,553,729.93	6.52	364	1.36
>= £1,000,000.00	65,136,961.19	1.83	47	0.18
Grand Total	**3,565,039,070.32**	**100.00**	**26704**	**100.00**

The maximum, minimum and average original balances of the Loans in the Initial Provisional Portfolio as of the Cut-off Date were:

Maximum Original Balance	3,187,999.00
Minimum Original Balance	7,853.95
Average Original Balance	133,862.89

3. **Loan-to-Value Ratios as at the Cut-off Date**

The following table shows the range of LTV ratios, which express the outstanding balance of the aggregate of loans in a mortgage account (including capitalised interest, capitalised high LTV fees, booking fees and valuation fees) in the Initial Provisional Portfolio as at the Cut-off Date divided by the valuation as at origination of the Loan or the most recent valuation thereof (including indexed valuations where applicable — see "*The Loans — Lending Criteria — Valuations*").

Distribution of Loans by Current Loan-to-Value Ratios	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0.00% - 30.00%	205,272,076.58	5.76%	3188	11.94%
30.01% - 35.00%	116,137,171.28	3.26%	1218	4.56%
35.01% - 40.00%	156,222,568.95	4.38%	1473	5.52%
40.01% -45.00%	198,112,558.42	5.56%	1711	6.41%
45.01% - 50.00%	273,909,785.19	7.68%	2059	7.71%
50.01% - 55.00%	225,359,495.28	6.32%	1666	6.24%
55.01% - 60.00%	327,243,256.62	9.18%	2262	8.47%
60.01% - 65.00%	185,381,693.18	5.20%	1183	4.43%
65.01% - 70.00%	210,510,853.89	5.90%	1310	4.91%
70.01% - 75.00%	453,722,246.99	12.73%	2695	10.09%
75.01% - 80.00%	420,612,189.58	11.80%	2449	9.17%
80.01% - 85.00%	277,617,515.90	7.79%	1833	6.86%
85.01% - 90.00%	249,191,087.52	6.99%	1764	6.61%
90.01% - 95.00%	265,746,570.94	7.45%	1893	7.09%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

The maximum, minimum and weighted average LTV ratios as at the Cut-off Date of the aggregate of loans in the mortgage accounts (including capitalised interest, capitalised high LTV fees, booking fees and valuation fees) in the Initial Provisional Portfolio were:

Maximum Current LTV	93.25%
Minimum Current LTV	2.18%
Weighted Average Current LTV	63.40%

4. Original Loan-to-Value Ratios

Original Loan-to-Value Ratios	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0.00% - 30.00%	202,711,195.30	5.69%	3138	11.75%
30.01% - 35.00%	115,424,875.66	3.24%	1203	4.50%
35.01% - 40.00%	152,640,908.97	4.28%	1459	5.46%
40.01% - 45.00%	192,817,663.57	5.41%	1683	6.30%
45.01% - 50.00%	278,261,207.87	7.81%	2110	7.90%
50.01% - 55.00%	222,455,003.72	6.24%	1645	6.16%
55.01% - 60.00%	367,923,570.11	10.32%	2520	9.44%
60.01% - 65.00%	149,912,076.37	4.21%	974	3.65%
65.01% - 70.00%	218,617,653.12	6.13%	1338	5.01%
70.01% - 75.00%	482,622,964.39	13.54%	2989	11.19%
75.01% - 80.00%	406,502,846.07	11.40%	2305	8.63%
80.01% - 85.00%	266,921,106.24	7.49%	1739	6.51%
85.01% - 90.00%	318,118,497.24	8.92%	2327	8.71%
90.01% - 95.00%	190,109,501.69	5.33%	1274	4.77%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

Maximum Original LTV	92.89%
Minimum Original LTV	2.27%
Weighted Average Original LTV	63.52%

5. Indexed Loan to Value Ratios

Distribution of Loans by Current Indexed Loan-to-Value Ratios	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0.00% - 40.00%	483,570,156.27	13.56%	5934	22.22%
40.01% - 45.00%	200,253,663.57	5.62%	1719	6.44%
45.01% - 50.00%	269,341,593.77	7.56%	2015	7.55%
50.01% - 55.00%	234,393,232.87	6.57%	1726	6.46%
55.01% - 60.00%	319,565,817.73	8.96%	2166	8.11%
60.01% - 65.00%	191,411,218.38	5.37%	1261	4.72%
65.01% - 70.00%	219,047,209.59	6.14%	1377	5.16%
70.01% - 75.00%	455,971,090.74	12.79%	2648	9.92%
75.01% - 80.00%	424,085,008.21	11.90%	2544	9.53%
80.01% - 85.00%	269,250,743.33	7.55%	1777	6.65%
85.01% - 90.00%	261,426,256.91	7.33%	1870	7.00%
90.01% - 95.00%	236,723,078.95	6.64%	1667	6.24%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

Maximum Indexed LTV	94.98%
Minimum Indexed LTV	2.19%
Weighted Average Indexed LTV	63.21%

6. Geographical Distribution of Properties

The following table shows the distribution of Properties securing the Loans in the Initial Provisional Portfolio throughout England, Wales and Scotland as at the Cut-off Date. No such properties are situated outside England, Wales or Scotland. The Sellers' lending criteria and current credit scoring tests do not take into account the geographical location of the property securing a loan.

Region	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
Scotland	355,378,197.75	9.97%	3451	12.92%
South East	1,192,075,823.20	33.44%	7126	26.69%
South West	361,020,766.25	10.13%	2819	10.56%
Yorks and Humber	192,656,306.76	5.40%	1928	7.22%
Wales	114,979,237.07	3.23%	1163	4.36%
North West	288,770,514.42	8.10%	2807	10.51%
North	115,855,981.33	3.25%	1206	4.52%
East Midlands	165,342,794.07	4.64%	1583	5.93%
West Midlands	205,619,950.62	5.77%	1842	6.90%
East Anglia	120,664,922.50	3.38%	993	3.72%
London	452,674,576.35	12.70%	1786	6.69%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

7. Seasoning of Loans

The following table shows the number of years since the date of origination of the initial advance in respect of a Loan in the Initial Provisional Portfolio as at the Cut-off Date.

Distribution by Seasoning of Loans (years)	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0.00 – 0.49	3,373,228,420.95	94.62%	25211	94.41%
0.50 – 0.99	143,026,115.05	4.01%	1144	4.28%
1.00 – 1.49	14,460,307.19	0.41%	109	0.41%
1.50 – 1.99	14,755,150.05	0.41%	107	0.40%
2.00 – 2.49	12,124,619.33	0.34%	75	0.28%
2.50 – 2.99	3,247,895.93	0.09%	33	0.12%
3.00 – 3.49	2,304,918.62	0.06%	13	0.05%
3.50 – 3.99	669,243.31	0.02%	2	0.01%
4.50 – 4.99	463,937.26	0.01%	2	0.01%
5.00 – 5.49	583,348.87	0.02%	5	0.02%
5.50 – 5.99	175,113.76	0.00%	3	0.01%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

The forecast maximum, minimum and weighted average seasoning of the Loans in the Initial Provisional Portfolio as at the Cut-off Date were:

Maximum Seasoning	5.84
Minimum Seasoning	0.01
Weighted Average Seasoning	0.25

8. Years to maturity of Loans

The following table shows the number of remaining years of the term of the initial loan in a mortgage account in the Initial Provisional Portfolio as at the Cut-off Date.

Distribution by Years of Maturity of Loans (years)	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0.00 - 4.99	28,025,742.64	0.79%	359	1.34%
5.00 - 9.99	293,486,336.02	8.23%	3231	12.10%
10.00 - 14.99	569,989,118.35	15.99%	5010	18.76%
15.00 - 19.99	854,842,152.75	23.98%	6191	23.18%
20.00 - 24.99	1,116,895,305.63	31.33%	7085	26.53%
25.00 - 29.99	438,288,262.66	12.29%	2917	10.92%
30.00 - 34.99	263,264,551.68	7.38%	1909	7.15%
35.00 – 40.00	247,600.59	0.01%	2	0.01%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

The maximum, minimum and weighted average remaining years of the term of the Loans in the mortgage accounts in the Initial Provisional Portfolio as at the Cut-off Date was:

Maximum Remaining Term	35.06
Minimum Remaining Term	2.22
Weighted Average Remaining Term	20.77

9. **Purpose of Loan**

The following table shows whether the purpose of the initial loan in a mortgage account in the Initial Provisional Portfolio on origination was to finance the purchase of a property or to remortgage a property already owned by the Borrower.

Purpose of Loan	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
Purchase	1,620,108,586.04	45.44%	10949	41.00%
Remortgage	1,944,930,484.28	54.56%	15755	59.00%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

Average balance of Purchase Loans	147,968.64
Average balance of Remortgage Loans	123,448.46

10. **Property Type**

The following table shows the types of properties to which the mortgage accounts in the Initial Provisional Portfolio relate.

Distribution by Property Type	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No Loans	Average of Current Balance
Semi-Detached	1,038,349,817.54	29.13%	8754	32.78%	118,614.33
Flat/Maisonette	414,475,782.33	11.63%	3227	12.08%	128,439.97
Detached	1,206,397,862.18	33.84%	6847	25.64%	176,193.64
Terraced	736,568,954.19	20.66%	6433	24.09%	114,498.52
Other	169,246,654.08	4.75%	1443	5.40%	117,288.05
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**	**133,502.06**

As at the Cut-off Date, the average balance of Loans in the Initial Provisional Portfolio secured by semi-detached, flat/maisonette, detached, terraced and other properties was £118,614.33, £128,439.97, £176,193.64, £114,498.52 and £117,288.05. For the purposes of this table:

"**Detached**" means a house not joined to another house;

"**Semi-detached**" means a house joined to another house on one side only; and

"**Terraced**" means a house in a row of houses built in one block in a uniform style.

11. **Interest Rate Type**

The following table shows the distribution of Loan products in the Initial Provisional Portfolio as at the Cut-off Date.

Product Type	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
Fixed	2,566,689,045.15	72.00%	20431	76.51%
Tracker	969,915,556.72	27.21%	6089	22.80%
Variable*	28,434,468.45	0.80%	184	0.69%
Grand Total	**3,565,039,070.32**	**100%**	**26704**	**100%**

(*Note: Includes the RBS 100% Standard Variable Rate products)

12. **Buy-To-Let**

Buy-To-Let	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
No	3,565,039,070.32	100.00%	26704	100.00%
Yes	0.00	0.00%	0	0.00%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

13. **Flexible Features**

Flexible Features*	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
No	3,564,601,142.15	99.99%	26699	99.98%
Yes	437,928.17	0.01%	5	0.02%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

*The relevant Borrower does not have exercisable re-draw rights under Loans with "Flexible Features".

14. **Repayment Terms**

The following table shows the repayment terms for the Loans in the mortgage accounts in the Initial Provisional Portfolio as at the Cut-off Date. For a description of the various repayment terms each Seller offers, see "*The Loans — Characteristics of the Loans — Repayment Terms*".

Repayment Terms	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans	Average of Current Balance
Repayment	2,690,983,614.22	75.48%	22280	83.43%	120,780.23
Interest Only	874,055,456.10	24.52%	4424	16.57%	197,571.31
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**	**133,502.06**

As at the Cut-off Date, the average balance of Interest Only and Repayment Loans in the Initial Provisional Portfolio was £197,571.31 and £120,780.23 respectively.

15. **Distribution of Fixed Rate Loans**

As at the Cut-off Date, approximately 72.04 per cent. by value of the Loans in the Initial Provisional Portfolio were Fixed Rate Loans. The following tables show the distribution of Fixed Rate Loans by their fixed rate of interest as at such date, and the year in which the Loans cease to bear their current fixed rate of interest.

Fixed Rate Loans remain at the relevant fixed rate for a period of time as specified in the offer conditions, after which they move to a variable rate or some other rate as specified in the offer conditions.

Distribution of Fixed Rate Loans by Interest Rates	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0.00% - 3.00%	240,266,067.79	9.36%	2003	9.80%
3.01% - 4.00%	977,467,031.50	38.08%	7885	38.59%
4.01% - 5.00%	771,703,957.13	30.07%	6276	30.72%
5.01% - 6.00%	446,932,447.85	17.41%	3210	15.71%
6.01% - 7.00%	128,307,188.14	5.00%	1044	5.11%
7.01% - 8.00%	2,012,352.74	0.08%	13	0.06%
Grand Total	**2,566,689,045.15**	**100.00%**	**20431**	**100.00%**

Distribution of Fixed Rate Loans by Expiry Year	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
2011	27,631,667.20	1.08%	170	0.83%
2012	93,432,865.08	3.64%	710	3.48%
2013	1,771,766,816.03	69.03%	13828	67.68%
2014	30,413,302.33	1.18%	220	1.08%
2015	14,668,033.30	0.57%	120	0.59%
2016	624,909,300.00	24.35%	5343	26.15%
2017	39,897.73	0.00%	1	0.00%
2018	1,403,594.38	0.05%	16	0.08%
2019	2,165,224.66	0.08%	19	0.09%
2020	130,854.42	0.01%	2	0.01%
Fixed for Life	127,490.02	0.00%	2	0.01%
Grand Total	**2,566,689,045.15**	**100.00%**	**20431**	**100.00%**

16. Distribution of Tracker Rate Loans

As at the Cut-off Date, approximately 27.21 per cent. by value of the Loans in the Initial Provisional Portfolio were Tracker Rate Loans. The following tables show the distribution of Tracker Rate Loans by the year in which the Loans cease to bear their current tracker rate of interest.

Tracker Rate Loans remain at the relevant tracker rate for a period of time as specified in the offer conditions, after which they move to a variable rate or some other rate as specified in the offer conditions.

Distribution of Tracker Rate Loans by Expiry Year	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
2011	12,907,113.72	1.33%	80	1.31%
2012	162,246,447.81	16.73%	847	13.91%
2013	708,854,858.31	73.08%	4604	75.61%
Tracker for Life	85,907,136.88	8.86%	558	9.16%
Grand Total	**969,915,556.72**	**100.00%**	**6089**	**100.00%**

17. Delinquent Loans

The following table shows the Loans in the Initial Provisional Portfolio which are in arrears as at the Cut-off Date.

Distribution of Delinquent Loans by Delinquency Period	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0 Months	3,565,039,070.32	100.00%	26704	100.00%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

18. County Court Judgments at Origination

The following table shows the Loans in the Initial Provisional Portfolio where a county court judgment has been ordered against the Borrower as at the Cut-off Date.

No. of Judgments	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
0	3,565,039,070.32	100.00%	26704	100.00%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

19. **Bankrupt**

The following table shows the Loans in the Initial Provisional Portfolio where the Borrower has become bankrupt prior to the Cut-off Date.

Bankrupt	Aggregate Outstanding Principal Balance (£)	% of Total Balance	No of Loans	% of Total No of Loans
No	3,565,039,070.32	100.00%	26704	100.00%
Yes	0	0	0	0
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

20. **Interest Rate**

The following table shows the current interest rates of the Loans in the Initial Provisional Portfolio.

Current Interest Rate	Aggregate Outstanding Principal Balance (£)	% of Balance	No of Loans	% of Total No of Loans
0.00% - 2.00%	107,639,668.22	3.02%	478	1.79%
2.01% - 2.50%	205,622,750.78	5.77%	1156	4.33%
2.51% - 3.00%	721,539,425.17	20.24%	5114	19.15%
3.01% - 3.50%	341,962,802.71	9.59%	2814	10.54%
3.51% - 4.00%	821,869,556.03	23.05%	6477	24.25%
4.01% - 4.50%	620,054,695.55	17.39%	5004	18.74%
4.51% - 5.00%	167,830,865.21	4.71%	1384	5.18%
5.01% - 5.50%	168,809,952.42	4.74%	1183	4.43%
5.51% - 6.00%	279,389,813.35	7.84%	2037	7.63%
6.01% - 6.50%	119,058,891.73	3.34%	960	3.59%
6.51% - 7.00%	9,248,296.41	0.26%	84	0.31%
7.01% - 7.50%	2,012,352.74	0.06%	13	0.05%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

The maximum, minimum and weighted average current interest rates of the Loans in the mortgage accounts in the Initial Provisional Portfolio as at the Cut-off Date was:

Maximum Current Interest Rate	7.31%
Minimum Current Interest Rate	1.29%
Weighted Average Interest Rate	3.83%

21. Valuation

Valuation	Aggregate Outstanding Principal Balance	Total Balance	No of Loans	Total No of Loans
	£	%		%
£25,000.00 - £49,999.99	2,037,387.63	0.06	61	0.23
£50,000.00 - £74,999.99	32,929,517.08	0.92	679	2.54
£75,000.00 - £99,999.99	112,642,302.38	3.16	1884	7.06
£100,000.00 - £124,999.99	195,473,414.98	5.48	2640	9.89
£125,000.00 - £149,999.99	258,018,608.71	7.24	2984	11.17
£150,000.00 - £174,999.99	317,991,638.93	8.92	3197	11.97
£175,000.00 - £199,999.99	289,942,326.50	8.13	2645	9.90
£200,000.00 - £224,999.99	274,534,014.41	7.70	2286	8.56
£225,000.00 - £249,999.99	260,898,917.86	7.32	1935	7.25
£250,000.00 - £274,999.99	228,889,741.97	6.42	1647	6.17
£275,000.00 - £299,999.99	151,072,256.86	4.24	1010	3.78
£300,000.00 - £324,999.99	145,451,894.42	4.08	918	3.44
£325,000.00 - £349,999.99	112,058,933.90	3.14	664	2.49
£350,000.00 - £374,999.99	115,417,478.73	3.24	634	2.37
£375,000.00 - £399,999.99	84,577,469.79	2.37	432	1.62
£400,000.00 - £424,999.99	84,952,323.88	2.38	422	1.58
£425,000.00 - £449,999.99	56,896,438.07	1.60	253	0.95
£450,000.00 - £474,999.99	60,098,676.34	1.69	286	1.07
£475,000.00 - £499,999.99	58,379,968.04	1.64	233	0.87
£500,000.00 - £999,999.99	507,393,861.84	14.23	1576	5.90
£1,000,000.00 - £1,999,999.99	148,641,598.29	4.17	255	0.95
£2,000,000.00 - £2,999,999.99	44,237,631.26	1.24	45	0.17
£3,000,000.00 - £3,999,999.99	13,214,373.16	0.37	13	0.05
£4,000,000.00+	9,288,295.29	0.26	5	0.02
Grand Total	**3,565,039,070.32**	**100.00**	**26704**	**100.00**

Maximum Valuation	4,500,000.00
Minimum Valuation	28,000.00
Weighted Average Valuation	393,318.26

22. Employment Type

Employment Type	Aggregate Outstanding Principal Balance (£)	% of Balance	No of Loans	% of Total No of Loans
Employed	2,884,285,962.71	80.90%	22785	85.32%
Self Employed	648,243,083.17	18.18%	3583	13.42%
Pensioner	21,005,996.61	0.59%	240	0.90%
Unemployed	5,675,126.14	0.16%	54	0.20%
Other	5,828,901.69	0.16%	42	0.16%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

23. RBSG Staff Loans

RBSG Staff Loans	Aggregate Outstanding Principal Balance (£)	% of Balance	No of Loans	% of Total No of Loans
No	3,472,310,730.05	97.40%	26082	97.67%
Yes	92,728,340.27	2.60%	622	2.33%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

24. **Valuation Method**

Valuation Method	Aggregate Outstanding Principal Balance (£)	% of Balance	No of Loans	% of Total No of Loans
Other	501,917,519.35	14.08%	3171	11.87%
Full Surveyor	2,454,817,567.05	68.86%	17199	64.41%
Drive-by	243,732,044.91	6.84%	2210	8.28%
AVM	364,571,939.01	10.23%	4124	15.44%
Grand Total	**3,565,039,070.32**	**100.00%**	**26704**	**100.00%**

CHARACTERISTICS OF THE UNITED KINGDOM RESIDENTIAL MORTGAGE MARKET

The UK housing market is primarily one of owner-occupied housing, with the remainder in some form of public, private landlord or social ownership. The mortgage market, whereby loans are provided for the purchase of a property and secured on that property, is the primary source of household borrowings in the United Kingdom.

Set out in the following tables are certain characteristics of the United Kingdom mortgage market.

Industry CPR Rates

In the following tables, quarterly industry constant repayment rate ("**Industry CPR**") data was calculated by dividing the amount of scheduled and unscheduled repayments of mortgages made by monetary and financial institutions in a quarter by the quarterly balance of mortgages outstanding for monetary and financial institutions in the United Kingdom. These quarterly repayment rates were then annualised using standard methodology.

Quarter	Industry CPR Rate for the Quarter (%)	12-month rolling average (%)	Quarter	Industry CPR Rate for the Quarter (%)	12-month rolling average (%)
March 1999	12.46	12.12	June 2005	21.57	22.50
June 1999	16.25	15.33	September 2005	24.91	24.68
September 1999	17.94	17.15	December 2005	25.07	23.16
December 1999	16.72	15.97	March 2006	22.21	20.10
March 2000	13.83	13.15	June 2006	23.86	22.72
June 2000	15.59	15.92	September 2006	25.52	25.21
September 2000	16.16	17.05	December 2006	25.20	25.14
December 2000	16.04	16.38	March 2007	23.96	23.09
March 2001	15.60	14.72	June 2007	24.97	24.42
June 2001	18.58	17.09	September 2007	25.83	25.67
September 2001	20.63	18.39	December 2007	23.82	24.51
December 2001	20.42	18.23	March 2008	19.98	21.97
March 2002	19.11	17.36	June 2008	20.96	22.97
June 2002	21.63	20.11	September 2008	19.69	22.76
September 2002	24.30	22.47	December 2008	14.69	19.26
December 2002	23.46	21.94	March 2009	13.00	16.49
March 2003	21.47	20.29	June 2009	12.74	16.85
June 2003	22.96	22.29	September 2009	12.86	16.28
September 2003	24.75	24.52	December 2009	12.18	13.44
December 2003	25.53	24.50	March 2010	11.03	12.01
March 2004	21.60	21.53	June 2010	10.64	11.69
June 2004	23.44	23.20	September 2010	11.07	11.97
September 2004	24.46	24.60	December 2010	10.97	11.58
December 2004	21.25	23.39	March 2011	10.03	10.53
March 2005	17.98	19.79	June 2011	10.62	10.63

Repossession Rates

The table below sets out the repossession rate of residential properties in the United Kingdom since 1985.

Repossession Rates

Year	Repossessions (%)	Year	Repossessions (%)	Year	Repossessions (%)
1985	0.25	1994	0.47	2003	0.07
1986	0.30	1995	0.47	2004	0.07
1987	0.32	1996	0.40	2005	0.12
1988	0.22	1997	0.31	2006	0.18
1989	0.17	1998	0.31	2007	0.22
1990	0.47	1999	0.27	2008	0.34
1991	0.77	2000	0.20	2009	0.42
1992	0.69	2001	0.16	2010	0.32
1993	0.58	2002	0.11		

Source: Council of Mortgage Lenders

House Price to Earnings Ratio

The following table shows the ratio for each year of the average annual value of houses compared to the average annual salary in the United Kingdom. The average annual earnings figures are constructed using the Annual Survey of Hours and Earnings referring to median gross weekly earnings in April of each year for those male employees whose earnings were not affected by their absence from work. While this is a good indication of house affordability, it does not take into account the fact that the majority of households have more than one income to support a mortgage loan.

Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio	Year	House Price to Earnings Ratio
1985	4.41	1994	4.55	2003	7.30
1986	4.64	1995	4.47	2004	7.78
1987	4.98	1996	4.51	2005	7.92
1988	5.73	1997	4.77	2006	7.86
1989	6.36	1998	5.11	2007	8.42
1990	5.72	1999	5.37	2008	8.14
1991	5.27	2000	5.86	2009	7.43
1992	4.85	2001	5.98	2010	7.88
1993	4.59	2002	6.78		

Source: Council of Mortgage Lenders

HOUSE PRICE INDEX

UK residential property prices, as measured by the Nationwide House Price Index and Halifax Price Index (collectively the "**Housing Indices**"), have generally followed the UK Retail Price Index over an extended period. (Nationwide is a UK building society and Halifax is a brand name of Bank of Scotland, a UK bank.)

The UK housing market has been through various economic cycles in the recent past, with large year-to-year increases in the Housing Indices occurring in the late 1980s and the mid 1990s through to mid-2007 and decreases occurring in the early 1990s and mid-2007 through to the date of this Prospectus.

	Retail Price Index		**Nationwide House Price Index**		**Halifax House Price Index**	
Quarter	**Index**	**% annual change**	**Index**	**% annual change**	**Index**	**% annual change**
March 1992	136.2	4.1	104.1	(4.3)	210.6	(4.4)
June 1992	139.1	4.2	105.1	(5.0)	210.4	(5.7)
September 1992	139.0	3.6	104.2	(4.8)	208.4	(5.6)
December 1992	139.6	3.1	100.1	(6.5)	199.3	(8.3)
March 1993	138.7	1.8	100.0	(3.9)	196.9	(6.5)
June 1993	140.9	1.3	103.6	(1.4)	203.2	(3.4)
September 1993	141.3	1.6	103.2	(1.0)	204.2	(2.0)
December 1993	141.8	1.6	101.8	1.8	202.5	1.6
March 1994	142.0	2.4	102.4	2.4	202.3	2.7
June 1994	144.5	2.6	102.5	(1.1)	204.3	0.6
September 1994	144.6	2.3	103.2	(0.0)	204.3	0.0
December 1994	145.5	2.6	104.0	2.1	200.9	(0.8)
March 1995	146.8	3.4	101.9	(0.5)	200.3	(1.0)
June 1995	149.5	3.4	103.0	0.5	201.0	(1.6)
September 1995	149.9	3.7	102.4	(0.8)	199.0	(2.6)
December 1995	150.1	3.2	101.6	(2.3)	197.8	(1.5)
March 1996	150.9	2.8	102.5	0.6	200.9	0.3
June 1996	152.8	2.2	105.8	2.7	208.6	3.8
September 1996	153.1	2.1	107.7	5.2	209.8	5.4
December 1996	154.0	2.6	110.1	8.3	212.6	7.4
March 1997	154.9	2.7	111.3	8.6	215.3	7.2
June 1997	156.9	2.6	116.5	10.1	222.6	6.7
September 1997	158.4	3.5	121.2	12.5	223.6	6.6
December 1997	159.7	3.7	123.3	12.1	224.0	5.4
March 1998	160.2	3.4	125.5	12.7	226.4	5.2
June 1998	163.2	4.0	130.1	11.7	234.9	5.5
September 1998	163.7	3.3	132.4	9.2	236.1	5.6
December 1998	164.4	3.0	132.3	7.3	236.3	5.5
March 1999	163.7	2.2	134.6	7.3	236.3	4.4

	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
Quarter	**Index**	**% annual change**	**Index**	**% annual change**	**Index**	**% annual change**
June 1999	165.5	1.4	139.7	7.3	247.7	5.4
September 1999	165.6	1.2	144.4	9.0	256.7	8.8
December 1999	166.8	1.5	148.9	12.6	263.4	11.5
March 2000	167.5	2.3	155.0	15.1	270.5	14.5
June 2000	170.6	3.1	162.0	16.0	275.6	11.3
September 2000	170.9	3.2	161.5	11.8	277.6	8.1
December 2000	172.0	3.1	162.8	9.4	278.3	5.7
March 2001	171.8	2.6	167.5	8.1	279.0	3.1
June 2001	173.9	1.9	174.8	7.9	297.0	7.7
September 2001	174.0	1.8	181.6	12.5	305.0	9.9
December 2001	173.8	1.0	184.6	13.4	310.9	11.7
March 2002	173.9	1.2	190.2	13.6	324.3	16.2
June 2002	176.0	1.2	206.5	18.1	346.6	16.7
September 2002	176.6	1.5	221.1	21.7	369.1	21.0
December 2002	178.2	2.5	231.3	25.3	393.0	26.4
March 2003	179.2	3.0	239.3	25.8	400.1	23.4
June 2003	181.3	3.0	250.1	21.1	422.5	21.9
September 2003	181.8	2.9	258.9	17.1	437.6	18.6
December 2003	182.9	2.6	267.1	15.5	453.5	15.4
March 2004	183.8	2.6	277.3	15.9	474.0	18.5
June 2004	186.3	2.8	296.2	18.4	513.2	21.5
September 2004	187.4	3.1	306.2	18.3	527.2	20.5
December 2004	189.2	3.4	304.1	13.9	522.0	15.1
March 2005	189.7	3.2	304.8	9.9	520.2	9.7
June 2005	191.9	3.0	314.2	6.1	532.1	3.7
September 2005	192.6	2.8	314.4	2.7	543.1	3.0
December 2005	193.7	2.4	314.0	3.2	548.4	5.1
March 2006	194.2	2.4	319.8	4.9	552.6	6.2
June 2006	197.6	3.0	329.2	4.8	582.1	9.4
September 2006	199.3	3.5	336.1	6.9	586.7	8.0
December 2006	201.4	4.0	343.2	9.3	602.8	9.9
March 2007	203.0	4.5	350.2	9.5	613.9	11.1
June 2007	206.3	4.4	362.7	10.2	644.1	10.7
September 2007	207.1	3.9	367.3	9.3	649.3	10.7
December 2007	209.8	4.2	367.0	6.9	634.4	5.2
March 2008	211.1	4.0	357.8	2.2	620.9	1.1
June 2008	215.3	4.4	348.1	(4.0)	605.1	(6.1)
September 2008	217.4	5.0	329.5	(10.3)	568.9	(12.4)

	Retail Price Index		Nationwide House Price Index		Halifax House Price Index	
Quarter	**Index**	**% annual change**	**Index**	**% annual change**	**Index**	**% annual change**
December 2008	215.5	2.7	312.9	(14.7)	531.5	(16.2)
March 2009	210.9	(0.1)	298.7	(16.5)	512.5	(17.5)
June 2009	212.6	(1.3)	307.3	(11.7)	514.3	(15.0)
September 2009	214.4	(1.4)	319.5	(3.0)	526.5	(7.4)
December 2009	216.9	0.6	323.4	3.4	537.3	1.1
March 2010	219.3	4.0	324.9	8.8	539.0	5.2
June 2010	223.5	5.1	336.6	9.5	546.6	6.3
September 2010	224.5	4.7	333.9	4.5	540.4	2.6
December 2010	227.0	4.7	325.1	0.5	528.8	(1.6)
March 2011	230.9	5.3	323.9	(0.3)	523.2	(2.9)
June 2011	234.9	5.1	332.7	(1.2)	527.2	(3.5)

Source: Office for National Statistics, Nationwide Building Society and Lloyds Banking Group plc respectively.

The percentage annual change in the table above is calculated in accordance with the following formula:

LN(x/y) where X is equal to the current quarter's index value and Y is equal to the index value of the previous year's corresponding quarter.

All information contained in this Prospectus in respect of the Nationwide House Price Index has been reproduced from information published by Nationwide Building Society as available at http://www.nationwide.co.uk/hpi/. All information contained in this Prospectus in respect of the Halifax House Price Index has been reproduced from information published by Lloyds Banking Group plc as available at http://www.lloydsbankinggroup.com/media1/research/halifax_hpi.asp. The Issuer confirms that all information in this Prospectus in respect of the Nationwide House Price Index and the Halifax House Price Index has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by Nationwide Building Society and Lloyds Banking Group plc, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Note, however, that the Issuer has not participated in the preparation of that information nor made any enquiry with respect to that information. Neither the Issuer nor RBS as Seller, Arranger or Joint Lead Manager nor NWHL nor RBS SI makes any representation as to the accuracy of the information or has any liability whatsoever to you in connection with that information. Anyone relying on the information does so at their own risk.

THE ADMINISTRATORS

Under the Administration Agreement, NWHL and RBS will be appointed as the Administrator of the NWHL Loans and RBS Loans respectively together with their Related Security.

This section describes the Administrators' administration procedures based on the current NWHL and RBS Mortgage Servicing Policies. Each Administrator will administer the relevant Loans and their Related Security in the Portfolio in accordance with its policies applicable from time to time, but subject to the terms of the Administration Agreement. For a description of the Administrators' obligations under the Administration Agreement, see *"The Administration Agreement"*.

The Administrators carry out such administration procedures from offices located at 135 Bishopsgate, London EC2M 3UR, in respect of NWHL and 36 St Andrew Square, Edinburgh, EH2 2YB, in respect of RBS and 280 Bishopsgate, London, EC2M 4RB in respect of both NWHL and RBS.

On the Closing Date, pursuant to the terms of the Administration Agreement, NWHL will delegate the administration of the NWHL Loans and their Related Security to RBS on the terms of the delegation agreement entered into between NWHL and RBS on or about the Closing Date (the "**Delegation Agreement**"). Such arrangements will not affect the obligations of NWHL under the terms of the Administration Agreement.

A description of the terms of the Delegation Agreement is set out below - see *"Delegation to RBS"*.

ADMINISTRATION PROCEDURES

Administration procedures include:

- Managing of Mortgage Accounts in arrears;
- Issuing redemption statements, processing lump sum payments and early redemption fees;
- Collecting and distributing title deeds and any supporting documents as well as storage of deeds;
- Processing transfers of titles, notices of death, forfeitures of leases, sale and exchange of land, account conversions, term amendments, deed amendments, compensation and enforcement notices;
- Dealing with all types of transactions posting and refunding fees, setting up direct debits, payment date changes and Payment Holidays;
- Dealing with all customer correspondence on other aspects of mortgages once the loan is drawn down, including changes in customer details and changes on the customer mortgage, i.e. product, repayment etc; and
- Notifying Borrowers of changes to interest rates applicable to the loans, whether due to a change, in the case of the NWHL Loans, in the NWHL Standard Variable Rate, the NWHL Buy-to-Let Variable Rate (upon and following any conversion of a Loan in the Portfolio to a buy-to-let loan) or the NatWest Base Rate and, in the case of the RBS Loans, in the RBS Standard Variable Rate, the RBS Buy-to-Let Variable Rate (if applicable), the RBS 100% Standard Variable Rate or the BoE Base Rate.

Payment of Interest and Principal

Pursuant to the terms and conditions of the loans, Borrowers must pay the monthly amount required under the terms and conditions of the loans on or before each monthly instalment due date, within the month they are due. Interest accrues in accordance with the terms and conditions of each loan and is collected from Borrowers monthly.

As regards Fixed Rate Loans, the Borrower will continue to pay interest at the relevant fixed rate until the relevant fixed rate period ends in accordance with the Borrower's offer conditions. After that period ends, and unless the Borrower is offered (and it accepts) another option, interest will be payable at the NWHL Standard Variable Rate or NWHL Buy-to-Let Variable Rate (in the case of any Loans in the Portfolio which have converted to a buy-to-let loan) in the case of an NWHL Loan or the RBS Standard Variable Rate or (if applicable at such time) the RBS Buy-to-Let Variable Rate or the RBS 100% Standard Variable Rate, in the case of the RBS Loans.

Payments are monthly in arrear and payments of all Loans are payable in the month that they are due.

Some RBS Borrowers with a Variable Rate Loan are entitled to take a Payment Holiday of at least one month and up to six months once during the term of the loan, subject to a check that the Mortgage Account is up to date and the Borrower confirming that there has been no material change in their circumstances.

Collections

Payments by Borrowers in respect of amounts due under the Loans will be made into the relevant non-interest bearing collection account held by each Seller (together, the "**Seller Collection Accounts**") at the relevant Seller Collection Account Bank. Amounts credited to the relevant Seller Collection Accounts from (and including) the Closing Date that relate to the Loans will be identified on a daily basis (each such aggregate daily amount, a "**Daily Loan Amount**") and the relevant Seller will transfer, from a separate account held by the relevant Seller, an amount equal to the Daily Loan Amount into the GIC Account on the next London Business Day after that Daily Loan Amount is identified as received in the relevant Seller Collection Accounts.

Each Seller will declare a trust over its Seller Collection Accounts (each, a "**Seller Collection Accounts Declaration of Trust**" and together, the "**Seller Collection Accounts Declarations of Trust**") in favour of itself and the Issuer as beneficiaries absolutely. The Issuer's share of the capital of the trust (the "**Issuer Trust Share**") on any date shall be in an amount equal to the aggregate of the Daily Loan Amounts paid into the relevant Seller Collection Accounts from (and including) the Closing Date to (and including) such date less an amount equal to the payments made by the relevant Seller into the GIC Account from (and including) the Closing Date to (and including) such date. The relevant Seller's share of the capital of the trust (each, a "**Seller's Trust Share**") on any date shall be in an amount equal to the balance of the relevant Seller Collection Accounts less the Issuer Trust Share.

Borrowers are required to make payments by direct debit or cheque unless otherwise agreed. However, direct debits may be returned unpaid up to three London Business Days after the due date for payment and, under the Direct Debit Indemnity Scheme, a Borrower may make a claim at any time to his or her bank for a refund of direct debit payments. Similarly, cheques may be returned unpaid by the Borrower's bank.

In each case, an Administrator will be permitted to reclaim from the GIC Account the corresponding amounts previously credited. If a direct debit is returned unpaid in these circumstances, the usual arrears procedures described in *"The Administrators – Administration Procedures Arrears and default procedures"* will be taken.

Arrears and Default Procedures

Borrowers who become either (i) the equivalent of one full monthly payment or (ii) £500 in arrears are subject to collection activity from one of the RBSG's Collection Centres.

Borrowers who are relationship managed are subject to collection activity from one of RBSG's Personal Lending Units or Specialised Relationship Management Telephony Centres. RBS and NWHL customers who are not relationship managed but who maintain a standalone mortgage or their main banking connection with RBS or NatWest respectively are subject to collection activity by one of RBSG's Collection Centres. In such cases, the Borrower's entire lending position including any loan or overdraft (a "customer view") is considered with a view to making appropriate arrangements to rectify the position.

Customer communications are via letter and telephone with the aim of agreeing and executing an appropriate arrangement to rectify the arrears position. A loan is identified as being in default when the account is three months in arrears and the management of such account has been transferred to RBSG's

recoveries department, Credit Management Services ("**Credit MS**"). Credit MS endeavours to reach an amicable agreement with the Borrower by going through a collections strategy that is best suited to a Borrower's circumstances and that will maximise collections and minimise losses.

In the case of RBS originated loans, if the loan is not in default or arrears but any related Associated Debt is not performing in line with the contractual requirements and such Associated Debt being in default results in recovery action, then all such Borrower's borrowings are considered to be in default and are transferred to Credit MS. Once again a similar collections strategy is adopted. RBS has agreed to subordinate its rights in respect of any Associated Debt and any proceeds of enforcement will be applied first to repay the relevant Loans in the Portfolio (unless the customer directs otherwise and this is agreed to by RBS). Borrowers in respect of NWHL have no such Associated Debt.

Attempts will be made to establish an arrangement with the Borrower for clearance of the arrears in line with the individual circumstances of the Borrower. Such arrangements may include reduced payments for an agreed short time period, borrowing restructuring or refinancing or assisted voluntary sale.

Changes to collections and recoveries processes were implemented in second quarter 2008. These included the introduction of risk based strategies (primarily driven by LTV and to a lesser extent credit reference information) and saw the introduction of variable strategies dependent on risk. For example, high risk cases are subject to more intense activity with lower risk cases being given more flexibility to establish an arrangement for clearance of arrears. Additionally, new processes have been established in Credit MS for high value cases over £400,000 and buy-to-let cases.

Where it has not been possible to reach an acceptable arrangement with the Borrower for the clearance of his or her arrears, the matter is referred to a solicitor to undertake litigation to obtain an order for possession of the property. Where appropriate, solicitors may be required to negotiate with Borrowers to reach agreement for clearance of outstanding arrears with, or without, the implementation of a court order. No settlement can be agreed by a solicitor without clearing the proposal with the relevant team within the relevant Administrator.

If an order for possession of the property is obtained, then a warrant will be obtained to enforce that order. At this stage, an offer from the Borrower to clear the arrears may still be accepted.

If there is default of an order suspended upon payments to clear the arrears, a warrant may be obtained to enforce the order and an eviction will be arranged by officers of the court. Credit MS has the authority either to accept or appeal a court order in respect of a defaulted mortgage.

If at any stage a Borrower can reach an amicable settlement with the relevant Seller and has made six fully restructured payments (for low risk cases only, it is four restructured payments and no arrears), then a new refinance agreement is effected, the mortgage borrowing is capitalised (including remaining arrears) and the mortgage account will no longer be considered to be in arrears.

If a property in possession has been sold and there is a shortfall, there will be on-going action to attempt to recover the amount of any remaining borrowing. In some cases, the shortfall will be written off where it is considered that any further action is unlikely to produce any sums in reduction of the shortfall or is too expensive compared with the amount of the shortfall or where there is no legal right to recover further amounts (e.g. following bankruptcy of the Borrower).

On 1 December 2008 RBS and NWHL announced a six months grace period for customers with mortgage arrears. Pursuant to such announcement, RBS and NWHL will not initiate repossession proceedings for a full six months after a customer first falls into arrears. This practice is still ongoing.

Loan Documentation

All application forms and supporting documentation are stored either as electronic images or in original form at an off-site storage facility operated by Iron Mountain Limited. All deeds relating to the Properties are currently stored at a secure facility operated by Iron Mountain Limited or are otherwise held by a solicitor to a Seller's order. These facilities also currently store deeds relating to properties not included in the Portfolio.

English Loans

Prior to 13 October 2003, title to the land in England and Wales was established by a land certificate or, in the case of land which is subject to a mortgage or charge, a charge certificate. Pursuant to the Land Registration Act 2002 which came into force on 13 October 2003, the provision of land certificates and charge certificates has now been abolished. Title to land is now established by reference to entries on the registers held by the Land Registry.

Scottish Loans

Prior to 22 January 2007, title to land in Scotland was evidenced in the case of land registered in the General Register of Sasines by a prescriptive progress of title deeds or in respect of land registered in the Land Register of Scotland, a land certificate. In the case of land which is registered and subject to a standard security, a charge certificate was issued. Pursuant to the Land Registration (Scotland) Rules 2006, which came into force on 22 January 2007, paper copies of both the land and charge certificates are only issued when there has been a transfer of title to the land. The title sheet held by the Keeper of the Registers of Scotland is now evidence of registered title in Scotland.

Delegation to RBS

On or about the Closing Date, NWHL will enter into the Delegation Agreement with RBS. Under the terms of the Delegation Agreement, RBS will agree to perform all of the servicing obligations of NWHL as an Administrator under the Administration Agreement.

THE ADMINISTRATION AGREEMENT

The following section contains a summary of the material terms of the Administration Agreement. The summary does not purport to be complete and is subject to the provisions of the Administration Agreement.

Introduction

The parties to the Administration Agreement to be entered into on or about the Closing Date will be the Issuer, the Trustee, the Sellers, the Administrators and the Substitute Administrator.

On the Closing Date, NWHL and RBS (in such capacities, the "**Administrators**" and each, an "**Administrator**") will each be appointed by the Issuer under the Administration Agreement as its agent to administer the Loans and their Related Security that it will sell to the Issuer in its capacity as Seller. Each Administrator will undertake to comply with any proper directions and instructions that the Issuer and/or the Trustee may from time to time give to it in accordance with the provisions of the Administration Agreement. Each Administrator will be required to administer the relevant Loans and their Related Security in the following manner:

(a) in accordance with the Administration Agreement; and

(b) as if the relevant Loans and Mortgages had not been sold to the Issuer but remained with the relevant Seller and in accordance with the relevant Seller's procedures and administration and enforcement policies as they apply to the relevant Loans from time to time.

Each Administrator's actions in administration of the relevant Loans in accordance with its procedures and the Administration Agreement will be binding on the Issuer. The relevant Administrator will also be appointed by the relevant Seller under the Administration Agreement to be its agent to administer the relevant Loans and their Related Security in the making of any Further Advances and/or Product Switches. For instance, each Administrator shall, on behalf of the relevant Seller, make offers to Borrowers and accept applications from Borrowers.

An Administrator may, in some circumstances, delegate or subcontract some or all of its responsibilities and obligations under the Administration Agreement. However, the relevant Administrator will remain liable at all times for the administration of the relevant Loans and for the acts or omissions of any delegate or subcontractor. As at the Closing Date, NWHL will delegate the performance of its administration obligations to RBS (in its capacity as the Delegate Administrator) — see *"The Administrators - Loan Administration — Delegation to RBS"*.

Powers

Subject to the guidelines for administration set forth above, each Administrator will have the power, *inter alia*:

(a) to exercise the rights, powers and discretions of the Issuer in relation to the relevant Loans and their Related Security and to perform its duties in relation to the relevant Loans and their Related Security; and

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

Undertakings by each Administrator

Each Administrator will undertake, in relation to the Loans and their Related Security that the relevant Seller has sold to the Issuer, among other things, the following:

(a) to maintain all approvals, authorisations, permissions, consents and licences required by it in order to properly administer the Loans and their Related Security and to perform or comply with its obligations under the Administration Agreement, and to prepare and submit all necessary applications and requests for any further approvals, authorisations, permissions, consents and licences required in connection with the Administration Services, and in particular any necessary

notification under the Data Protection Act, authorisation and permissions under the FSMA and licence under the CCA;

(b) to determine and set (as applicable) the variable rate applicable to any Variable Rate Loan, any Tracker Rate Loan and any Discounted Rate Loan in the Portfolio (each, an "**Issuer Variable Rate**") except in circumstances described in paragraph (c) or following notice being given to the Borrowers of the sale of the Loans and their Related Security to the Issuer when the Issuer will be entitled to do so;

(c) to not at any time, without the prior consent of the Issuer, set or maintain:

(i) the Issuer Variable Rate, in respect of Discounted Rate Loans and Variable Rate Loans (excluding any RBS 100% Variable Rate Loans, RBS Buy-to-Let Variable Rate Loans or NWHL Buy-to-Let Variable Rate Loans), at a rate which is higher than (although it may be lower than or equal to) the then prevailing relevant Seller Standard Variable Rate which applies to loans beneficially owned by the relevant Seller outside the Portfolio;

(ii) (in the case of RBS only) the Issuer Variable Rate, in respect of the RBS 100% Variable Rate Loans at a rate which is higher than (although it may be lower than or equal to) the then prevailing RBS 100% Standard Variable Rate which applies to loans beneficially owned by RBS outside the Portfolio;

(iii) (in the case of RBS only and if applicable) the Issuer Variable Rate, in respect of the RBS Buy-to-Let Variable Rate Loans at a rate which is higher than (although it may be lower than or equal to) the then prevailing RBS Buy-to-Let Variable Rate which applies to loans beneficially owned by RBS outside the Portfolio;

(iv) (in the case of NWHL only and upon and following conversion of any Loans in the Portfolio to buy-to-let loans) the Issuer Variable Rate, in respect of any NWHL Buy-to-Let Variable Rate Loan, at a rate which is higher than (although it may be lower than or equal to) the then prevailing relevant NWHL Buy-to-Let Variable Rate which applies to loans beneficially owned by NWHL outside the Portfolio;

(v) a margin in respect of any relevant Tracker Rate Loan after the fixed tracker period (where applicable) or Discounted Rate Loan which, where the relevant offer conditions provide that the margin shall be the same as the margin applicable to all other loans having the same offer conditions in relation to interest rate setting, is higher or lower than the margin then applying to those types of loans beneficially owned by the relevant Seller outside the Portfolio; and

(vi) a margin in respect of any relevant Tracker Rate Loan after the fixed tracker period (where applicable) or Discounted Rate Loan which is higher than the margin which would then be set in accordance with the relevant Seller's policies from time to time in relation to those types of loans.

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

(A) the revenue which the Issuer would expect to receive during the following Collection Period;

(B) the Issuer Variable Rate in respect of the Variable Rate Loans (including the RBS 100% Variable Rate Loans, the NWHL Buy-to-Let Variable Rate Loans (if applicable) and the RBS Buy-to-Let Variable Rate Loans (if applicable)) and the Discounted Rate Loans (if applicable) which each Administrator proposes to set under the Administration Agreement;

(C) the NatWest Base Rate and the BoE Base Rate (as applicable) in respect of the Tracker Rate Loans; and

(D) the other resources available to the Issuer including the Basis Swap Agreement, the General Reserve Fund and the Liquidity Reserve Fund (if established),

whether the Issuer would receive an amount of revenue during that Collection Period which is less than the amount which is the aggregate of (I) the amount of interest which will be payable in respect of the Class A Notes and the Class M Notes on the relevant Interest Payment Date following such Collection Period and (II) the other senior expenses of the Issuer ranking in priority to or *pari passu* with interest due on all the Class M Notes.

If the Administrators jointly determine that there will be a shortfall in the foregoing amounts, the Administrators will give written notice to the Issuer and the Trustee, within two London Business Days of such determination of the amount of the shortfall and the Issuer Variable Rate which would (taking into account the applicable Mortgage Conditions), in each Administrator's opinion, need to be set in order for no shortfall to arise, having regard to the date(s) on which the change to the Issuer Variable Rate 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 those Borrowers with the Variable Rate Loans (including the RBS 100% Variable Rate Loans, the NWHL Buy-to-Let Variable Rate Loans (if applicable) and the RBS Buy-to-Let Variable Rate Loans (if applicable)) and Discounted Rate Loans.

If the Issuer or, following delivery of an Enforcement Notice, the Trustee notifies the Administrators that, having regard to the obligations of the Issuer, the Issuer Variable Rate should be increased, then each Administrator will take all steps which are necessary to increase the Issuer Variable Rate including publishing any notice which is required in accordance with the Mortgage Terms.

The Issuer (prior to the delivery of an Enforcement Notice) and the Trustee (following delivery of an Enforcement Notice) may terminate the authority of an Administrator in determining and setting the Issuer Variable Rate on or after the occurrence of an Administrator Termination Event (as defined under *"Removal or resignation of an Administrator"* below) in respect of the relevant Administrator, in which case the Issuer will set the Issuer Variable Rate in respect of the relevant Variable Rate Loans (including the RBS 100% Variable Rate Loans, the RBS Buy-to Let Variable Rate Loans (if applicable) and the NWHL Buy-to-Let Variable Rate Loans (upon and following any conversion of a Loan in the Portfolio to a buy-to-let loan)), Tracker Rate Loans and Discounted Rate Loans itself in accordance with this paragraph;

(d) Upon the request of the Issuer and/or the Trustee, to notify the relevant Borrowers of any change in interest rates, whether due to a change in the Issuer Variable Rate or as a consequence of any provisions of the Mortgage Conditions or the offer conditions, and to notify the Issuer and the Trustee of any such changes;

(e) use all reasonable endeavours to procure that the relevant Seller makes payments in respect of the relevant Loans into the GIC Account not later than one London Business Day following receipt of the same by the relevant Seller;

(f) to execute all documents on behalf of the Issuer and/or the relevant Seller which are necessary or desirable for the efficient provision of the relevant Administration Services, including (but not limited to) documents relating to the discharge of relevant Mortgages comprised in the Portfolio;

(g) to keep records and accounts on behalf of the Issuer in relation to the relevant Loans and their Related Security;

(h) to keep the customer files and title information documents in safe custody (including electronic records) and maintain records necessary to enforce each relevant Loan and its Related Security, to ensure that each title information document is capable of identification and retrieval and that each title information document is distinguishable from information held by the relevant Administrator for other persons;

(i) to provide the Issuer and the Trustee (and their auditors) with access to the title information documents and other records relating to the administration of the relevant Loans and Related Security;

(j) to prepare a report together with the other Administrator on a quarterly basis about all the Loans in the Portfolio substantially in the form set out in the Administration Agreement;

(k) to take all reasonable steps, in accordance with the arrears procedures undertaken by a Reasonable, Prudent Mortgage Lender, to recover all sums due to the Issuer, including instituting proceedings and enforcing any relevant Loan or Related Security;

(l) to enforce any relevant Loan which is in arrears in accordance with its usual arrears procedures or, to the extent that the arrears procedures are not applicable having regard to the nature of the default in question, with the usual procedures undertaken by a Reasonable, Prudent Mortgage Lender on behalf of the Issuer; and

(m) not knowingly fail to comply with any legal requirements in the performance of its obligations under the Administration Agreement.

For the avoidance of doubt, any action taken by the Administrators to set the Issuer Variable Rate at a level which is lower than that of the competitors of the Sellers will be deemed to be in accordance with the standards of a reasonable, prudent mortgage lender.

Compensation of the Administrators

Each Administrator will receive an Administration Fee for servicing the relevant Loans. The Issuer will pay each Administrator its Administration Fee (inclusive of any applicable VAT) of 0.10 per cent. per annum on the aggregate outstanding principal balance of the Loans which the relevant Seller has sold to the Issuer comprising the Portfolio as at the opening of business on the preceding Collection Period. The Administration Fees are payable quarterly in arrear on each Interest Payment Date only to the extent that the Issuer has sufficient funds in accordance with the Pre-Acceleration Revenue Priority of Payments to pay them. Any unpaid balance will be carried forward until the next Interest Payment Date and, if not paid earlier, will be payable in full on the Final Maturity Date or on any earlier date on which an Enforcement Notice is served by the Trustee on the Issuer.

Removal or Resignation of an Administrator

The Issuer (prior to delivery of an Enforcement Notice) with the written consent of the Trustee, or the Trustee itself (following delivery of an Enforcement Notice), (in the case of (a) or (b) below) may at any time and (in the case of (c) below) shall at once, upon written notice to the relevant Administrator, terminate the relevant Administrator's rights and obligations on the date specified in the notice if any of the following events (each an "**Administrator Termination Event**") occurs:

(a) the relevant Administrator defaults in the payment of any amount due under the Administration Agreement or any other Transaction Documents to which it is party and fails to remedy that default for a period of 10 London Business Days after the earlier of becoming aware of the default and receipt of written notice from the Issuer or the Trustee (following delivery of an Enforcement Notice) requiring the default to be remedied; or

(b) the relevant Administrator fails to comply with any of its other covenants or obligations under the Administration Agreement or any other Transaction Document to which it is party which in the opinion of the Trustee is materially prejudicial to the Noteholders and does not remedy that failure within 20 London Business Days after the earlier of becoming aware of the failure and receipt of written notice from the Issuer or the Trustee (following delivery of an Enforcement Notice) requiring the failure to be remedied; or

(c) an Administrator Insolvency Event occurs in relation to the relevant Administrator. (In this context, "**Administrator Insolvency Event**" has the same meaning as Seller Insolvency Event (as defined in *"The Portfolio - Sale of the Portfolio under the Mortgage Sale Agreement"* above but any reference to a Seller shall be deemed to be replaced with a reference to the relevant Administrator.)

Subject to the fulfilment of a number of conditions (including the appointment of a substitute administrator), an Administrator may voluntarily resign by giving not less than 12 months' notice to the Issuer and the Trustee. The substitute administrator is required to have experience of administering

mortgages in the United Kingdom and to enter into an administration agreement with the Issuer and the Trustee substantially on the same terms as the relevant provisions of the Administration Agreement.

If the appointment of an Administrator is terminated, the relevant Administrator must deliver the title information documents and customer files relating to the relevant Loans and Related Security to, or at the direction of, the Issuer.

Where the appointment of NWHL as an Administrator is terminated due to the occurrence of an Administrator Insolvency Event in relation to NWHL, RBS has agreed subject to the conditions contained in the Administration Agreement to act as the Substitute Administrator to perform the Administration Services in respect of the NWHL Loans and their Related Security on behalf of the Issuer.

Where a substitute administrator is appointed following the occurrence of an Administrator Termination Event, or the voluntary resignation by an Administrator, the Issuer's costs and expenses associated with the transfer of administration to the substitute administrator (the "**Transfer Costs**") will be paid by the relevant Seller. Where the relevant Seller fails to pay such Transfer Costs, the Issuer shall pay such Transfer Costs in accordance with the Pre-Acceleration Revenue Priority of Payments.

The administration fee payable to a substitute administrator will be agreed by the Issuer and the substitute administrator prior to its appointment.

Right of Delegation by an Administrator

An Administrator may subcontract or delegate the performance of its duties under the Administration Agreement, provided that it meets particular conditions, including that:

(a) the Issuer consents to the proposed subcontracting or delegation;

(b) written notification has been given to each of the Rating Agencies;

(c) where the arrangements involve the custody or control of any customer files and/or title information documents, the subcontractor or delegate has executed a written acknowledgement that those customer files and/or title information documents are and will be held to the order of the Issuer and the Trustee;

(d) where the arrangements involve or may involve the receipt by the subcontractor or delegate of moneys belonging to the Issuer which are to be paid into the GIC Account, the subcontractor or delegate has executed a declaration that any such moneys are held on trust for the Issuer and will be paid forthwith into the GIC Account in accordance with the terms of the Administration Agreement;

(e) the subcontractor or delegate has executed a written waiver of any security interest arising in connection with the delegated services;

(f) the Issuer and the Trustee have no liability for any costs, charges or expenses in relation to the proposed subcontracting or delegation; and

(g) the subcontractor or delegate has confirmed that it has and will maintain all approvals required for itself in connection with the fulfilment of its obligations under the agreement with the relevant Administrator.

The provisos set out in paragraphs (a) and (b) above (among others) will not be required in respect of any delegation to (i) RBSG, (ii) a wholly-owned subsidiary of RBSG from time to time or (iii) persons such as receivers, lawyers or other relevant professionals.

As at the Closing Date, NWHL in its capacity as an Administrator has delegated the performance of its duties under the Administration Agreement to RBS (in its capacity as the Delegate Administrator) — see *"The Administrators - Loan Administration — Delegation to RBS"*.

Liability of each Administrator

Each Administrator has agreed to indemnify each of the Issuer and the Trustee on an after tax basis against all losses, liabilities, claims, expenses or damages incurred as a result of negligence, fraud or wilful default by the relevant Administrator in carrying out its functions as administrator under the Administration Agreement or any other Transaction Document to which it is party or as a result of a breach by the relevant Administrator of the terms of the Administration Agreement or the other Transaction Documents to which it is party (in such capacity).

Assignment by the Administrators

Neither Administrator may assign or transfer any of its rights and obligations under the Administration Agreement without the prior written consent of the Issuer, the relevant Seller, and the Trustee (and, in the case of NWHL only, the Substitute Administrator), save that NWHL may assign or transfer any of its rights and obligations under the Administration Agreement to any other entity within the Group without such consent.

Governing law

The Administration Agreement and any non-contractual obligations arising out of or in connection with the Administration Agreement is governed by, and shall be construed in accordance with, English law, provided that any terms of the Administration Agreement particular to Scots law will be construed in accordance with the laws of Scotland.

KEY STRUCTURAL FEATURES

CREDIT ENHANCEMENT AND LIQUIDITY SUPPORT

The Notes are obligations of the Issuer only and will not be the obligations of, or the responsibility of, or guaranteed by the Arranger, the Joint Lead Managers, the Co-Manager or any other party. However, there are a number of features of the transaction which enhance the likelihood of timely receipt of payments by the Noteholders, as follows:

- Available Revenue Receipts are expected to exceed interest due and payable on the Class A Notes and the Class M Notes and senior costs and expenses of the Issuer (including retaining the Issuer Profit Amount).

- An Income Deficit on any Interest Payment Date may be funded by applying amounts standing to the credit of the General Reserve Fund and a Remaining Income Deficit on any Interest Payment Date may (subject to certain conditions) be funded by firstly, applying Principal Receipts and secondly, amounts standing to the credit of the Liquidity Reserve Fund (if established).

- The payments of interest and principal on the Classes of Notes in Sequential Order and the deferral of interest payments on the Notes (excluding the Class A Notes) where the Issuer has insufficient proceeds.

- Losses allocable to the Classes of Notes in reverse Sequential Order in the Principal Deficiency Ledger.

- The GIC Account earns interest at a specified rate and amounts credited to the GIC Account will be invested in Authorised Investments to produce a return at a specified rate in excess of the rate earned in respect of the GIC Account provided that the interest rate in respect of the GIC Account is less than LIBOR for three month Sterling deposits.

- A Subordinated Loan is provided by the Subordinated Loan Provider to fund the General Reserve Fund on the Closing Date and to meet the costs in connection with the issuance of the Notes. Repayment of the Subordinated Loan is subordinated to payments on the Notes.

- The Issuer will enter into the Basis Swap Agreement to hedge against the possible variance between the floating and fixed interest rates due and payable by Borrowers on the Loans and the floating rate interest payments in respect of the Notes.

- The Issuer will enter into the Currency Swap Agreements to swap (i) the LIBOR payments received under the Basis Swap for the EURIBOR based interest payable in Euros in respect of the EUR Notes and USD-LIBOR based interest payable in Dollars in respect of the Dollar Notes, (ii) the Sterling principal amounts received from the Borrowers on the Loans for the Euro principal redemption amounts payable in respect of the EUR Notes and Dollar principal redemption amounts payable in respect of the Dollar Notes and (iii) the Euro proceeds of issuance of the EUR Notes into Sterling and the Dollar proceeds of issuance of the Dollar Notes for the purposes of paying the Initial Consideration in Sterling to the Sellers.

Each of these factors is considered in more detail below.

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 all of the Loans are fully performing, be sufficient so that the Available Revenue Receipts will be available to pay the amounts payable under items (a) to (e) and (g) of 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 the section entitled "*Key Structural Features – Credit Enhancement and Liquidity Support – Basis Risk for the Notes and Currency Risk for the EUR Notes and the Dollar Notes*") and the performance of the Portfolio.

Available Revenue Receipts may be applied (after making payments or provisions ranking higher in the Pre-Acceleration Revenue Priority of Payments) on each Interest Payment Date towards reducing any

Principal Deficiency Ledger entries (which may arise from (i) Losses on the Portfolio or (ii) the application of Principal Receipts and/or the application of amounts standing to the credit of the Liquidity Reserve Fund (if established) to cover previous Remaining Income Deficits).

To the extent that the amount of Available Revenue Receipts on each Interest Payment Date exceeds the aggregate of the payments and provisions required to be met in priority to item (i) 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.

Liquidity support provided by use of General Reserve Fund, Available Principal Receipts and Liquidity Reserve Fund to fund Income Deficit and Remaining Income Deficit

On each Calculation Date, the Cash Manager will determine whether Available Revenue Receipts are sufficient to pay or provide for payment of items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments. To the extent that Available Revenue Receipts are insufficient for this purpose, the Cash Manager on behalf of the Issuer shall, on the relevant Interest Payment Date, pay or provide for such Income Deficit (subject, in the case of interest shortfalls on the Class M Notes, to the conditions set out below) by applying amounts standing to the credit of the General Reserve Fund:

If, following the application of Available Revenue Receipts but prior to the application of the General Reserve Fund on such Interest Payment Date, a Class M PDL Trigger Event has occurred, no drawings may be made from the General Reserve Fund to cover interest shortfalls on the Class M Notes and the General Reserve Fund may only be used to eliminate the Income Deficit in respect of items (a) to (f) of the Pre-Acceleration Revenue Priority of Payments and to reduce the Income Deficit in respect of item (h) of the Pre-Acceleration Revenue Priority of Payments by an amount which would reduce the balance of the Class M Principal Deficiency Sub Ledger such that a Class M PDL Trigger Event would not be continuing, unless if following application of the General Reserve Fund on such Interest Payment Date, the debit balance of the Class M Principal Deficiency Sub-Ledger has been reduced such that a Class M PDL Trigger Event is no longer continuing, at which point any remaining amounts standing to the credit of the General Reserve Fund may be used first to cover interest shortfalls in respect of the Class M Notes under item (g) of the Pre-Acceleration Revenue Priority of Payments and second to eliminate any remaining debit balance on the Class M Principal Deficiency Sub-Ledger.

If following application of Available Revenue Receipts and amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a Remaining Income Deficit, the Cash Manager will (subject, in the case of interest shortfalls on the Class M Notes, to the conditions set out below) on the relevant Interest Payment Date and on behalf of the Issuer, pay or provide for such Remaining Income Deficit by applying first, Principal Receipts (if any) and, second, amounts standing to the credit of the Liquidity Reserve Fund (if established).

If a Class M PDL Trigger Event has occurred and is still continuing after the application of the General Reserve Fund, no Principal Receipts may be applied and no drawings may be made from the Liquidity Reserve Fund, in each case to cover interest shortfalls on the Class M Notes.

Liquidity Reserve Fund

The Issuer will be required to establish a liquidity reserve fund (the "**Liquidity Reserve Fund**") if (a) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of RBS cease to be rated at least A3 by Moody's (or such other long term rating which is otherwise acceptable to Moody's) or (b) if RBSG ceases to be the ultimate parent company of either Seller (each a "**Liquidity Trigger Event**").

Prior to service of an Enforcement Notice by the Trustee on the Issuer, the Liquidity Reserve Fund may be applied as part of Available Principal Receipts or used to meet any Remaining Income Deficit as described in "*Liquidity support provided by use of General Reserve Fund, Available Principal Receipts and Liquidity Reserve Fund to fund Income Deficit and Remaining Income Deficit*" above. Use of amounts for the Liquidity Reserve Fund to cover Remaining Income Deficits is subject to the conditions set out above.

The Liquidity Reserve Fund, if any, will be initially funded from Available Principal Receipts. The Liquidity Reserve Fund will be funded up to the "**Liquidity Reserve Required Amount**", being an amount as at any Interest Payment Date equal to 2 per cent. of the aggregate Sterling Equivalent Principal

Amount Outstanding of the Notes on the Closing Date, for so long as a Liquidity Trigger Event has occurred and is continuing.

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

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

If a Liquidity Trigger Event is no longer continuing, then the Issuer will not be required to maintain the Liquidity Reserve Fund and the Liquidity Reserve Required Amount in respect of the subsequent Interest Payment Date shall be zero in which case, such amounts standing to the credit of the Liquidity Reserve Fund shall be applied as Available Principal Receipts.

Payment of the Notes in Sequential Order and deferral of payments on the Notes

Payments of interest on the Classes of Notes will be paid in Sequential Order (so that payments on the Class R Notes, Class B Notes and the Class M Notes will be subordinated to payments on the Class A Notes, payments on the Class B Notes and Class R Notes will be subordinated to payments on the Class M Notes and payments on the Class R Notes will be subordinated to payments on the Class B Notes) in accordance with the relevant Priority of Payments. Following the service of an Enforcement Notice by the Trustee, payments of principal on the Class A Notes will, amongst themselves, rank *pro rata* and *pari passu*. At all other times, payments of principal on each sub-Class of the Class A Notes will be made in Sequential Order (so that principal payments will be made *first*, to the Class A1c Notes, *second*, to the Class A2 Notes, *third*, to the Class A3 Notes and, *fourth*, to the Class A4 Notes) in accordance with the relevant Priority of Payments.

Any shortfall in payments of interest on any Class of Notes (other than the Class A Notes) will be deferred until the next Interest Payment Date and this will not constitute an Event of Default. On the next Interest Payment Date, the amount of interest scheduled to be paid on a Class of Notes will be increased to take account of any deferral of such amounts for such Class of Notes. The deferral process will continue until the Final Maturity Date of the Notes, at which point, all such deferred amounts (including interest thereon) will become due and payable. However, if there is insufficient money available to the Issuer to pay interest on any Class of Notes, then the relevant Noteholders may not receive all interest amounts.

It is not intended that any surplus will be accumulated in the Issuer, other than, for the avoidance of doubt, the Issuer Profit Amount, amounts standing to the credit of the Reserve Ledgers and any Swap Collateral posted with the Issuer.

Losses allocated to the Principal Deficiency Ledger

On each Calculation Date, the Cash Manager will determine the amount of Losses on the Portfolio which are allocable to the Notes.

A Principal Deficiency Ledger, comprising three sub-ledgers (one relating to each Class of Notes), will be established on the Closing Date in order to record any Losses on the Portfolio and the application of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit.

Losses or debits recorded on the Class A Principal Deficiency Sub-Ledger shall be recorded in respect of the Class A1c Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes on a *pro rata* and *pari passu* basis. Losses or debits recorded on the Class M Principal Deficiency Sub-Ledger shall be recorded in respect of the Class M Notes. Losses or debits recorded on the Class B Principal Deficiency Sub-Ledger shall be recorded in respect of the Class B Notes. Losses or debits recorded on the Class R Principal Deficiency Sub-Ledger shall be recorded in respect of the Class R Notes.

Losses and the amount of any Principal Receipts and/or monies in the Liquidity Reserve Fund applied to fund an Income Deficit will be recorded as a debit to the Principal Deficiency Ledger as follows:

(a) *first*, to the Class R Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class R Notes;

(b) *second*, to the Class B Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class B Notes;

(c) *third*, to the Class M Principal Deficiency Sub-Ledger up to a maximum of the Principal Amount Outstanding of the Class M Notes; and

(d) fourth, to the Class A Principal Deficiency Sub-Ledger up to a maximum of the Sterling Equivalent Principal Amount Outstanding of the Class A Notes.

Amounts allocated to the Principal Deficiency Ledger shall be reduced to the extent of Available Revenue Receipts available for such purpose on each Interest Payment Date in accordance with the Pre-Acceleration Revenue Priority of Payments as follows:

(a) *first*, to the Class A Principal Deficiency Sub-Ledger to reduce the debit balance to zero;

(b) *second*, to the Class M Principal Deficiency Sub-Ledger to reduce the debit balance to zero;

(c) *third*, to the Class B Principal Deficiency Sub-Ledger to reduce the debit balance to zero; and

(d) *fourth*, to the Class R Principal Deficiency Sub-Ledger to reduce the debit balance to zero.

Available Revenue Receipts allocated as described above will be applied in or towards redemption of the relevant Class of Notes as Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.

On each Interest Payment Date, the Issuer shall also apply any amount standing to the credit of the General Reserve Fund to extinguish or reduce any balance on the Principal Deficiency Ledger (other than on the Class B Principal Deficiency Sub-Ledger and the Class R Principal Deficiency Sub-Ledger) (see "*Liquidity support provided by use of General Reserve Fund, Available Principal Receipts and Liquidity Reserve Fund to fund Income Deficit and Remaining Income Deficit*" above).

GIC Account

Pursuant to the Account Bank Agreement, the Account Bank will pay interest on funds in the GIC Account at a guaranteed rate of BoE Base Rate less a margin. The Issuer may invest amounts standing to the credit of the GIC Account in Authorised Investments.

If, at any time (i) the short term unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank are downgraded below a rating of P-1 by Moody's or F1 by Fitch or (ii) the long-term, unsecured and unsubordinated debt obligations of the Account Bank are downgraded below a rating of A by Fitch (or (in each case) such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency, provided that any confirmation that such other short term or long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy), the Issuer will be required (within 30 days) to transfer (at its own cost) the GIC Account to an appropriately rated bank or financial institution on substantially similar terms to those set out in the Account Bank Agreement, in order to maintain the ratings of the Notes at their then current rating.

All monies held by the Issuer will be deposited in the GIC Account in the first instance. The GIC Account is maintained with the Account Bank. This account is subject to a guaranteed investment contract, under which, the Account Bank has agreed to pay the BoE Base Rate less a margin in respect of sums in the GIC Account. The Issuer (or the Cash Manager on its behalf) shall invest sums standing to the credit of the GIC Account in Authorised Investments provided that the interest rate in respect of the GIC Account is less than LIBOR for three month Sterling deposits. Such Authorised Investments will produce a return of LIBOR for three-month Sterling deposits.

Subordinated Loan

The Issuer will enter into the Subordinated Loan Agreement with the Subordinated Loan Provider on or about the Closing Date. Pursuant to the Mortgage Sale Agreement, the Subordinated Loan Provider will agree to make available to the Issuer the Subordinated Loan on the Closing Date. The Subordinated Loan will be a subordinate ranking loan which will be used by the Issuer to (a) fund the General Reserve Fund

on the Closing Date (the "**General Reserve Fund Advance**") and (b) meet costs and expenses incurred by the Issuer in respect of the issuance of the Notes on the Closing Date (the "**Expenses Advance**" and together with the General Revenue Fund Advance, the "**Advances**"). The amount of the Subordinated Loan on the Closing Date will be £111,100,000.

The Subordinated Loan will bear interest until repaid at a rate of LIBOR for three month Sterling deposits plus 1.00 per cent. per annum. Any unpaid interest will not fall due but will instead be due and payable on the next following Interest Payment Date on which sufficient funds are available to pay the unpaid amount and pending such payment, will itself bear interest. Interest in respect of the Subordinated Loan will be payable by the Issuer on each Interest Payment Date. The Issuer will repay the Advances, on each Interest Payment Date to the extent that it has Available Revenue Receipts to make such payment in accordance with the relevant Priority of Payments or on the Final Maturity Date, or on such other date on which the Rated Notes are redeemed in full.

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

The Subordinated Loan Agreement will be governed by English law.

Basis Risk for the Notes and Currency Risk for the EUR Notes and the Dollar Notes

The interest rate on the Loans in the Portfolio is payable by reference, or linked, to the relevant Seller Standard Variable Rate, the RBS 100% Standard Variable Rate, the NWHL Buy-To-Let Variable Rate (in the case of a Loan in the Portfolio which has converted to a buy-to-let loan), the NatWest Base Rate, the BoE Base Rate and certain other fixed rates.

However, the interest rate payable by the Issuer with respect to the Notes is:

(a) in respect of the Sterling Notes, an amount calculated by reference to a Three-Month Sterling LIBOR;

(b) in respect of the EUR Notes, an amount calculated by reference to Three-Month EURIBOR; and

(c) in respect of the Dollar Notes, an amount calculated by reference to Three-Month USD LIBOR.

To hedge against the possible variance between:

(a) the various fixed and variable rates of interest payable on the Loans in the Portfolio; and

(b) the floating rates of interest payable on the Notes,

the Issuer will, on or about the Closing Date, enter into the Basis Swap Agreement with the Basis Swap Provider being an agreement in the form of a 1992 ISDA Master Agreement (together with a Schedule and Credit Support Annex thereto).

The Basis Swap Agreement will govern the terms of two sets (one set in respect of RBS and one set in respect of NWHL) of three basis swap transactions (each a "**Basis Swap**"), one set in respect of each Seller's Loans and each set comprising one Basis Swap relating to the Variable Rate Loans and the Discounted Rate Loans (known as the "**Variable Loan Transaction**"), a second relating to the Fixed Rate Loans (known as the "**Fixed Rate Loan Transaction**") and a third relating to the Tracker Rate Loans (known as the "**Tracker Rate Loan Transaction**").

On each Interest Payment Date, the following amounts will be calculated in respect of the Interest Period ending on such Interest Payment Date:

(a) in relation to each Variable Loan Transaction:

  (i) the amount produced by applying Three-Month Sterling LIBOR plus a spread for the relevant Interest Period ending on that Interest Payment Date to the relevant Variable Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the relevant Basis Swap (known as the "**Variable Interest Period Swap Provider Amount**"); and

(ii) the amount produced by multiplying a rate of interest (determined by the Calculation Agent (as defined under the Basis Swap Agreement) equal to the weighted average of each Variable Mortgage Rate charged on the performing Variable Rate Loans and Discounted Rate Loans in effect for each calendar day of the relevant Collection Period (provided that if such rate is not determined by the fourth London Business Day prior to the end of the relevant Calculation Period (as defined in the Variable Loan Transaction), then such rate shall be as estimated by the Calculation Agent (as defined in the Variable Loan Transaction) acting in good faith and in a commercially reasonable manner) by the relevant Variable Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the relevant Basis Swap (known as the "**Variable Interest Period Issuer Amount**");

(b) in relation to each Fixed Rate Loan Transaction:

(i) the amount produced by applying Three-Month Sterling LIBOR plus a spread for the relevant Interest Period ending on that Interest Payment Date to the relevant Fixed Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the relevant Basis Swap (known as the "**Fixed Interest Period Swap Provider Amount**"); and

(ii) the amount (known as the "**Fixed Interest Period Issuer Amount**") produced by applying the rate of interest equal to the weighted average of the fixed rates of interest charged on all performing Fixed Rate Loans, determined as of the first day of the relevant Collection Period (provided that if such rate is not determined by the fourth London Business Day prior to the end of the relevant Calculation Period (as defined in the Fixed Rate Loan Transaction), then such rate shall be as estimated by the Calculation Agent (as defined in the Fixed Rate Loan Transaction) acting in good faith and in a commercially reasonable manner) to the relevant Fixed Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the relevant Basis Swap; and

(c) in relation to each Tracker Rate Loan Transaction:

(i) the amount produced by applying Three-Month Sterling LIBOR plus a spread for the relevant Interest Period ending on that Interest Payment Date to the relevant Tracker Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the relevant Basis Swap (known as the "**Tracker Interest Period Swap Provider Amount**" and, together with the Variable Interest Period Swap Provider Amount and the Fixed Interest Period Swap Provider Amount, the "**Interest Period Swap Provider Amounts**" and each, an "**Interest Period Swap Provider Amount**"); and

(ii) the amount produced by multiplying a rate of interest equal to the weighted average of the variable rates of interest charged on the performing Tracker Rate Loans in effect for each calendar day of the relevant Collection Period (provided that if such rate is not determined by the fourth London Business Day prior to the end of the relevant Calculation Period (as defined in the Tracker Rate Loan Transaction), then such rate shall be as estimated by the Calculation Agent (as defined in the Tracker Rate Loan Transaction) acting in good faith and in a commercially reasonable manner) by the relevant Tracker Notional Amount, such amount to be calculated on the basis of the day count fraction specified in the relevant Basis Swap (known as the "**Tracker Interest Period Issuer Amount**" and, together with the Variable Interest Period Issuer Amount and the Fixed Interest Period Issuer Amount, the "**Interest Period Issuer Amounts**" and each an "**Interest Period Issuer Amount**").

After these amounts are calculated in respect of each Basis Swap and in relation to an Interest Payment Date, the following payments will be made on that Interest Payment Date:

(a) if the relevant Interest Period Swap Provider Amount is greater than the relevant Interest Period Issuer Amount, then the Basis Swap Provider will pay the difference to the Issuer;

(b) if the relevant Interest Period Issuer Amount is greater than the relevant Interest Period Swap Provider Amount, then the Issuer will pay the difference to the Basis Swap Provider; and

(c) if the relevant Interest Period Swap Provider Amount and the relevant Interest Period Issuer Amount are equal, neither party will make a payment to the other.

If a payment is to be made by the Basis 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 Variable Loan Transactions in respect of an Interest Period or, as the case may be, a Collection Period will be the outstanding principal balances in the Portfolio calculated at the start of the Collection Period ending immediately prior to the relevant Interest Payment Date of the Variable Rate Loans and the Discounted Rate Loans (other than those in respect of which three or more monthly payments have become due and are unpaid by a Borrower) which are, in the case of one of the Variable Loan Transactions, NWHL Loans and, in the case of the other Variable Loan Transaction, RBS Loans (or, in the case of the first Interest Period or, as the case may be, the first Collection Period, the principal amount outstanding of the performing Variable Rate Loans and the performing Discounted Rate Loans as of the Closing Date that are NWHL Loans or RBS Loans (as applicable)) (known as the "**Variable Notional Amount**").

The notional amount of the Fixed Rate Loan Transaction in respect of an Interest Period or, as the case may be, a Collection Period will be outstanding principal balances in the Portfolio calculated at the start of the Collection Period ending immediately prior to the relevant Interest Payment Date of the Fixed Rate Loans (other than those in respect of which three or more monthly payments have become due and are unpaid by a Borrower) which are, in the case of one of the Fixed Rate Loan Transactions, NWHL Loans and, in the case of the other Fixed Rate Loan Transaction, RBS Loans (or, in the case of the first Interest Period or, as the case may be, the first Collection Period, the principal amount outstanding of the Fixed Rate Loans as of the Closing Date that are NWHL Loans or RBS Loans (as applicable) (known as the "**Fixed Notional Amount**").

The notional amount of the Tracker Rate Loan Transactions in respect of an Interest Period or, as the case may be, a Collection Period will be the outstanding principal balances in the Portfolio calculated at the start of the Collection Period ending immediately prior to the relevant Interest Payment Date of the Tracker Rate Loans (other than those in respect of which three or more monthly payments have become due and are unpaid by a Borrower) which are, in the case of one of the Tracker Rate Loan Transactions, NWHL Loans and, in the case of the other Tracker Rate Loan Transaction, RBS Loans (or, in the case of the first Interest Period or, as the case may be, the first Collection Period, the principal amount outstanding of the Tracker Rate Loans as of the Closing Date that are NWHL Loans or RBS Loans (as applicable)) (known as the "**Tracker Notional Amount**").

Currency Risk for the EUR Notes and the Dollar Notes

The EUR Notes will be denominated in Euro and will accrue interest at a EURIBOR rate. In addition, the Dollar Notes will be denominated in Dollars and will accrue interest at a USD-LIBOR rate for three-month Dollar deposits. To hedge its currency exposure on the Closing Date, the Issuer will enter into:

(a) the Currency Swap relating to the Class A1c Notes with the Currency Swap Provider (the "**Class A1c Currency Swap**");

(b) the Currency Swap relating to the Class A2b Notes with the Currency Swap Provider (the "**Class A2b Currency Swap**");

(c) the Currency Swap relating to the Class A2c Notes with the Currency Swap Provider (the "**Class A2c Currency Swap**");

(d) the Currency Swap relating to the Class A3c Notes with the Currency Swap Provider (the "**Class A3c Currency Swap**");

(e) the Currency Swap relating to the Class A4c1 Notes with the Currency Swap Provider (the "**Class A4c1 Currency Swap**");

(f) the Currency Swap relating to the Class A4c2 Notes with the Currency Swap Provider (the "**Class A4c2 Currency Swap**");

(g) the Currency Swap relating to the Class A4c3 Notes with the Currency Swap Provider (the "**Class A4c3 Currency Swap**");

(h) the Currency Swap relating to the Class A4c4 Notes with the Currency Swap Provider (the "**Class A4c4 Currency Swap**"); and

(i) the Currency Swap relating to the Class A4c5 Notes with the Currency Swap Provider (the "**Class A4c5 Currency Swap**").

The Class A1c Currency Swap will constitute a transaction under the Class A1c Currency Swap Agreement, being an agreement in the form of a 1992 ISDA Master Agreement to be entered into (together with a Schedule and Credit Support Annex thereto) between the Issuer and the Currency Swap Provider on or before the Closing Date (the "**Class A1c Currency Swap Agreement**").

Each of the Class A2b Currency Swap and the Class A2c Currency Swap will constitute a transaction under the Class A2 Currency Swap Agreement, being an agreement in the form of a 1992 ISDA Master Agreement to be entered into (together with a Schedule and Credit Support Annex thereto) between the Issuer and the Currency Swap Provider on or before the Closing Date (the "**Class A2 Currency Swap Agreement**").

The Class A3c Currency Swap will constitute a transaction under the Class A3c Currency Swap Agreement, being an agreement in the form of a 1992 ISDA Master Agreement to be entered into (together with a Schedule and Credit Support Annex thereto) between the Issuer and the Currency Swap Provider on or before the Closing Date (the "**Class A3c Currency Swap Agreement**").

Each of the Class A4c1 Currency Swap, the Class A4c2 Currency Swap, the Class A4c3 Currency Swap, the Class A4c4 Currency Swap and the Class A4c5 Currency Swap will constitute a transaction under the Class A4 Currency Swap Agreement, being an agreement in the form of a 1992 ISDA Master Agreement to be entered into (together with a Schedule and Credit Support Annex thereto) between the Issuer and the Currency Swap Provider on or before the Closing Date (the "**Class A4 Currency Swap Agreement**").

Under each Currency Swap, the Issuer will pay or arrange for the payment to the Currency Swap Provider under the relevant Currency Swap Agreement on the Closing Date of an amount equal to the net proceeds of the issue of the Notes in Euro or Dollars, as applicable. In return, the Issuer will be paid the Sterling equivalent of that aggregate Euro or Dollar amount (calculated by reference to the Relevant Exchange Rate) by the Currency Swap Provider.

On each Interest Payment Date for the relevant Notes, the Currency Swap Provider under the relevant Currency Swap Agreement will pay to, or at the direction of, the Issuer, (i) an amount denominated in Euro calculated by reference to Three-Month EURIBOR for the relevant Interest Period plus a spread, which is equivalent to the interest for the relevant Interest Period due and payable in Euro on the Principal Amount Outstanding of the corresponding EUR Notes (as applicable) or (ii) an amount denominated in Dollars calculated by reference to Three-Month USD LIBOR for the relevant Interest Period plus a spread, which is equivalent to the interest due in Dollars on the Principal Amount Outstanding of the corresponding Dollar Notes. In return, the Issuer will pay to the Currency Swap Provider on each Interest Payment Date an amount denominated in Sterling calculated by reference to Three-Month Sterling LIBOR for the relevant Interest Period plus a spread.

In order to allow for the effective currency amount of each Currency Swap to amortise at the same rate as the relevant sub-Class of Notes, each Currency Swap Agreement will provide that, as and when the relevant Notes amortise, a corresponding portion of the currency amount of the relevant Currency Swap will amortise. On each Interest Payment Date, the Currency Swap Provider under the relevant Currency Swap Agreement will pay to the Issuer an amount in Euro equal to the amount of principal payments to be made on the corresponding EUR Notes or, as applicable, in Dollars equal to the amount of principal payments to be made on the corresponding Dollar Notes. In return, the Issuer will pay to the Currency Swap Provider under the relevant Currency Swap Agreement on each Interest Payment Date an amount in Sterling equal to the aggregate Euro amount of principal payments to be made on the corresponding EUR Notes or, as applicable, the aggregate Dollar amount of principal payments to be made on the

corresponding Dollar Notes, on the relevant Interest Payment Date, such Euro or Dollar amount to be converted into Sterling at the Relevant Exchange Rate..

On the Final Maturity Date of each sub-Class of Notes or, if earlier, the date on which such Notes are redeemed in full (other than pursuant to Condition 9.4 (*Optional redemption in whole for taxation purposes*) of the Notes), the Issuer will pay to the Currency Swap Provider under the relevant Currency Swap Agreement an amount in Sterling equal to the amount of principal available to the Issuer for payment to the holders of such sub-Class of Notes pursuant to the Conditions and the relevant Priority of Payments and the Currency Swap Provider under the relevant Currency Swap Agreement will pay to the Issuer an amount in Euro or Dollars, as applicable, equivalent to the amount received from the Issuer, converted at the Relevant Exchange Rate.

Each Currency Swap will terminate on the date on which the aggregate Principal Amount Outstanding of the relevant sub-Class of Notes is zero.

Termination of the relevant Swap Agreement

A Swap Agreement may be terminated early in, *inter alia*, the following circumstances (each, a "**Swap Early Termination Event**"):

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

(b) if any of the Priorities of Payment are amended without the prior written consent of the relevant Swap Provider as a result of which that Swap Provider's obligations to the Issuer under the Swap Agreement are further contractually subordinated to the Issuer's obligations to any Secured Creditor;

(c) if certain insolvency events occur with respect to a party;

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

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

(f) in certain circumstances, if a deduction or withholding for or on account of taxes is imposed on payments under a Swap Agreement or if certain tax representations by a party prove to have been incorrect or misleading in any material respect;

(g) if a Swap Provider is downgraded and fails to comply with the requirements of the downgrade provisions contained in the relevant Swap Agreement and described above in "*Key Structural Features*";

(h) if the Note Trustee serves an Enforcement Notice on the Issuer pursuant to Condition 13 (*Events of Default*) of the Notes; and

(i) if there is a redemption of the Notes pursuant to Condition 9.4 (*Optional redemption in whole for taxation purposes*) of the Notes.

Upon the occurrence of a Swap Early Termination Event either the Issuer or the relevant Swap Provider may be liable to make a termination payment to the other. This termination payment will be calculated and made in Sterling. The amount of any termination payment will be based on the market value of the terminated swap based on market quotations of the cost of entering into a swap with the same terms and conditions that would have the effect of preserving the respective full payment obligations of the parties (or based upon loss in the event that market quotation cannot be determined). Any such termination payment could be substantial.

The Issuer will apply any termination payment it receives from a termination of any Swap Agreement to purchase a replacement swap. To the extent that the Issuer receives a premium under any replacement swap, it shall apply such premium first to make any termination payment due under the related terminated swap(s).

In the event that the Basis Swap Agreement or any Currency Swap Agreement is terminated prior to scheduled termination, and prior to the service of an Enforcement Notice or the redemption in full of all outstanding Notes, the Issuer shall use its reasonable efforts to enter into a replacement swap in respect of the Notes. Such replacement swap must be entered into on terms acceptable to the Rating Agencies, the Issuer and the Trustee with a replacement Swap Provider that the Rating Agencies have previously confirmed in writing to the Issuer and the Trustee will not cause the then current ratings of the Notes to be downgraded, withdrawn or qualified.

If a Currency Swap is terminated and the Issuer is unable to enter into a replacement swap as described above, then the Issuer shall repay the Notes on each Interest Payment Date after exchanging at the "spot" rate the Available Revenue Receipts and/or Available Principal Receipts from Sterling into Dollars or Euro, as applicable.

Ratings Downgrade

If, at any time following the Closing Date, the short term or long-term, unsecured and unsubordinated debt obligations of any Swap Provider or any guarantor, as applicable, are downgraded by a Rating Agency below the required ratings specified in the relevant Swap Agreement for the relevant Swap Provider, such Swap Provider will be required to take certain remedial measures which may include providing collateral for its obligations (in the amount agreed with the Rating Agencies from time to time), arranging for its obligations to be transferred to an entity with the ratings required by the relevant Rating Agency, procuring another entity with rating(s) required by the relevant Rating Agency to become co obligor or guarantor in respect of its obligations, or taking such other action as it may agree with the relevant Rating Agency. A failure to take such steps will allow the Issuer to terminate the relevant Swap Agreement.

Taxation

The Issuer is not obliged under the Swap Agreements to gross up payments made by it if withholding taxes are imposed on payments made under the relevant Swap Agreement.

The relevant Swap Provider is always obliged to gross up payments made by it to the Issuer if withholding taxes are imposed on payments made by it to the Issuer under the relevant Swap Agreement. The imposition of withholding taxes on payments made by the relevant Swap Provider under the relevant Swap Agreement will constitute a Tax Event (as defined in the relevant Swap Agreement) and will give the relevant Swap Provider a right to terminate the relevant Swap Agreement subject to the terms thereof.

Governing Law

The Swap Agreements and any non-contractual obligations arising out of or in connection with them will be governed by and shall be construed in accordance with English law.

Credit Support Annex

On or around the Issue Date, each Swap Provider will enter into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) with the Issuer (each a "**Swap Credit Support Annex**") in support of the obligations of that Swap Provider under the relevant Swap Agreement. Pursuant to the terms of each Swap Credit Support Annex, if at the time the relevant Swap Provider is required to provide collateral in respect of any of its obligations under the relevant Swap Agreement, such Swap Credit Support Annex will provide that, from time to time, subject to the conditions specified in the Swap Credit Support Annex and the relevant Swap Agreement, the relevant Swap Provider will make transfers of collateral to the Issuer in respect of its obligations under the relevant Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Credit Support Annex.

The Issuer will keep any collateral received from a Swap Provider pursuant to the Swap Credit Support Annex in separate Swap Collateral Ledger. The Issuer may only make payments or transfers utilising any monies and/or securities held in the relevant Swap Collateral Ledger if such payments and transfers are made in accordance with the terms of the relevant Swap Credit Support Annex. Amounts and/or securities standing to the credit of the relevant Swap Collateral Ledger will not, upon enforcement of the Security, be available to the Secured Creditors generally and may only be applied in satisfaction of amounts owing by the relevant Swap Provider, or to be repaid to the relevant Swap Provider, in accordance with the terms of the relevant Swap Agreement. There may be circumstances where no amount is owing by the

relevant Swap Provider. In such circumstances the transferred collateral must be returned to that Swap Provider.

CASHFLOWS AND CASH MANAGEMENT

APPLICATION OF REVENUE RECEIPTS PRIOR TO SERVICE OF AN ENFORCEMENT NOTICE

Definition of Revenue Receipts

"**Revenue Receipts**" means payments received by the Issuer directly or from either Seller representing:

(a) 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;

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

(c) recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed;

(d) the proceeds of the repurchase of any Loan by the relevant 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

(e) any early repayment charges which have been paid by the Borrower in respect of the Loans.

Definition of Available Revenue Receipts

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

(a) Revenue Receipts received during the immediately preceding Collection Period, less amounts applied during such Collection Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):

  (i) payments of certain insurance premiums;

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

  (iii) any amount received from a Borrower for the express purpose of payment being made to a third party for the provision of a service to that Borrower or the relevant Seller,

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

(b) interest payable to the Issuer on the Issuer Accounts and income from any Authorised Investments in each case received during the immediately preceding Collection Period;

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

(d) the amounts standing to the credit of the General Reserve Fund when the General Reserve Required Amount is reduced to zero, provided that the Subordinated Loan has been repaid in full; and

(e) other net income of the Issuer received during the immediately preceding Collection Period, excluding (i) any Principal Receipts, (ii) any early termination amount received by the Issuer under any Currency Swap Agreement which is to be applied in acquiring a replacement Currency Swap, (iii) the return or transfer of any collateral, as set out under any Currency Swap Agreement and (iv) any Replacement Swap Premium received in respect of a replacement Currency Swap but only to the extent applied to pay any termination payment due and payable by the Issuer to the relevant Swap Provider) and without double-counting the amounts described in paragraphs (a) to (d) above.

Application of General Reserve Fund Amounts, Principal Receipts and Liquidity Reserve Fund Amounts to cover deficits

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

If the Cash Manager determines that there would be an Income Deficit on an Interest Payment Date to pay those items, then the Issuer shall pay or provide for that Income Deficit by applying amounts standing to the credit of the General Reserve Fund.

If following application of amounts standing to the credit of the General Reserve Fund, the Cash Manager determines that there would be a Remaining Income Deficit, then the Issuer shall pay or provide for such Remaining Income Deficit by applying first Principal Receipts (if any) and, second, amounts standing to the credit of the Liquidity Reserve Fund (if established) and the Cash Manager shall make a corresponding entry in the Principal Deficiency Ledger as described in "*Key Structural Features*" above.

The use of amounts standing to the credit of the General Reserve Fund, Principal Receipts (if any) and, amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet interest shortfalls on the Class M Notes in circumstances where a Class M PDL Trigger Event has occurred will be restricted in the manner described above in "*Key Structural Features - Liquidity support provided by use of General Reserve Fund, Available Principal Receipts and Liquidity Reserve Fund to fund Income Deficit and Remaining Income Deficit*".

General Reserve Fund and General Reserve Ledger

On the Closing Date, a fund will be established called the General Reserve Fund. The General Reserve Fund will be funded on the Closing Date by the Subordinated Loan in the sum of £105,800,295 (the "**General Reserve Required Amount**") (being an amount equal to 3 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date). The General Reserve Fund will be credited to the GIC Account (with a corresponding credit to the General Reserve Ledger). The Issuer may invest the amounts standing to the credit of the GIC Account in Authorised Investments. See "*Key Structural Features*" above. Following repayment in full of the Rated Notes, the Issuer shall not be required to maintain the General Reserve Fund and the General Reserve Required Amount shall be zero, in which case, such amounts standing to the credit of the General Reserve Fund shall be used first, to repay the Subordinated Loan and second, any remainder shall be used as Available Revenue Receipts.

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

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

Application of Available Revenue Receipts prior to the service of an Enforcement Notice by the Trustee on the Issuer

Except for any termination payment payable to the relevant Swap Provider, which shall be payable when due pursuant to the relevant Swap Agreement to the extent such termination payment is paid using any Replacement Swap Premium on each Interest Payment Date (or in respect of items (a) and (b) below, on any date) prior to the service of a Enforcement Notice by the Trustee on the Issuer, the Cash Manager (on behalf of the Issuer) shall apply or provide for the Available Revenue Receipts together with (in the case of any Income Deficit) any amount standing to the credit of the General Reserve Fund and (in the case of

any Remaining Income Deficit) any amounts referred to in paragraph (d) of the definition of Available Principal Receipts in the following order of priority (in each case only if and to the extent that payments or provisions of a higher priority have been made in full) (the "**Pre-Acceleration Revenue Priority of Payments**"):

(a) *first*, in or towards satisfaction *pro rata* and *pari passu* according to the respective amounts thereof of any costs, charges, liabilities, expenses and all other amounts then due and payable or to become due and payable in the immediately succeeding Interest Period to the 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;

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

(i) any remuneration then due and payable to the Agent Bank, the Registrar and the Paying Agents and any costs, charges, liabilities and expenses then due or to become due and payable in the immediately succeeding Interest Period to them under the provisions of the Agency Agreement, together with (if payable) VAT thereon as provided therein;

(ii) any amounts due and payable by the Issuer to third parties and incurred without breach by the Issuer of the Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere) and any amounts necessary to provide for any such amounts expected to become due and payable by the Issuer in the immediately succeeding Interest Period and any amounts required to pay or discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained previously by the Issuer as profit under item (o) below); and

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

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

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

(i) any amounts due and payable to each Administrator and any costs, charges, liabilities and expenses then due and payable to each Administrator or any such amount to become due and payable to each Administrator in the immediately succeeding Interest Period under the provisions of the Administration Agreement, together with (if payable) VAT thereon as provided therein;

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

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

(d) *fourth*, to pay amounts due to the Basis Swap Provider in respect of the Basis Swap Agreement (including any termination payment due and payable by the Issuer but excluding any related Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Basis Swap Provider of any Replacement Swap Premium);

(e) *fifth*, in or towards payment *pro rata* and *pari passu* of:

(i)

(A) interest due and payable on the Class A1c Notes; provided that for the purposes of making such payment in respect of the Class A1c Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A1c Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A1c Notes if the Class A1c Currency Swap has been terminated but not replaced;

(ii) interest due and payable on the Class A2a Notes;

(iii)

(A) interest due and payable on the Class A2b Notes; provided that for the purposes of making such payment in respect of the Class A2b Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A2b Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A2b Notes if the Class A2b Currency Swap has been terminated but not replaced;

(iv)

(A) interest due and payable on the Class A2c Notes; provided that for the purposes of making such payment in respect of the Class A2c Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A2c Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A2c Notes if the Class A2c Currency Swap has been terminated but not replaced;

(v) interest due and payable on the Class A3a Notes;

(vi)

(A) interest due and payable on the Class A3c Notes; provided that for the purposes of making such payment in respect of the Class A3c Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A3c Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A3c Notes if the Class A3c Currency Swap has been terminated but not replaced;

(vii)

(A) interest due and payable on the Class A4c1 Notes; provided that for the purposes of making such payment in respect of the Class A4c1 Notes, the Issuer

shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A4c1 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A4c1 Notes if the Class A4c1 Currency Swap has been terminated but not replaced;

(viii)

(A) interest due and payable on the Class A4c2 Notes; provided that for the purposes of making such payment in respect of the Class A4c2 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A4c2 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A4c2 Notes if the Class A4c2 Currency Swap has been terminated but not replaced;

(ix)

(A) interest due and payable on the Class A4c3 Notes; provided that for the purposes of making such payment in respect of the Class A4c3 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A4c3 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A4c3 Notes if the Class A4c3 Currency Swap has been terminated but not replaced;

(x)

(A) interest due and payable on the Class A4c4 Notes; provided that for the purposes of making such payment in respect of the Class A4c4 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A4c4 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A4c4 Notes if the Class A4c4 Currency Swap has been terminated but not replaced;

(xi)

(A) interest due and payable on the Class A4c5 Notes; provided that for the purposes of making such payment in respect of the Class A4c5 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing interest due in respect of the Class A4c5 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts to the extent it is not satisfied by the payment by the Issuer to the Currency Swap Provider of any Replacement Swap Premium); or

(B) interest due and payable on the Class A4c5 Notes if the Class A4c5 Currency Swap has been terminated but not replaced;

(f) *sixth*, to credit the Class A Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

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

(h) *eighth*, to credit the Class M Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

(i) *ninth*, (so long as the Rated Notes will remain outstanding following such Interest Payment Date) to credit the General Reserve Ledger up to the General Reserve Required Amount;

(j) *tenth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the relevant Swap Agreement, to any Swap Provider any Swap Subordinated Amount;

(k) *eleventh*, to pay interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);

(l) *twelfth*, to credit the Class B Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

(m) *thirteenth*, to pay interest due and payable on the Class R Notes (including any Deferred Interest and Additional Interest thereon);

(n) *fourteenth*, to credit the Class R Principal Deficiency Sub-Ledger in an amount sufficient to eliminate any debit thereon;

(o) *fifteenth*, to pay the Issuer an amount equal to the Issuer Profit Amount;

(p) *sixteenth*, to pay all amounts of interest due or accrued (if any) but unpaid and any capitalised interest due to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(q) *seventeenth*, to pay the principal amounts due and payable to the Subordinated Loan Provider under the Subordinated Loan Agreement; and

(r) *eighteenth*, to pay RBS (on behalf of itself and NWHL) any Deferred Consideration due and payable under the Mortgage Sale Agreement to the Sellers.

APPLICATION OF PRINCIPAL RECEIPTS PRIOR TO SERVICE OF AN ENFORCEMENT NOTICE

Definition of Principal Receipts

"**Principal Receipts**" means payments received by the Issuer directly or from either Seller representing:

(a) principal repayments including scheduled payments and pre-payments under the Loans (including capitalised interest, capitalised expenses and capitalised arrears but excluding accrued interest and arrears of interest);

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

(c) 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

(d) the proceeds of the repurchase of any Loan by either 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 Interest Payment Date (without double counting):

(a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period;

(b) if established, (subject to (d) below) all amounts standing to the credit of the Liquidity Reserve Fund (as recorded on the Liquidity Reserve Ledger) on the immediately preceding Collection Period End Date;

(c) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f), (h), (l) and (n) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;

less:

(d) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period and/or amounts standing to the credit of the Liquidity Reserve Fund, in each case which are to be applied to cover Remaining Income Deficits on such Interest Payment Date; and

(e) the amount of Principal Receipts to the extent comprised in paragraph (a) above used by the Issuer during the immediately preceding Collection Period to purchase Further Advances.

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.

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

(a) *first*, if the Liquidity Reserve Fund is required to be established and a Liquidity Trigger Event is continuing, and the balance of the Liquidity Reserve Fund is less than the Liquidity Reserve Required Amount, towards a credit to the Liquidity Reserve Fund up to the Liquidity Reserve Required Amount;

(b) *second*:

(i) to redeem the Class A1c Notes until the Class A1c Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A1c Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A1c Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A1c Currency Swap; or

(ii) to redeem principal amounts outstanding on the Class A1c Notes if the Class A1c Currency Swap has been terminated but not replaced;

(c) *third*, *pro rata* and *pari passu*:

(i) to redeem the Class A2a Notes until the Class A2a Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A2a Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu* basis);

(ii)

(A) to redeem the Class A2b Notes until the Class A2b Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A2b Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A2b Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A2b Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A2b Notes if the Class A2b Currency Swap has been terminated but not replaced; and

(iii)

(A) to redeem the Class A2c Notes until the Class A2c Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A2c Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A2c Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A2c Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A2c Notes if the Class A2c Currency Swap has been terminated but not replaced;

(d) *fourth, pro rata* and *pari passu*:

(i) to redeem the Class A3a Notes until the Class A3a Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A3a Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*); and

(ii)

(A) to redeem the Class A3c Notes until the Class A3c Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A3c Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A3c Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A3c Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A3c Notes if the Class A3c Currency Swap has been terminated but not replaced;

(e) *fifth, pro rata* and *pari passu*:

(i)

(A) to redeem the Class A4c1 Notes until the Class A4c1 Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A4c1 Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A4c1 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A4c1 Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A4c1 Notes if the Class A4c1 Currency Swap has been terminated but not replaced; and

(ii)

(A) to redeem the Class A4c2 Notes until the Class A4c2 Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A4c2 Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the

purposes of making such payment in respect of the Class A4c2 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A4c2 Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A4c2 Notes if the Class A4c2 Currency Swap has been terminated but not replaced; and

(iii)

(A) to redeem the Class A4c3 Notes until the Class A4c3 Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A4c3 Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A4c3 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A4c3 Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A4c3 Notes if the Class A4c3 Currency Swap has been terminated but not replaced;

(iv)

(A) to redeem the Class A4c4 Notes until the Class A4c4 Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A4c4 Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A4c4 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A4c4 Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A4c4 Notes if the Class A4c4 Currency Swap has been terminated but not replaced;

(v)

(A) to redeem the Class A4c5 Notes until the Class A4c5 Notes have been redeemed in full (for the avoidance of doubt such principal amount on the Class A4c5 Notes having been adjusted by the Cash Manager in order to recognise all debits recorded against each of the Class A Notes in the Class A Principal Deficiency Sub-Ledger on a *pro rata* and *pari passu basis*) and provided that for the purposes of making such payment in respect of the Class A4c5 Notes, the Issuer shall pay to the Currency Swap Provider, amounts representing principal due in respect of the Class A4c5 Currency Swap; or

(B) to redeem principal amounts outstanding on the Class A4c5 Notes if the Class A4c5 Currency Swap has been terminated but not replaced;

(f) *sixth*, to redeem the Class M Notes until the Class M Notes have been redeemed in full;

(g) *seventh*, to redeem the Class B Notes until the Class B Notes have been redeemed in full;

(h) *eighth*, to redeem the Class R Notes until the Class R Notes have been redeemed in full; and

(i) *ninth*, to pay RBS (on behalf of itself and NWHL) any Deferred Consideration due and payable to the Sellers under the Mortgage Sale Agreement.

APPLICATION OF REVENUE RECEIPTS, PRINCIPAL RECEIPTS AND OTHER MONIES OF THE ISSUER FOLLOWING THE SERVICE OF AN ENFORCEMENT NOTICE

Following the service of an Enforcement Notice by the Trustee on the Issuer, the Trustee (or the Cash Manager on its behalf or a Receiver) will apply amounts (other than amounts representing (a) any excess swap collateral which shall be returned directly to the Basis Swap Provider under the Basis Swap Agreement or the Currency Swap Provider under the Currency Swap Agreements (as applicable) and/or (b) in respect of the Basis Swap Provider or the Currency Swap Provider, prior to the designation of an early termination date under the relevant Basis Swap Agreement or Currency 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 Basis Swap Provider or Currency Swap Provider (as applicable) to the Issuer pursuant to the Basis Swap Agreement or Currency Swap Agreements and any interest or distributions in respect thereof which will be applied in accordance with the terms of the relevant Swap Agreement) received or recovered following the service of an Enforcement Notice on the Issuer (including, for the avoidance of doubt, on enforcement of the Security) reduced in the case of any payments of principal in respect of any class or sub-class of Notes to the extent of any balance on the relevant sub-ledger of the Principal Deficiency Ledger allocable to such class or sub-class, in the following order of priority (the "**Post-Acceleration Priority of Payments**" and, together with the Pre-Acceleration Revenue Priority of Payments and the Pre-Acceleration Principal Priority of Payments, the "**Priority of Payments**"):

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

(i) any costs, charges, liabilities, expenses and all other amounts then due and payable to the Trustee or any Appointee, under the provisions of the Trust Deed and the other Transaction Documents, together with (if payable) VAT thereon as provided therein; and

(ii) any costs, charges, liabilities, expenses and all other amounts then due and payable to any Receiver appointed by the Trustee or any Appointee under the provisions of the Deed of Charge and the other Transaction Documents, together with (if payable) VAT thereon as provided therein;

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

(i) any remuneration then due and payable to the Agent Bank, the Registrar and the 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 costs, charges, liabilities and expenses then due and payable to the Corporate Services Provider under the provisions of the Corporate Services Agreement, together with (if payable) VAT thereon as provided therein;

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

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

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

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

(d) *fourth*, to pay amounts due and payable to the Basis Swap Provider in respect of the Basis Swap Agreement (including any termination payment due and payable by the Issuer but excluding any Swap Subordinated Amounts);

(e) *fifth*, to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i)

(A) interest due and payable on the Class A1c Notes; provided that for the purposes of making such payment in respect of the Class A1c Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A1c Currency Swap; and

(B) interest due and payable on the Class A1c Notes to the extent not paid from amounts received under the Class A1c Currency Swap;

(ii) interest due and payable on the Class A2a Notes;

(iii)

(A) interest due and payable on the Class A2b Notes; provided that for the purposes of making such payment in respect of the Class A2b Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A2b Currency Swap; and

(B) interest due and payable on the Class A2b Notes to the extent not paid from amounts received under the Class A2b Currency Swap;

(iv)

(A) interest due and payable on the Class A2c Notes; provided that for the purposes of making such payment in respect of the Class A2c Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A2c Currency Swap; and

(B) interest due and payable on the Class A2c Notes to the extent not paid from amounts received under the Class A2c Currency Swap;

(v) interest due and payable on the Class A3a Notes;

(vi)

(A) interest due and payable on the Class A3c Notes; provided that for the purposes of making such payment in respect of the Class A3c Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A3c Currency Swap; and

(B) interest due and payable on the Class A3c Notes to the extent not paid from amounts received under the Class A3c Currency Swap;

(vii)

(A) interest due and payable on the Class A4c1 Notes; provided that for the purposes of making such payment in respect of the Class A4c1 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A4c1 Currency Swap; and

(B) interest due and payable on the Class A4c1 Notes to the extent not paid from amounts received under the Class A4c1 Currency Swap;

(viii)

(A) interest due and payable on the Class A4c2 Notes; provided that for the purposes of making such payment in respect of the Class A4c2 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A4c2 Currency Swap; and

(B) interest due and payable on the Class A4c2 Notes to the extent not paid from amounts received under the Class A4c2 Currency Swap;

(ix)

(A) interest due and payable on the Class A4c3 Notes; provided that for the purposes of making such payment in respect of the Class A4c3 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A4c3 Currency Swap; and

(B) interest due and payable on the Class A4c3 Notes to the extent not paid from amounts received under the Class A4c3 Currency Swap;

(x)

(A) interest due and payable on the Class A4c4 Notes; provided that for the purposes of making such payment in respect of the Class A4c4 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A4c4 Currency Swap; and

(B) interest due and payable on the Class A4c4 Notes to the extent not paid from amounts received under the Class A4c4 Currency Swap;

(xi)

(A) interest due and payable on the Class A4c5 Notes; provided that for the purposes of making such payment in respect of the Class A4c5 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing interest due and payable under the Class A4c5 Currency Swap; and

(B) interest due and payable on the Class A4c5 Notes to the extent not paid from amounts received under the Class A4c5 Currency Swap;

(f) *sixth,* to pay *pro rata* and *pari passu* according to the respective outstanding amounts thereof:

(i)

(A) principal due and payable on the Class A1c Notes; provided that for the purposes of making such payment in respect of the Class A1c Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A1c Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A1c Notes to the extent not paid from amounts received under the Class A1c Currency Swap;

(ii) principal due and payable on the Class A2a Notes;

(iii)

(A) principal due and payable on the Class A2b Notes; provided that for the purposes of making such payment in respect of the Class A2b Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A2b Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A2b Notes to the extent not paid from amounts received under the Class A2b Currency Swap;

(iv)

(A) principal due and payable on the Class A2c Notes; provided that for the purposes of making such payment in respect of the Class A2c Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A2c Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A2c Notes to the extent not paid from amounts received under the Class A2c Currency Swap;

(v) principal due and payable on the Class A3a Notes;

(vi)

(A) principal due and payable on the Class A3c Notes; provided that for the purposes of making such payment in respect of the Class A3c Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A3c Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A3c Notes to the extent not paid from amounts received under the Class A3c Currency Swap;

(vii)

(A) principal due and payable on the Class A4c1 Notes; provided that for the purposes of making such payment in respect of the Class A4c1 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A4c1 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A4c1 Notes to the extent not paid from amounts received under the Class A4c1 Currency Swap;

(viii)

(A) principal due and payable on the Class A4c2 Notes; provided that for the purposes of making such payment in respect of the Class A4c2 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A4c2 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A4c2 Notes to the extent not paid from amounts received under the Class A4c2 Currency Swap;

(ix)

(A) principal due and payable on the Class A4c3 Notes; provided that for the purposes of making such payment in respect of the Class A4c3 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A4c3 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A4c3 Notes to the extent not paid from amounts received under the Class A4c3 Currency Swap;

(x)

(A) principal due and payable on the Class A4c4 Notes; provided that for the purposes of making such payment in respect of the Class A4c4 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A4c4 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A4c4 Notes to the extent not paid from amounts received under the Class A4c4 Currency Swap;

(xi)

(A) principal due and payable on the Class A4c5 Notes; provided that for the purposes of making such payment in respect of the Class A4c5 Notes, the Trustee (or the Cash Manager on its behalf or a Receiver) shall pay to the Currency Swap Provider, amounts representing principal due and payable under the Class A4c5 Currency Swap (including any termination payment due and payable by the Issuer other than any Swap Subordinated Amounts); and

(B) principal due and payable on the Class A4c5 Notes to the extent not paid from amounts received under the Class A4c5 Currency Swap;

(g) *seventh*, to pay interest due and payable on the Class M Notes (including any Deferred Interest and Additional Interest thereon);

(h) *eighth*, to pay principal due and payable on the Class M Notes;

(i) *ninth*, to pay interest due and payable on the Class B Notes (including any Deferred Interest and Additional Interest thereon);

(j) *tenth*, to pay principal due and payable on the Class B Notes;

(k) *eleventh*, to pay interest due and payable on the Class R Notes (including any Deferred Interest and Additional Interest thereon);

(l) *twelfth*, to pay principal due and payable on the Class R Notes;

(m) *thirteenth*, to pay *pro rata* and *pari passu* according to the amount thereof and in accordance with the terms of the relevant Swap Agreement, to any Swap Provider any Swap Subordinated Amount;

(n) *fourteenth*, to pay all amounts of interest due and payable or accrued (if any) but unpaid and any capitalised interest and amounts of principal due to the Subordinated Loan Provider under the Subordinated Loan Agreement;

(o) *fifteenth*, to pay to the Issuer the Issuer Profit Amount;

(p) *sixteenth*, to pay any amounts required to pay or discharge any liability of the Issuer to corporation tax (which cannot be met out of amounts retained previously by the Issuer as profit under item (o) above) ; and

(q) *seventeenth*, to pay any Deferred Consideration due and payable under the Mortgage Sale Agreement to RBS (on behalf of itself and NWHL).

DESCRIPTION OF THE NOTES IN GLOBAL FORM

General

The Notes of each Class or sub-Class offered and sold outside the United States to non-U.S. persons in reliance on Regulation S (the "**Reg S Notes**") will be represented on issue by one or more Global Registered Notes of such class in fully registered form without interest coupons or principal receipts attached (each a "**Reg S Global Registered Note**"). Beneficial interests in a Reg S Global Registered Note may only be held through Euroclear or Clearstream, Luxembourg or their participants at any time.

The Notes of each Class or sub-Class offered and sold in the United States to QIBs in reliance on Rule 144A (the "**Rule 144A Notes**") will be represented on issue by one or more Global Registered Notes of each sub-Class, in fully registered form without interest coupons or principal receipts attached (each a "**Rule 144A Global Registered Note**").

All capitalised terms not defined in this paragraph shall be as defined in the Conditions of the Notes.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations"*, the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in co-operation with market participants and that notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2010 and that registered debt securities in global registered form held issued through Euroclear and Clearstream, Luxembourg after 30 September 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

The Rule 144A Global Registered Notes (other than those representing EUR Notes) will be deposited on or about the Closing Date with Citibank, N.A., London Branch as custodian for DTC. The Rule 144A Global Registered Notes representing the EUR Notes will be deposited on or about the Closing Date with a common depository for both Euroclear and Clearstream, Luxembourg (the "**Common Depository**"). The Euro Reg S Global Registered Notes will be deposited on or about the Closing Date with a common safekeeper for both Euroclear and Clearstream, Luxembourg (the "**Common Safekeeper**"). The Non-Euro Reg S Global Registered Notes will be deposited on or about the Closing Date with the Common Depository.

The Rule 144A Global Registered Notes (other than those representing EUR Notes) will be registered in the name of Cede & Co. as the nominee for DTC, the Rule 144A Global Registered Notes representing EUR Notes will be registered in the name of a nominee for the Common Depository for both Euroclear and Clearstream, Luxembourg, the Euro Reg S Global Registered Notes will be registered in the name of a nominee for the Common Safekeeper for both Euroclear and Clearstream, Luxembourg and the Non-Euro Reg S Global Registered Notes will be registered in the name of a nominee of the Common Depository. The Issuer will procure the Registrar to maintain a register in which it will register Cede & Co. and a nominee of the Common Depository (as applicable) as the owners of the Rule 144A Global Registered Notes, the nominee for the Common Safekeeper as the owner of the Euro Reg S Global Registered Notes and a nominee of the Common Depository as the owner of the Non-Euro Reg S Global Registered Notes.

Upon confirmation by DTC that Citibank, N.A., London Branch has custody of the Rule 144A Global Registered Notes (other than those representing EUR Notes), and upon acceptance of the DTC Letter of Representations sent by the Issuer to DTC, DTC will record book-entry interests representing beneficial interests (the "**Book-Entry Interests**") in the Rule 144A Global Registered Notes attributable thereto.

Upon confirmation by the Common Depository that it has custody of the relevant Rule 144A Global Registered Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the Rule 144A Global Registered Notes attributable thereto.

Upon confirmation by the Common Safekeeper that it has custody of the Euro Reg S Global Registered Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the Euro Reg S Global Registered Notes attributable thereto.

Upon confirmation by the Common Depository that it has custody of the Non-Euro Reg S Global Registered Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the Non-Euro Reg S Global Registered Notes attributable thereto.

Book-Entry Interests in respect of Global Registered Notes will be recorded in denominations of £100,000, €100,000 or $150,000, depending on the currency of denomination, and, for so long as or Clearstream, Luxembourg and DTC so permit integral multiples of £1,000, €1,000 and $1,000 in excess thereof (a "**Minimum Denomination**"). Ownership of Book-Entry Interests is limited to persons that have accounts with Euroclear or Clearstream, Luxembourg or DTC ("**Participants**") or persons that hold interests in the Book-Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg or DTC, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Book-Entry Interests will not be held in definitive form. Instead, Euroclear, Clearstream, Luxembourg and DTC, as applicable, will credit the Participants' accounts with the respective Book-Entry Interests beneficially owned by such Participants on each of their respective book-entry registration and transfer systems. The accounts initially credited will be designated by the Arranger. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book-Entry Interests.

Beneficial interests in a Rule 144A Global Registered Note may only be held by persons who are QIBs holding their interests for their own account or for the account of another QIB. By acquisition of a beneficial interest in a Rule 144A Global Registered Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A Global Registered Note (see "*Transfer Restrictions*").

So long as Cede & Co is the registered holder of the relevant Rule 144A Global Registered Notes underlying the Book-Entry Interests, Cede & Co, will be considered the sole Noteholder of the Rule 144A Global Registered Notes for all purposes under the Trust Deed. So long as a nominee of the Common Depository is the registered holder of the relevant Rule 144A Global Registered Notes underlying the Book-Entry Interests, the nominee of the Common Depository will be considered the sole Noteholder of the Rule 144A Global Registered Notes for all purposes under the Trust Deed. So long as a nominee of the Common Safekeeper is the registered holder of the Euro Reg S Global Registered Notes underlying the Book-Entry Interests, the nominee of the Common Safekeeper will be considered the sole Noteholder of the Euro Reg S Global Registered Note for all purposes under the Trust Deed. So long as a nominee of the Common Depository is the registered holder of the Non-Euro Reg S Global Registered Notes underlying the Book-Entry Interests, the nominee of the Common Depository will be considered the sole Noteholder of the Non-Euro Reg S Global Registered Note for all purposes under the Trust Deed. Except as set forth under "*Issuance of Definitive Registered Notes*", below, Participants or Indirect Participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive registered form and will not be considered the holders thereof under the Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book-Entry Interests, to exercise any rights and obligations of a holder of Notes under the Trust Deed. See "*Action in Respect of the Global Registered Note and the Book-Entry Interests*", below.

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to

act only to the extent it has received appropriate proxies to do so from Euroclear, Clearstream, Luxembourg or DTC, 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 Global Registered Notes, holders of Book-Entry Interests will be restricted to acting through Euroclear, Clearstream, Luxembourg or DTC unless and until Definitive Registered Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear or Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Trust Deed.

In the case of the Euro Reg S Global Registered Notes, unless and until Book-Entry Interests are exchanged for Definitive Registered Notes, the Euro Reg S Global Registered Notes held by the Common Safekeeper may not be transferred except as a whole by the Common Safekeeper to a successor of the Common Safekeeper.

In the case of the Non-Euro Reg S Global Registered Notes, unless and until Book-Entry Interests are exchanged for Definitive Registered Notes, the Non-Euro Reg S Global Registered Notes held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

In the case of the Rule 144A Global Registered Notes (other than those representing EUR Notes), unless and until Book-Entry Interests are exchanged for Definitive Registered Notes, the Rule 144A Global Registered Notes held by DTC may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

In the case of the Rule 144A Global Registered Notes representing EUR Notes, unless and until Book-Entry Interests are exchanged for Definitive Registered Notes, the Rule 144A Global Registered Notes held by the Common Depository may not be transferred except as a whole by the Common Depository to a successor of the Common Depository.

Purchasers of Book-Entry Interests in a Global Registered Note pursuant to Rule 144A will hold Book-Entry Interests in the Rule 144A Global Registered Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Rule 144A Global Registered Note directly through DTC if they are Participants in such system or indirectly through organisations which are Participants in such system. All Book-Entry Interests in the Rule 144A Global Registered Notes will be subject to the procedures and requirements of DTC (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below). Purchasers of Book-Entry Interests in a Global Registered Note pursuant to Regulation S will hold Book-Entry Interests in the Reg S Global Registered Notes relating thereto. Investors may hold their Book-Entry Interests in respect of a Reg S Global Registered Note (or a Rule 144A Global Registered Note representing EUR Notes) directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth under "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book-Entry Interests in each Reg S Global Registered Note or Rule 144A Global Registered Note, as the case may be, on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer systems.

Trading between Euroclear and/or Clearstream, Luxembourg participants

Secondary market sales of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds, sterling denominated bonds, U.S. dollar denominated bonds and, where relevant, bonds denominated in such other currencies as have been issued.

Trading between DTC participants

Secondary market sales of book-entry interests in the dollar notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to

United States corporate debt obligations in DTC's same-day funds settlement system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in the Dollar Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Global Registered Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in that Global Registered Note (subject to the certification procedures provided in the Trust Deed and Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Global Registered Note will instruct the registrar to (i) decrease the amount of U.S. dollar notes registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) evidenced by the relevant Global Registered Note and (ii) increase the amount of U.S. dollar notes registered in the name of the nominee of the common safekeeper for Euroclear and Clearstream, Luxembourg or in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg (as applicable) evidenced by the relevant Global Registered Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first Business Day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Dollar Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Global Registered Note (subject to the certification procedures provided in the Trust Deed and Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common safekeeper for Euroclear and Clearstream, Luxembourg and the registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common safekeeper for Euroclear and Clearstream, Luxembourg will: (a) transmit appropriate instructions to the custodian of the Global Registered Note who will in turn deliver evidence of such book-entry interests in the dollar notes free of payment to the relevant account of the DTC participant; and (b) instruct the registrar to (i) decrease the amount of dollar notes registered in the name of the nominee of the common safekeeper for Euroclear and Clearstream, Luxembourg or in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg (as applicable) and evidenced by the relevant Global Registered Note and (ii) increase the amount of dollar notes registered in the name of Cede & Co. (or such other name as may be requested by an authorised representative of DTC) and evidenced by the relevant Global Registered Note.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book-Entry Interests among Participants of DTC and 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 Joint Lead Managers, the Co-Manager, the Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Payments on the Global Registered Note

Payment of principal and interest on, and any other amount due in respect of, the Global Registered Notes will be made in Dollars (in respect of the Dollar Notes), Euro (in respect of the EUR Notes) and Sterling (in respect of the Sterling Notes) by or to the order of Citibank, N.A., London Branch, as the Principal Paying Agent on behalf of the Issuer (i) to DTC or its nominee as the registered holder thereof with respect to the Rule 144A Global Registered Notes (other than those representing EUR Notes), (ii) to the

Common Depository or its nominee as the registered holder thereof with respect to the Rule 144A Global Registered Notes representing EUR Notes, (iii) to the Common Safekeeper or its nominee as the registered holder thereof with respect to the Euro Reg S Global Registered Notes and (iv) to the Common Depository or its nominee as the registered holder thereof with respect to the Non-Euro Reg S Global Registered Notes (as applicable). Each holder of Book-Entry Interests must look solely to DTC, Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to DTC, the Common Depository, the Common Safekeeper or their nominees in respect of those Book-Entry Interests. All such payments will be distributed without deduction or withholding for or on account of any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Paying Agents nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the order of the Common Safekeeper or the Common Depository (as applicable), the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date, Euroclear and Clearstream, Luxembourg will determine the identity of the Noteholders for the purposes of making payments to the Noteholders. The record date in respect of the Notes shall be one Clearing System Business Day prior to the relevant Interest Payment Date where "**Clearing System Business Day**" means a day on which each clearing system for which the Notes are being held is open for business. Upon receipt of any payment from the Principal Paying Agent, DTC will promptly credit its Participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown on the records of DTC. The Issuer expects that payments by Participants to owners of interests in Book-Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book-Entry Interests.

Information Regarding DTC, Euroclear and Clearstream, Luxembourg

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

DTC

DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). DTC was created to hold securities of its Participants and to facilitate the clearance and settlement of transactions among its Participants in such securities through electronic book-entry changes in accounts of the Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representatives) own DTC. The rules applicable to DTC and its Participants and Indirect Participants are on file with the Securities and Exchange Commission.

Euroclear and Clearstream, Luxembourg

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

Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of

Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

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

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

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

Redemption

In the event that any Global Registered Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Registered Note to the nominee of the Common Safekeeper, in the case of the Euro Reg S Global Registered Notes, to the nominee of the Common Depository, in the case of the Non-Euro Reg S Global Registered Notes, to the nominee of DTC, in the case of the Rule 144A Global Registered Notes (other than those representing EUR Notes) and to the nominee of the Common Depository, in the case of the Rule 144A Global Registered Notes representing EUR Notes, and, upon final payment, will surrender such Global Registered Note (or portion thereof) to or to the order of the Principal Paying Agent for cancellation. Appropriate entries will be made in the Register. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Global Registered Note (or portion thereof) relating thereto. For any redemptions of the Global Registered Note in part, selection of the relevant Book-Entry Interest relating thereto to be redeemed will be made by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such basis as DTC, Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Registered Note by the principal amount so redeemed.

Cancellation

All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

Transfers and Transfer Restrictions

The Notes have not been registered under the Securities Act, or registered or qualified under any applicable U.S. state or other U.S. jurisdiction securities laws. Neither the Issuer nor any other person is required to so register or qualify the Notes or to provide registration rights to any investor therein. The Notes are initially being offered and sold simultaneously in offshore transactions in reliance on Regulation S under the Securities Act, and within the United States to QIBs in transactions otherwise exempt from registration under the Securities Act.

The Notes may not be reoffered, resold, pledged or otherwise transferred except (a) (i) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A and (ii) in an offshore transaction in accordance with Regulation S, and (b) in accordance with all applicable securities laws of any state or other jurisdiction of the United States.

Any offers, sales or deliveries of the Notes in the United States or to "U.S. persons" (within the meaning of Regulation S) by an investor purchasing in an offshore transaction pursuant to Regulation S prior to the

date that is 40 days after the later of (i) the commencement of the offering of the Notes and (ii) the Closing Date, may constitute a violation of United States law.

Settlement and transfer of notes

Subject to the rules and procedures of each applicable clearing system, purchases of notes held within a clearing system must be made by or through Participants, which will receive a credit for such notes on the clearing system's records. The ownership interest of each actual purchaser of each such note (the "**beneficial owner**") will in turn be recorded on the Participant's records. Beneficial owners will not receive written confirmation from any clearing system of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct and indirect participant through which such beneficial owner entered into the transaction. Transfers of ownership interests in notes held within the clearing system will be effected by entries made on the books of Participants acting on behalf of beneficial owners. **Beneficial owners will not receive individual notes representing their ownership interests in such notes unless use of the book-entry system for the notes described in this section is discontinued.**

No clearing system has knowledge of the actual beneficial owners of the notes held within such clearing system and their records will reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to direct participants, by direct participants to indirect participants, and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

Each Rule 144A Global Registered Note will bear a legend substantially identical to that appearing under "*Transfer Restrictions*", below, and the holder of any Rule 144A Global Registered Note or any Book-Entry Interest in such Rule 144A Global Registered Note will undertake that it will not transfer such Notes except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Registered Note of one sub-Class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Registered Note of the same sub-Class whether before or after the expiration of the period ending 40 days after the later of the commencement of the offering of the Notes and the closing of the offering of the Notes (the "**Distribution Compliance Period**"), only upon receipt by the Issuer of a written certification from the transferor to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or Rule 144 under the Securities Act (if available).

Each Reg S Global Registered Note will bear a legend substantially identical to that appearing under "*Transfer Restrictions*" below. Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Registered Note of one sub-Class of Dollar Notes may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Registered Note of the same sub-Class only upon receipt by the Issuer of written certification from the transferor to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is a "qualified institutional buyer" within the meaning of Rule 144A, in each case, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Reg S Global Registered Note of one sub-Class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Rule 144A Global Registered Note of the same sub-Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Reg S Global Registered Note and will become represented by a Book-Entry Interest in such Rule 144A Global Registered Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Registered Note for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Registered Note of one sub-Class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the

Reg S Global Registered Note of the same sub-Class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Registered Note and will become represented by a Book-Entry Interest in such Reg S Global Registered Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Reg S Global Registered Note as long as it remains such a Book-Entry Interest.

Pre-issue trades settlement

It is expected that delivery of the Notes will be made against payment therefor on the closing date, which could be more than three business days following the date of pricing. Under Rule 15c6-l under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (**T+3**), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant closing date will be required, by virtue of the fact the notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of notes may be affected by such local settlement practices and purchasers of notes who wish to trade notes between the date of pricing and the relevant closing date should consult their own adviser.

Issuance of Definitive Registered Notes

Holders of Book-Entry Interests in a Rule 144A Global Registered Note or Reg S Global Registered Note will be entitled to receive Definitive Registered Notes in registered form ("**Definitive Registered Notes**") in exchange for their respective holdings of Book-Entry Interests if (a) (in the case of Rule 144A Global Registered Notes (other than those representing EUR Notes)) DTC has notified the Issuer that it is at any time unwilling or unable to continue as holder of the Rule 144A Global Registered Notes or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act, and a successor to DTC registered as a clearing agency under the Exchange Act is not able to be appointed by the Issuer within 90 days of such notification or (in the case of Reg S Global Registered Notes or Rule 144A Global Registered Notes representing EUR Notes) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business and do so cease to do business and no alternative clearing system satisfactory to the Trustee is available or (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.

Any Definitive Registered Notes issued in exchange for Book-Entry Interests in a Rule 144A Global Registered Note or a Reg S Global Registered Note will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be (in the case of Reg S Global Registered Notes or Rule 144A Global Registered Notes representing EUR Notes) or DTC (in the case of Rule 144A Global Registered Notes (other than those representing EUR Notes)). It is expected that such instructions will be based upon directions received by Euroclear, Clearstream, Luxembourg or DTC from their Participants with respect to ownership of the relevant Book Entry Interests. Holders of Definitive Registered Notes issued in exchange for Book-Entry Interests in Rule 144A Global Registered Note or a Reg S Global Registered Note, as the case may be, will not be entitled to exchange such Definitive Registered Note, for Book-Entry Interests in a Reg S Global Registered Note or a Rule 144A Global Registered Note, as the case may be. Any Notes issued in definitive form will be issued in registered form only and will be subject to the provisions set forth under "*Transfers and Transfer Restrictions*" above provided that no transfer shall be registered for a period of 15 days immediately preceding any due date for payment in respect of the Note or, as the case may be, the due date for redemption. Definitive Registered Notes will not be issued in a denomination that is not an integral multiple of the Minimum Denomination or for any amount in excess thereof, in integral multiples of £1,000, €1,000 or $1,000 (as applicable) As the Notes have a denomination consisting of the Minimum Denomination plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the Minimum Denomination

may not receive a Definitive Registered Note in respect of such holding (should Definitive Registered Notes be issued) and would need to purchase a principal amount of Notes such that its holding amounts to the Minimum Denomination.

Action in Respect of the Global Registered Note and the Book-Entry Interests

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

Reports

The Issuer will send to Euroclear, Clearstream, Luxembourg and DTC a copy of any notices, reports and other communications received relating to the Issuer, the Global Registered Note or the Book-Entry Interests. In addition, notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the London Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the Financial Times); provided that if, at any time, the Issuer procures that the information contained in such notice shall appear on a page of the Reuters screen, the Bloomberg screen or any other medium for electronic display of data as may be previously approved in writing by the Trustee, publication in the Financial Times shall not be required with respect to such information so long as the rules of the London Stock Exchange allow. See also Condition 22 (*Notices*) of the Notes.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form in which they will be set out in the Trust Deed (subject to completion and amendment). If the Notes were to be represented by Definitive Registered Notes, the Conditions set out on the reverse of each of such Definitive Registered Notes would be as follows. While the Notes are represented by Global Registered Notes, they will be governed by the same terms and conditions except to the extent that such terms and conditions are appropriate only to securities in definitive form or are expressly varied by the terms of such Global Registered Notes. These terms and conditions are subject to the detailed provisions of the Trust Documents and the other Transaction Documents (as defined below).

1. **General**

The $725,000,000 Class A1c Mortgage Backed Floating Rate Notes due 2048 (the "**Class A1c Notes**"), the £70,000,000 Class A2a Mortgage Backed Floating Rate Notes due 2048 (the "**Class A2a Notes**"), the €220,000,000 Class A2b Mortgage Backed Floating Rate Notes due 2048 (the "**Class A2b Notes**"), the $670,000,000 Class A2c Mortgage Backed Floating Rate Notes due 2048 (the "**Class A2c Notes**" and together with the Class A2a Notes and the Class A2b Notes, the "**Class A2 Notes**"), the £150,000,000 Class A3a Mortgage Backed Floating Rate Notes due 2048 (the "**Class A3a Notes**"), the $500,000,000 Class A3c Mortgage Backed Floating Rate Notes due 2048 (the "**Class A3c Notes**" and together with the Class A3a Notes, the "**Class A3 Notes**"), the $900,000,000 Class A4c1 Mortgage Backed Floating Rate Notes due 2048 (the "**Class A4c1 Notes**"), the $250,000,000 Class A4c2 Mortgage Backed Floating Rate Notes due 2048 (the "**Class A4c2 Notes**"), the $250,000,000 Class A4c3 Mortgage Backed Floating Rate Notes due 2048 (the "**Class A4c3 Notes**"), the $250,000,000 Class A4c4 Mortgage Backed Floating Rate Notes due 2048 (the "**Class A4c4 Notes**"), the $261,000,000 Class A4c5 Mortgage Backed Floating Rate Notes due 2048 (the "**Class A4c5 Notes**" and together with the Class A4c1 Notes, the Class A4c2 Notes, the Class A4c3 Notes and the Class A4c4 Notes, the "**Class A4 Notes**" and together with the Class A1c Notes, the Class A2 Notes and the Class A3 Notes, the "**Class A Notes**"), the £66,900,000 Class M Mortgage Backed Floating Rate Notes due 2048 (the "**Class M Notes**"), the £440,900,000 Class B Mortgage Backed Floating Rate Notes due 2048 (the "**Class B Notes**") and the £176,400,000 Class R Mortgage Backed Floating Rate Notes due 2048 (the "**Class R Notes** and, together with the Class A Notes, the Class M Notes, the Class B Notes, the "**Notes**") will be issued by Arran Residential Mortgages Funding 2011-2 plc (registered number 7596584) (the "**Issuer**") on or about the Closing Date.

1.1 The Issuer has agreed to issue the Notes subject to and with the benefit of the terms of the Trust Deed and the Agency Agreement. The security for the Notes is created pursuant to, and on the terms set out in, the Deed of Charge.

1.2 The Agency Agreement records certain arrangements in relation to the payment of interest and principal in respect of the Notes.

1.3 Certain provisions of these Conditions are summaries of the Trust Documents and the Agency Agreement and are subject to their detailed provisions.

1.4 The Noteholders are bound by the terms of the Trust Documents, and are deemed to have notice of all the provisions of the Transaction Documents.

1.5 Copies of the Trust Deed, the Deed of Charge, the Agency Agreement, the Incorporated Terms Memorandum and the Memorandum and Articles of Association of each of the Issuer and Holdings are available for inspection by Noteholders during normal business hours at the principal office for the time being of the Trustee, being at the date hereof Citigroup Centre, Canada Square, London E14 5LB and at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

2. **Definitions**

2.1 In these Conditions the following defined terms have the meanings set out below:

"**Account Bank** " means RBS acting in such capacity;

"**Account Bank Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Account Bank and the Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Administration Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Administrators, the Substitute Administrator, and the Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Administrators**" means RBS and NWHL and "**Administrator**" means any one of them;

"**Agency Agreement**" means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Agent Bank**" means Citibank, N.A., London Branch in its capacity as agent bank pursuant to the Agency Agreement;

"**Agents**" means the Agent Bank and the Paying Agents and the Registrar (or any successors duly appointed) and "**Agent**" means any one of them;

"**Applicable Currency**" means:

(a) in respect of the Dollar Notes, Dollars;

(b) in respect of Sterling Notes, Sterling; and

(c) in respect of EUR Notes, euro;

"**Associated Debt**" means any indebtedness a Borrower owes or may owe to RBS, from time to time which is not a Loan;

"**Authorised Investments**" means:

(a) Sterling gilt-edged securities; and

(b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper), provided that in all cases either such investments (i) have been given a short term rating of at least F1+ by Fitch (or such other short term rating which is otherwise acceptable to Fitch provided that any confirmation that such other short term rating is acceptable shall be given at the sole discretion of Fitch and may not be provided as a matter of policy), (ii) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date (unless the Interest Period in respect of such Interest Payment Date is greater than 90 days, in which case the maturity date of the Authorised Investments may be greater than 90 days but less than or equal to the number of days in such Interest Period) or (iii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date, and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's and F1+ by Fitch (and AA- by Fitch (long-term) (if the issuing or guaranteeing entity has a long-term rating) (or such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency, provided that any confirmation that such other short term or long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy) and (iv) have a yield equal to or exceeding the interest rate on the GIC Account (provided that this shall only apply if the interest rate on the GIC Account is equal to less than LIBOR for three-month sterling deposits);

"**Authorised Signatory**" means, in relation to any Transaction Party, any person who is duly authorised and in respect of whom a certificate has been provided signed by a director or another

duly authorised person of such Transaction Party setting out the name and signature of such person and confirming such person's authority to act;

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

(a) all Principal Receipts received by the Issuer during the immediately preceding Collection Period;

(b) if established, (subject to (d) below) all amounts standing to the credit of the Liquidity Reserve Fund (as recorded on the Liquidity Reserve Ledger) on the immediately preceding Collection Period End Date;

(c) the amounts (if any) to be credited to the Principal Deficiency Ledger pursuant to items (f), (h), (l) and (n) of the Pre-Acceleration Revenue Priority of Payments on such Interest Payment Date;

less:

(d) the amount of Principal Receipts received by the Issuer during the immediately preceding Collection Period and/or amounts standing to the credit of the Liquidity Reserve Fund, in each case which are to be applied to cover Remaining Income Deficits on such Interest Payment Date; and

(e) the amount of Principal Receipts to the extent comprised in paragraph (a) above used by the Issuer during the immediately preceding Collection Period to purchase Further Advances;

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

(a) Revenue Receipts received during the immediately preceding Collection Period, less amounts applied during such Collection Period in making payment of certain moneys which properly belong to third parties such as (but not limited to):

(i) payments of certain insurance premiums;

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

(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 relevant Seller,

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

(b) interest payable to the Issuer on the Issuer Accounts and income from any Authorised Investments in each case received during the immediately preceding Collection Period;

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

(d) the amounts standing to the credit of the General Reserve Fund when the General Reserve Required Amount is reduced to zero, provided that the Subordinated Loan has been repaid in full; and

(e) other net income of the Issuer received during the immediately preceding Collection Period, excluding (i) any Principal Receipts, (ii) any early termination amount received by the Issuer under any Currency Swap Agreement which is to be applied in acquiring a replacement currency swap, (iii) the return or transfer of any collateral, as set out under any Currency Swap Agreement and (iv) any Replacement Swap Premium received in respect of a replacement currency swap but only to the extent applied to pay any termination payment due and payable by the Issuer to the relevant Swap Provider) and without double-counting the amounts described in paragraphs (a) to (d) above;

"**Basis Swap Agreement**" means the basis swap agreement entered into on or about the Closing Date between Issuer and the Basis Swap Provider (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Basis Swap Provider**" means RBS in its capacity as basis swap provider pursuant to the Basis Swap Agreement;

"**Borrower**" means, in relation to a Loan, the individual or individuals specified as such in the relevant Mortgage Conditions together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it;

"**Breach of Duty**" means in relation to any person, a wilful default, fraud, illegal dealing, negligence or material breach of any agreement or breach of trust by such person;

"**Business Day**" means, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and New York and which is also a day on which the TARGET2 system is operating;

"**Calculation Date**" means in relation to an Interest Payment Date, the fourth London Business Day prior to such Interest Payment Date;

"**Cash Management Agreement**" means the cash management agreement so named entered into on or about the Closing Date between the Cash Manager, the Issuer, the Trustee, the Sellers and the Account Bank (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Cash Manager**" means RBS in its capacity as cash manager pursuant to the Cash Management Agreement;

"**Charged Property**" means all the property of the Issuer which is subject to the Security;

"**Class A Noteholders**" means the persons who for the time being are holders of the Class A Notes;

"**Class A Principal Deficiency Sub Ledger**" means the sub ledger of the Principal Deficiency Ledger relating to the Class A Notes;

"**Class A1c Currency Swap Agreement**" means a currency swap agreement entered into on or about the Closing Date between the Issuer and the Currency Swap Provider to hedge the currency risk on Class A1c Notes (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Class A2 Currency Swap Agreement**" means a currency swap agreement entered into on or about the Closing Date between the Issuer and the Currency Swap Provider to hedge the currency risk on Class A2b Notes and Class A2c Notes (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Class A3c Currency Swap Agreement**" means a currency swap agreement entered into on or about the Closing Date between the Issuer and the Currency Swap Provider to hedge the currency risk on Class A3c Notes (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Class A4 Currency Swap Agreement**" means a currency swap agreement entered into on or about the Closing Date between the Issuer and the Currency Swap Provider to hedge the currency risk on Class A4c1 Notes, Class A4c2 Notes, Class A4c3 Notes, Class A4c4 Notes and Class A4c5 Notes (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Class B Noteholders**" means the persons who for the time being are holders of the Class B Notes;

"**Class B Principal Deficiency Sub Ledger**" means the sub ledger of the Principal Deficiency Ledger relating to the Class B Notes;

"**Class M Noteholders**" means the persons who for the time being are holders of the Class M Notes;

"**Class M Principal Deficiency Sub Ledger**" means the sub ledger of the Principal Deficiency Ledger relating to the Class M Notes;

"**Class R Noteholders**" means the persons who for the time being are holders of the Class R Notes;

"**Class R Principal Deficiency Sub Ledger**" means the sub ledger of the Principal Deficiency Ledger relating to the Class R Notes;

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*;

"**Closing Date**" means 18 October 2011, or such other date as the Issuer and the Joint Lead Managers (acting reasonably on behalf of the Managers) may agree;

"**Collection Period**" means each period from (but excluding) the last day in the calendar month immediately preceding a Calculation Date (or, in the case of the first Collection Period, from (and including) 1 October 2011) to (and including) the last day in the calendar month immediately preceding the immediately following Calculation Date (or, in the case of the first Collection Period, the last day in the calendar month immediately preceding the first Calculation Date);

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

"**Co-Manager**" means Wells Fargo Securities International Limited;

"**Conditions**" means in relation to the Notes, the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 3 of the Trust Deed as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed in relation to the Notes accordingly;

"**Corporate Services Agreement**" means the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, Holdings, the Issuer and the Sellers (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Corporate Services Provider**" means Structured Finance Management Limited in its capacity as corporate services provider pursuant to the Corporate Services Agreement;

"**Credit Support Annex**" means any credit support annex executed in accordance with the provisions of the Swap Agreements;

"**Currency Swap Agreements**" means the Class A1c Currency Swap Agreement, the Class A2 Currency Swap Agreement, the Class A3c Currency Swap Agreement and the Class A4 Currency Swap Agreement and "**Currency Swap Agreement**" means any one of them;

"**Currency Swap Provider**" means RBS in its capacity as currency swap provider;

"**Day Count Fraction**" means, in respect of an Interest Period:

(a) for Dollar Notes, the actual number of days in such period divided by 360 days;

(b) for Sterling Notes, the actual number of days in such period divided by 365 (or 366 days if the relevant calculation is being made in respect of an Interest Period ending in a leap year); or

(c) for EUR Notes, the actual number of days in such period divided by 360;

"**Deed of Charge**" means the deed of charge so named entered into on or about the Closing Date between the Issuer and the Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Delegate Administrator**" means RBS;

"**Delegation Agreement**" means the delegation agreement made between NWHL (in its capacity as an Administrator) and the Delegate Administrator on or about the Closing Date whereby NWHL will delegate the performance of all of its administration obligations under the Administration Agreement to the Delegate Administrator;

"**Dollar**" or "**$**" means the lawful currency of the United States of America;

"**Dollar Notes**" means the Class A1c Notes, the Class A2c Notes, the Class A3c Notes and the Class A4 Notes;

"**Dollar Reference Rate**" means, on any Interest Determination Date, the floating rate determined by the Agent Bank by reference to the Dollar Screen Rate on such date or if, on such date, the Dollar Screen Rate is unavailable:

(a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Dollar deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Agent Bank after request of each of the Reference Banks;

(b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or

(c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Dollar Reserve Reference Rate;

"**Dollar Reserve Reference Rate**" means on any Interest Determination Date:

(a) the Rounded Arithmetic Mean of the rates quoted by major banks in New York City, selected by the Agent Bank in its absolute discretion at approximately 11:00 a.m. (New York time) on the first day of the relevant Interest Period for loans in U.S. dollars to leading European banks for the Relevant Period in the Representative Amount; or

(b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Dollar Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the relevant Interest Determination Date;

"**Dollar Screen Rate**" means, in relation to (i) the first Interest Determination Date, the linear interpolation of the offered quotations for four month dollar deposits and five month dollar deposits, each in the London interbank market displayed on the Screen or (ii) any subsequent Interest Determination Date, the offered quotations for Dollar deposits for the Relevant Period which appears on the Screen as at or about 11:00 a.m. (London time) on that date (rounded upwards if necessary, to five decimal places);

"**Enforcement Notice**" means a notice delivered by the Trustee to the Issuer in accordance with Condition 13 (*Events of Default*) which declares the Notes to be immediately due and payable;

"**English Mortgage**" means (i) a first ranking legal charge secured over freehold or leasehold Properties located in England or Wales or (ii) in the case of the Right to Buy Loans for which the Sellers have not obtained a deed of postponement from the local authority or other social landlord, a second ranking legal charge unless the relevant statutory charge in favour of the local authority or other social landlord has expired (in which case, it will constitute a first ranking charge over the relevant Property);

"**euro**", "**EUR**" or "**€**" means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty;

"**Euroclear**" means Euroclear Bank S.A./N.V., and any successor to such business;

"**EUR Notes**" means the Class A2b Notes;

"**Euro Reference Rate**" means, on any Interest Determination Date the floating rate determined by the Agent Bank by reference to the Euro Screen Rate on such date or if, on such date, the Euro Screen Rate is unavailable:

(a) the Rounded Arithmetic Mean of the offered quotations, as at or about 11:00 a.m. (Brussels time) on that date, of the Reference Banks to major banks in the Euro-zone interbank market for euro deposits for the Relevant Period in the London interbank market in the Representative Amount, determined by the Agent Bank after request of the principal Euro-zone office of each of the Reference Banks; or

(b) if, on such date, two or three only of the Reference Banks provide such quotations the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or

(c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Euro Reserve Reference Rate;

"**Euro Reserve Reference Rate**" means on any Interest Determination Date:

(a) the Rounded 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 first day of the relevant Interest Period for loans in euro to major European banks) for the Relevant Period and in the Representative Amount; or

(b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Euro Reference Rate in effect for the immediately preceding Interest Period;

"**Euro Screen Rate**" means, in relation to (i) the first Interest Determination Date, the linear interpolation of the offered quotations for four month euro deposits and five month euro deposits, each in the European interbank market displayed on the Screen or (ii) any subsequent Interest Determination Date, the rate for euro deposits for the Relevant Period which appears on the Screen as at or about 11:00 a.m. (Brussels time) on that date (rounded upwards if necessary, to five decimal places);

"**Euro-zone**" means the region comprised of member states of the European Union which adopt the euro in accordance with the Treaty;

"**Event of Default**" means any one of the events specified in Condition 13 (*Events of Default*);

"**Excess Swap Collateral**" means, in respect of the any Swap Agreement, an amount (which will be transferred directly to the relevant Swap Provider in accordance with the relevant Swap Agreement) equal to the amount by which the value of the collateral provided by the relevant Swap Provider to the Issuer pursuant to the relevant Swap Agreement exceeds the relevant Swap Provider's liability under the relevant Swap Agreement as at the date of termination of the relevant Swap Agreement or which it is otherwise entitled to have returned to it under the terms of the relevant Swap Agreement;

"**Exchange Date**" means the first date following the expiry of forty days after the Closing Date;

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast;

"**Final Discharge Date**" means the date on which the Trustee notifies the Issuer and the Secured Creditors that it is satisfied that all the Secured Amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full;

"**Final Maturity Date**" means the Interest Payment Date falling on 20 October 2048;

"**First Interest Payment Date**" means 20th January 2012;

"**Fitch**" means Fitch Ratings Ltd;

"**FSMA**" means the Financial Services and Markets Act 2000;

"**Further Advance**" means, in relation to a Loan, any advance of further money after the Closing Date following a request from an existing Borrower following the making of the Loan which is secured by the same Property as the Loan where the Seller has a discretion as to whether to accept that request, but does not include the amount of any retention advanced to the relevant Borrower as part of the Initial Advance after completion of the Mortgage;

"**General Reserve Fund**" means the reserve fund established on the Closing Date which will be initially funded by the Subordinated Loan up to the General Reserve Required Amount and which will subsequently be funded from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments;

"**General Reserve Required Amount**" means an amount equal to (i) £105,800,295 (being an amount equal to 3% of the Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date) or (ii) upon redemption of the Rated Notes in full, zero;

"**GIC Account**" means the account in the name of the Issuer held at the Account Bank, or such additional or replacement bank account at such other Account Bank and/or other banks as may for the time being be in place with the prior consent of the Trustee and designated as such;

"**Higher Lending Charge**" or "**HLC**" means any fee incurred by a borrower for each mortgage account where the aggregate of the outstanding principal balance of the relevant loan(s) at origination (excluding any capitalised Higher Lending Charge or booking fees and/or valuation fees) exceeds certain specified percentages;

"**holder**" means the registered holder of a Note and the words "**holders**" and related expressions shall (where appropriate) be construed accordingly;

"**Holdings**" means Arran Securitisation Holdings Limited (registered number 7001873), a private limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen's, London EC3A 6AP;

"**Incorporated Terms Memorandum**" means the memorandum so named dated on or about the Closing Date and signed for the purpose of identification by each of the Transaction Parties (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Initial Advance**" means, in relation to a Loan, the original principal amount together with the amount of any retention advanced to the relevant Borrower after completion of the Mortgage, and it may include any Higher Lending Charge or other fees (if capitalised);

"**Initial Consideration**" means £3,526,605,291.63 which is the aggregate of each Initial Consideration Share paid by the Issuer to the respective Seller in partial consideration of each Seller's sale to the Issuer of the relevant Loans and their Related Security comprising the Initial Portfolio;

"**Initial Consideration Share**" means in respect of a Seller, an amount equal to the product of the Initial Consideration and a fraction, the numerator of which is the outstanding principal balance of such Seller's Loans included in the Initial Portfolio and the denominator of which is the outstanding principal balance of the Initial Portfolio;

"**Initial Loans**" means the Loans comprising the Initial Portfolio sold by each Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement;

"**Initial Mortgages**" means the mortgages associated with the Initial Loans sold by each Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement;

"**Initial Portfolio**" means the portfolio of the Initial Loans, the Initial Mortgages, the Initial Related Security and all rights, interest and benefit therein, particulars of which are set out in Part 1 of the Appendix to the Mortgage Sale Agreement or in a document stored upon electronic media (including, but not limited to, a CD-ROM;

"**Initial Related Security**" means the Related Security sold by each Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement;

"**Insolvency Act**" means the Insolvency Act 1986;

"**Insolvency Event**" in respect of a company means:

(a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or

(b) the value of the assets of such company is less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or

(c) a moratorium is declared in respect of any indebtedness of such company; or

(d) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or

(e) any corporate action, legal proceedings or other procedure or step is taken in relation to:

  (i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or

  (ii) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company; or

  (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or

  (iv) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or

(f) any procedure or step is taken, or any event occurs, analogous to those set out in (a) - (e) above, in any jurisdiction;

"**Insolvency Official**" means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes) provisional liquidator, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction;

"**Interest Amount**" means in respect of a Note for any Interest Period the amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by:

(a) multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date coinciding with such Interest Determination Date by the relevant Note Rate; and

(b) then multiplying the amount so calculated in paragraph (a) by the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Amount;

"**Interest Determination Date**" means:

(a) in respect of the Dollar Notes, each day which is two Business Days prior to an Interest Payment Date or in the case of the first Interest Period, two Business Days prior to the Closing Date;

(b) in respect of the Sterling Notes (or the Subordinated Loan), each Interest Payment Date or, in the case of the first Interest Period, the Closing Date; and

(c) in respect of the EUR Notes, each day which is two Business Days prior to an Interest Payment Date or in the case of the first Interest Period, two Business Days prior to the Closing Date;

"**Interest Payment Date**" means the 20th day of January, April, July and October in each year commencing on the First Interest Payment Date, provided that if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day;

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

"**Issuer**" means Arran Residential Mortgages Funding 2011-2 plc (registered number 7596584), a public limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen's, London EC3A 6AP;

"**Issuer Accounts**" means the GIC Account and the Transaction Account and "**Issuer Account**" means any of them;

"**Issuer Covenants**" means the covenants of the Issuer set out in Schedule 5 of the Incorporated Terms Memorandum;

"**Issuer Jurisdiction**" means England and Wales (and the United Kingdom, for tax purposes) or such other jurisdiction in which the Issuer or any Issuer substitute (as contemplated by Condition 21 (*Substitution of Issuer*)) is incorporated and/or subject to taxation;

"**Issuer Power of Attorney**" means the power of attorney granted by the Issuer in favour of the Trustee under the Deed of Charge on the Closing Date;

"**Issuer Profit Amount**" means £5,250 on each Interest Payment Date in 2012 and £1,250 on each Interest Payment Date thereafter in each case to be credited to the GIC Account and to be retained by the Issuer as profit in respect of the business of the Issuer;

"**Joint Lead Managers**" means Citibank International plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS and RBS SI;

"**Liabilities**" means, in respect of any person, any losses, damages, costs, charges, awards, claims, demands, expenses, judgments, actions, proceedings or other liabilities whatsoever including properly incurred legal fees and any Taxes and penalties incurred by that person;

"**Liquidity Reserve Fund**" means the liquidity reserve fund funded upon a Liquidity Trigger Event, up to the Liquidity Reserve Required Amount from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments;

"**Liquidity Reserve Required Amount**" means an amount equal to 2 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Notes as at the Closing Date, for so long as a Liquidity Trigger Event has occurred and is continuing;

"**Liquidity Reserve Ledger**" means the ledger in the books of the Issuer so named and maintained by the Cash Manager on behalf of the Issuer;

"**Liquidity Trigger Event**" means:

(a) the long term, unsecured, unsubordinated and unguaranteed debt obligations of RBS cease to be rated at least A3 by Moody's (or such other long term rating which is otherwise acceptable to Moody's); or

(b) RBSG ceases to be the ultimate parent company of either Seller;

"**Loans**" means (i) the owner-occupied residential loans in the Initial Portfolio sold or to be sold (as applicable) to the Issuer by each Seller on the Closing Date pursuant to the Mortgage Sale Agreement and (ii) (upon any conversion of residential loans to buy-to-let residential loans in accordance with the terms of the Transaction Documents) buy-to-let residential loans and (iii) the owner-occupied residential loans which are Substitute Loans sold or to be sold (as applicable) to the Issuer by the relevant Seller on any Substitution Date, pursuant to the Mortgage Sale Agreement including, where the context so requires, each Further Advance sold or to be sold (as applicable) to the Issuer by the relevant Seller after the Closing Date and (iv) any Loan which is the subject of a Product Switch, but excluding (for the avoidance of doubt) (a) each Loan and its Related Security redeemed or repurchased by the relevant 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 and (b) any Associated Debt;

"**London Business Day**" means, a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London;

"**Managers**" means Citibank International plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS, RBS SI and Wells Fargo Securities International Limited;

"**Meeting**" means a meeting of Noteholders of any class or classes (whether originally convened or resumed following an adjournment);

"**Minimum Amount**" means, in respect of the Sterling Notes, one penny, in respect of the EUR Notes, 0.01 euro and in respect of the Dollar Notes one cent.;

"**Minimum Denomination**" means in respect of the Notes represented by the Global Registered Notes and (if issued) the Definitive Registered Notes will be:

(a) in respect to the Dollar Notes, $150,000 and, for so long as DTC so permit, any amount in excess thereof in integral multiples of $1,000;

(b) in respect to the Sterling Notes, £100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of £1,000; and

(c) in respect of the EUR Notes, €100,000 and, for so long as Euroclear and Clearstream, Luxembourg so permit, any amount in excess thereof in integral multiples of €1,000;

"**Moody's**" means Moody's Investors Service Limited and includes any successor to its rating business;

"**Mortgage**" means each English Mortgage and each Scottish Mortgage, and together the "**Mortgages**";

"**Mortgage Conditions**" means the terms and conditions applicable to a Loan and/or Mortgage as contained in the relevant Seller's "Mortgage Conditions" booklet applicable from time to time;

"**Mortgage Sale Agreement**" means the mortgage sale agreement so named dated on or about the Closing Date between the Sellers, the Issuer, the Trustee and the Administrators (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Most Senior Class**" means, the Class A Notes whilst they remain outstanding and thereafter the Class M Notes whilst they remain outstanding and thereafter the Class B Notes whilst they remain outstanding and thereafter the Class R Notes;

"**NatWest**" means National Westminster Bank Plc (registered number 00929027), a public limited company incorporated in England and Wales whose registered office is at 135 Bishopsgate, London EC2M 3UR;

"**Note Principal Payment**" means the principal amount redeemable in respect of each Note of a particular class or sub-class, which shall be a proportion of the amount required as at that Interest Payment Date to be applied in redemption of such class or sub-class of Notes (converted into the relevant currency in the case of the Dollar Notes and the EUR Notes) on such date equal to the proportion that the Principal Amount Outstanding of the relevant Note bears to the aggregate Principal Amount Outstanding of such class or sub-class of Notes rounded down to the nearest Minimum Amount; provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note;

"**Note Rate**" for each Interest Period means in respect of each class or sub-class of Notes, the Reference Rate determined as at the related Interest Determination Date plus the Relevant Margin in respect of such class or sub-class;

"**Noteholder**" means the Class A Noteholders, the Class M Noteholders, the Class B Noteholders and the Class R Noteholders or, where the context otherwise requires, the holders of Notes of a particular class or classes or sub-class or sub-classes, as the case may be;

"**Notices Condition**" means Condition 22 (*Notices*);

"**Notices Details**" means, in relation to any Agent, the provisions set out in Schedule 7 (*Notice Details*) of the Incorporated Terms Memorandum;

"**NWHL Loans**" means the Loans sold by NWHL, in its capacity as Seller, to the Issuer;

"**NWHL**" means National Westminster Home Loans Limited (registered number 1449354) a limited company incorporated in England and Wales, whose registered office is at 135 Bishopsgate, London EC2M 3UR;

"**outstanding**" means, in relation to the Notes, all the Notes other than:

(a) those which have been redeemed in full and cancelled in accordance with the Conditions;

(b) those in respect of which the date for redemption, in accordance with the provisions of the Conditions, has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Trustee or the

Principal Paying Agent in the manner provided for in the Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with the Notices Condition) and remain available for payment in accordance with the Conditions;

(c) those which have been purchased and surrendered for cancellation as provided in Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and notice of the cancellation of which has been given to Trustee;

(d) those which have become void under the Conditions;

(e) those mutilated or defaced Notes which have been surrendered or cancelled and those Notes which are alleged to have been lost, stolen or destroyed and in all cases in respect of which replacement Notes have been issued pursuant to the Conditions; and

(f) any Global Registered Note, to the extent that it shall have been exchanged for the related Definitive Registered Notes pursuant to the provisions contained therein and the Conditions;

provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of Noteholders;

(ii) the determination of how many and which Notes are for the time being outstanding for the purposes of Clause 16 (*Waiver*), Clause 17 (*Modifications*), Clause 20 (*Proceedings and Actions by the Trustee*), Clause 28 (*Appointment of Trustees*) and Clause 29 (*Notice of New Trustee*) of the Trust Deed and Condition 13 (*Events of Default*), Condition 14 (*Enforcement*) and Condition 16 (*Meetings of Noteholders*) and the Provisions for Meetings of Noteholders; and

(iii) any discretion, power or authority, whether contained in the Trust Deed, or any other Transaction Documents or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Sellers, any holding company of any of them or any other subsidiary of either such holding company, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding, except, in the case of the Sellers, any holding company of the Seller or any other subsidiary of such holding company (the "**Relevant Persons**") where all of the Notes of any class are held by or on behalf of or for the benefit of one or more Relevant Persons, in which case such class of Notes (the "**Relevant Class of Notes**") shall be deemed to remain outstanding except that, if there is any other class of Notes ranking *pari passu* with, or junior to, the Relevant Class of Notes and one or more Relevant Persons are not the beneficial owners of all the Notes of such class, then the Relevant Class of Notes shall be deemed not to remain outstanding;

"**Paying Agents**" means the Principal Paying Agent and any other paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement;

"**Portfolio**" means the portfolio of Loans, the Mortgages, the Related Security and all moneys derived therefrom sold to the Issuer by each Seller on the Closing Date and thereafter in accordance with the terms of the Mortgage Sale Agreement (including pursuant to a substitution);

"**Post-Acceleration Priority of Payments**" means the provisions relating to the order of priority of payments from the Issuer Accounts, set out in Clause 15 (*Post-Acceleration Priority of Payments*) of the Deed of Charge;

"**Potential Event of Default**" means any event which may become (with the passage of time, the giving of notice, the making of any determination or any combination thereof) an Event of Default;

"**Pre-Acceleration Principal Priority of Payments**" means the provision relating to the order of priority of payments from the Principal Ledger set out in Schedule 2 of the Cash Management Agreement;

"**Pre-Acceleration Revenue Priority of Payments**" means the provisions relating to the order of priority of payments from the Revenue Ledger set out in Schedule 2 of the Cash Management Agreement;

"**Principal Amount Outstanding**" means, on any day:

(a) in relation to a Note, the principal amount outstanding of that Note as at the Closing Date, less the aggregate of any principal payments in respect of that Note which have become due and payable (and been paid) on or prior to that day; and

(b) in relation to a class or sub-class, the aggregate of the amount in (a) in respect of all Notes outstanding in such class or sub-class; and

(c) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of class;

"**Principal Deficiency Ledger**" means the Principal Deficiency Ledger comprising the Class A Principal Deficiency Sub Ledger, the Class M Principal Deficiency Sub Ledger, the Class B Principal Deficiency Sub Ledger and the Class R Principal Deficiency Sub Ledger maintained by the Cash Manager on behalf of the Issuer which records on it all deficiencies arising from Losses allocated to the Notes, any drawings from the Liquidity Reserve Fund and Principal Receipts used to pay a Remaining Income Deficit;

"**Principal Ledger**" means the ledger maintained by the Cash Manager on behalf of the Issuer 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);

"**Principal Paying Agent**" means Citibank N.A., London Branch in its capacity as principal paying agent in accordance with the terms of the Agency Agreement;

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

(a) principal repayments, including scheduled payments and prepayments, under the Loans (including capitalised interest, capitalised expenses and capitalised arrears but excluding accrued interest and arrears of interest);

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

(c) 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

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

"**Priority of Payments**" means the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments and the Post-Acceleration Priority of Payments;

"**Product Switch**" means a change or variation in the financial terms and conditions applicable to a Borrower's Loan other than:

(a) an addition or a release of a party to the Loan;

(b) any variation agreed with a Borrower to control or manage arrears on the Loan;

(c) any variation which extends the maturity date of the Loan up to 20 October 2046;

(d) any variation imposed by statute; and

(e) any variation of a Loan from repayment loan to an interest only loan or vice *versa*.

"**Property**" means a freehold, heritable or leasehold property (or in Scotland property held under a long lease) which is subject to a Mortgage;

"**Provisions for Meetings of Noteholders**" means the provisions contained in Schedule 4 of the Trust Deed;

"**Rating Agencies**" means Moody's and Fitch and "**Rating Agency**" means any of them;

"**RBS**" means The Royal Bank of Scotland plc (registered number SC090312), a public limited company incorporated under the laws of Scotland whose registered office is at 36 St Andrew Square, Edinburgh, EH2 2YB;

"**RBSG**" means The Royal Bank of Scotland Group plc (registered number SC45551), a public limited company incorporated under the laws of Scotland, whose registered office is at 36 St Andrew Square, Edinburgh EH2 2YB;

"**RBS SI**" means RBS Securities Inc.;

"**Receiver**" means any receiver, manager, receiver or manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 17.2 (*Appointment of Receiver*) of the Deed of Charge;

"**Reference Banks**" means:

(a) in respect of the Sterling Notes and Dollar Notes, the principal London office of four major banks in the London interbank market; and

(b) in respect of the EUR Notes, the principal Euro-zone office of four major banks in the Euro-zone interbank

in each case, selected by the Agent Bank at the relevant time;

"**Reference Rate**" means:

(a) In respect of the Dollar Notes, the Dollar Reference Rate;

(b) in respect of the Sterling Notes, the Sterling Reference Rate; and

(c) in respect of the EUR Notes, the Euro Reference Rate;

"**Register**" means the register on which the names and addresses of the holders of the Notes and the particulars of the Notes shall be entered and kept by the Issuer at the Specified Office of the Registrar;

"**Registrar**" means the party responsible for the registration of the Notes, which at the Closing Date is Citibank, N.A., London Branch acting in such capacity pursuant to the Agency Agreement;

"**Related Security**" means, in relation to a Loan, the security for the repayment of that Loan including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement including (without limitation):

(a) the benefit of all affidavits, consents, renunciations, guarantees, indemnities, waivers and postponements (including, without limitation, deeds of consent and deeds of postponement relating to the relevant Property) from occupiers and other persons having an interest in or rights in connection with the relevant Property;

(b) each right of action of the relevant Seller against any person (including, without limitation, any solicitor, licensed conveyancer, qualified conveyancer, valuer, registrar or registry or other person) in connection with any report, valuation, opinion, certificate or other statement of fact or opinion (including, without limitation, each certificate of title and valuation report) given or received in connection with all or part of any Loan and its Related Security or affecting the decision of the relevant Seller to make or offer to make all or part of the relevant Loan; and

(c) the benefit of (including, without limitation, the rights as the insured person under and as notations of interest on, and returns of premium and proceeds of claims under) insurance and assurance policies (including, the relevant insurance policies) deposited, charged, obtained, or held in connection with the relevant Loan, Mortgage and/or Property and relevant loan files;

"**Relevant Exchange Rate**" means:

(a) for the Class A1c Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination);

(b) for the Class A2b Notes, 1.1500 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination);

(c) for the Class A2c Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination);

(d) for the Class A3c Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination);

(e) for the Class A4c1 Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination);

(f) for the Class A4c2 Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination);

(g) for the Class A4c3 Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination)

(h) for the Class A4c4 Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination); and

(i) for the Class A4c5 Notes, 1.5655 as at the Closing Date as specified in the relevant Currency Swap Agreement (notwithstanding its termination);

"**Relevant Margin**" means:

(a) for the Class A1c Notes, 1.35 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 2.7 per cent. per annum;

(b) for the Class A2a Notes, 1.60 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.20 per cent. per annum;

(c) for the Class A2b Notes, 1.55 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.10 per cent. per annum;

(d) for the Class A2c Notes, 1.60 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.20 per cent. per annum;

(e) for the Class A3a Notes, 1.75 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.50 per cent. per annum;

(f) for the Class A3c Notes, 1.75 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.50 per cent. per annum;

(g) for the Class A4c1 Notes, 1.80 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.60 per cent. per annum;

(h) for the Class A4c2 Notes, 1.825 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.65 per cent. per annum;

(i) for the Class A4c3 Notes, 1.85 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.7 per cent. per annum

(j) for the Class A4c4 Notes, 1.775 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.55 per cent. per annum;

(k) for the Class A4c5 Notes, 1.75 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 3.5 per cent. per annum;

(l) for the Class M Notes, 2.40 per cent. per annum up to and excluding the relevant Step-Up Date and thereafter 4.80 per cent. per annum;

(m) for the Class B Notes, 1.00 per cent. per annum; and

(n) for the Class R Notes, 1.00 per cent. per annum;

"**Relevant Period**" means, in relation to an Interest Determination Date, the length in months of the related Interest Period;

"**Relevant Screen**" means a page of the Reuters service or of the Bloomberg service, or of any other medium for the electronic display of data as may be previously approved in writing by the Trustee and as has been notified to the Noteholders in accordance with the Notices Condition;

"**Remaining Income Deficit**" means for each Calculation Date, the extent, if any, by which Available Revenue Receipts are insufficient to pay or provide for payment of items (a) to (e) and (g) of the Pre-Acceleration Revenue Priority of Payments after application by the Cash Manager (on behalf of the Issuer) of amounts standing to the credit of the General Reserve Fund;

"**Representative Amount**" means an amount that is representative for a single transaction in the relevant market at the relevant time;

"**Reserved Matter**" means any proposal:

(a) to change any date fixed for payment of principal or interest in respect of the Notes of any class, to reduce the amount of principal or interest due on any date in respect of the Notes of any class or to alter the method of calculating the amount of any payment in respect of the Notes of any class;

(b) (except in accordance with Condition 21 (*Substitution of Issuer*) and Clause 18 (*Substitution*) of the Trust Deed) to effect the exchange, conversion or substitution of the Notes of any class for, or the conversion of such Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(c) to change the currency in which amounts due in respect of the Notes are payable;

(d) to alter the priority of payment of interest or principal in respect of the Notes;

(e) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or

(f) to amend this definition;

"**Revenue Ledger**" means the ledger maintained by the Cash Manager on behalf of the Issuer 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);

"**Revenue Receipts**" means (a) 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, (b) recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) from defaulting Borrowers under Loans being enforced, (c) recoveries of interest and outstanding fees (excluding capitalised interest, capitalised expenses and capitalised arrears, if any) and/or principal from defaulting Borrowers under Loans in respect of which enforcement procedures have been completed, (d) the proceeds of the repurchase of any Loan by the relevant 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, (e) any early repayment charges which have been paid by the Borrower in respect of the Loans;

"**Right to Buy Loan**" means a Loan entered into by the relevant Borrower as a means to purchase, refinance or improve a residential property from a local authority or other social landlord under the "Right to Buy schemes" governed by the Housing Act 1985 and the Housing Act 1996 (each as amended and updated from time to time) (in the case of English Mortgages) and the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001 and as amended and updated from time to time) (in the case of Scottish Mortgages);

"**Rounded Arithmetic Mean**" means the arithmetic mean (rounded, if necessary, to the nearest 0.0001 per cent., 0.00005 per cent. being rounded upwards);

"**Scottish Loan**" means a Loan secured by a Scottish Mortgage;

"**Scottish Mortgage**" means either (i) a first priority standard security over a heritable Property or Property held under a long lease located in Scotland; or (ii) in the case of the Right to Buy Loans for which the Sellers have not obtained a deed of postponement from the local authority or other social landlord, a second priority standard security unless the relevant statutory charge in favour of the local authority or other social landlord has expired (in which case, it will constitute a first priority standard security over the relevant Property);

"**Screen**" means, in relation to Dollar and Sterling, Reuters Screen LIBOR01 and, in relation to euro, Reuters Screen EURIBOR01; or

(a) such other page as may replace Reuters Screen LIBOR01 or, as the case may be, Reuters Screen EURIBOR01 on that service for the purpose of displaying such information; or

(b) if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Trustee) as may replace such screen;

"**Secured Amounts**" means the aggregate of all moneys and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Notes or the Transaction Documents;

"**Secured Creditors**" means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in Clause 15.1 (*Post-Acceleration Priority of Payments*) of the Deed of Charge and all such persons;

"**Security**" means the security granted by the Issuer to the Trustee under and pursuant to the Deed of Charge in favour of the Secured Creditors;

"**Seller Collection Account Bank**" means (in the case of NWHL) NatWest or (in the case of RBS) RBS acting in its capacity as the bank at which the relevant Seller Collection Accounts are maintained and "**Seller Collection Account Banks**" shall be construed accordingly;

"**Seller Collection Accounts Declaration of Trust**" means the relevant deed entered into on or about the Closing Date, between (*inter alios*) the Issuer, the relevant Seller and the relevant Seller Collection Account Bank whereby the relevant Seller declared a trust over the relevant

Seller Collection Accounts (including all amounts standing to the credit of those Seller Collection Accounts) in favour of the Issuer and itself;

"**Seller Collection Accounts**" means an account in the name of each Seller held with the relevant Seller Collection Account Bank;

"**Sellers**" means RBS and NWHL acting in their capacity as sellers of the Loans and their Related Security to the Issuer pursuant to the Mortgage Sale Agreement and each a "**Seller**";

"**Sellers Security Powers of Attorney**" means the power of attorney in substantially the same form as that set out in Schedule 8 of the Mortgage Sale Agreement;

"**Share Trustee**" means SFM Corporate Services Limited (registered number 3920255), a company incorporated under the laws of England and Wales, whose principal office is at 35 Great St. Helen's, London EC3A 6AP;

"**Specified Office**" means, in relation to any Agent:

(a) the office specified against its name in the Notices Details; or

(b) such other office as such Agent may specify in accordance with Clause 13.8 (*Changes in Specified Offices*) of the Agency Agreement;

"**SPV Criteria**" means the criteria established from time to time by the Rating Agencies for a single purpose company in the Issuer Jurisdiction;

"**Step-Up Date**" means the Interest Payment Date falling in January 2017;

"**Sterling**" and "**£**" denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland;

"**Sterling Equivalent Principal Amount Outstanding**" means:

(a) in relation to a Note or class (or sub-class) of Notes which is denominated in a currency other than Sterling, the sterling equivalent of the Principal Amount Outstanding of such Note or class (or sub-class) of Notes ascertained using the Relevant Exchange Rate relating to such Notes, and

(b) in relation to any other Note or class (or sub-class) of Notes, the Principal Amount Outstanding of such Note or class of (or sub-class) Notes;

"Sterling Notes" means the Class A2a Notes, the Class A3a Notes, the Class M Notes, the Class B Notes and the Class R Notes;

"**Sterling Reference Rate**" means, on any Interest Determination Date, the floating rate determined by the Agent Bank by reference to the Sterling Screen Rate on such date or if, on such date, the Sterling Screen Rate is unavailable:

(a) the Rounded Arithmetic Mean of the offered quotations as at or about 11:00 a.m. (London time) on that date of the Reference Banks to major banks for Sterling deposits for the Relevant Period in the London interbank market in the Representative Amount determined by the Agent Bank after request of each of the Reference Banks;

(b) if, on such date, two or three only of the Reference Banks provide such quotations, the rate determined in accordance with paragraph (a) above on the basis of the quotations of those Reference Banks providing such quotations; or

(c) if, on such date, one only or none of the Reference Banks provide such a quotation, the Sterling Reserve Reference Rate;

"**Sterling Reserve Reference Rate**" means on any Interest Determination Date:

(a) the Rounded Arithmetic Mean of the rates at which deposits in Sterling are offered in the London interbank market at approximately 11:00 a.m. (London time) on the Interest Determination Date by the principal London office of each of four major banks selected by the Agent Bank in its absolute discretion for Sterling loans for the Relevant Period in the Representative Amount to major European banks; or

(b) if the Agent Bank certifies that it cannot determine such Rounded Arithmetic Mean as aforesaid, the Sterling Reference Rate in effect for the Interest Period ending on the Business Day immediately preceding the relevant Interest Determination Date;

"**Sterling Screen Rate**" means, in relation to (i) the first Interest Determination Date, the linear interpolation of the offered quotations for four month sterling deposits and five month sterling deposits, each in the London interbank market displayed on the Screen or (ii) any subsequent Interest Determination Date, the offered quotations for Sterling deposits for the Relevant Period which appears on the Screen as at or about 11:00 a.m. (London time) on that date (rounded upwards if necessary, to five decimal places);

"**Stock Exchange**" means the London Stock Exchange Limited;

"**Subordinated Loan**" means the subordinated loan that the Subordinated Loan Provider made available to the Issuer pursuant to the Subordinated Loan Agreement;

"**Subordinated Loan Agreement**" means the start-up loan agreement so named dated on or about the Closing Date between the Issuer, the Subordinated Loan Provider and the Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Subordinated Loan Provider**" means RBS in its capacity as subordinated loan provider pursuant to the Subordinated Loan Agreement;

"**Substitute Administrator**" means RBS, or some other person as may from time to time be appointed as Substitute Administrator, in the event that the appointment of NWHL as an Administrator is terminated due to the occurrence of an Insolvency Event in relation to NWHL;

"**Substitute Loan**" means a Loan and its Related Security which has been assigned to the Issuer as consideration for the repurchase of a Loan which was found to be in breach of any representation or warranty in accordance with the terms of the Mortgage Sale Agreement;

"**Substitution Date**" means the date upon which a Substitute Loan is assigned to the Issuer;

"**Substituted Obligor**" means a single purpose company incorporated in any jurisdiction that meets the SPV Criteria;

"**Swap Collateral**" means any cash or securities transferred by any Swap Provider to the Issuer on any date pursuant to the terms of the Credit Support Annex to the applicable Swap Agreement;

"**Swap Agreements**" means the Currency Swap Agreements and the Basis Swap Agreement and "**Swap Agreement**" means any of them;

"**Swap Providers**" means Basis Swap Provider and the Currency Swap Provider and "**Swap Provider**" means any of them;

"**TARGET2**" means the Trans European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single platform and which was launched on 19 November 2007;

"**Tax**" shall be construed so as to include any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same, but excluding taxes

on net income) imposed or levied by or on behalf of any Tax Authority in the Issuer Jurisdiction and "**Taxes**", "**taxation**", "**taxable**" and comparable expressions shall be construed accordingly;

"**Tax Authority**" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including, without limitation, Her Majesty's Revenue and Customs);

"**Tax Deduction**" means any deduction or withholding on account of Tax;

"**Transaction Account**" means the account in the name of the Issuer held with the Account Bank, or such additional or replacement account bank at such other account bank and/or banks as may for the time being be in place in accordance with the Transaction Documents and designated as such;

"**Transaction Documents**" means the Account Bank Agreement, the Administration Agreement, the Agency Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Delegation Agreement, the Basis Swap Agreement, the Currency Swap Agreements, the Issuer Power of Attorney, the Incorporated Terms Memorandum, the Mortgage Sale Agreement, the Seller Collection Accounts Declarations of Trust, the Sellers Security Powers of Attorney, the Subordinated Loan Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes;

"**Transaction Party**" means any person who is a party to a Transaction Document and "**Transaction Parties**" means some or all of them;

"**Treaty**" means the Treaty establishing the European Community, as amended;

"**Trust Deed**" means the deed so named dated on or about the Closing Date between the Issuer and the Trustee and any document expressed to be supplemented to the Trust Deed (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time);

"**Trust Documents**" means the Trust Deed and the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable);

"**Trustee**" means Citicorp Trustee Company Limited in its capacity as trustee under the Trust Deed and the Deed of Charge; and

"**Written Resolution**" means a resolution in writing signed by or on behalf of all holders of Notes of the relevant class for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the 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.

2.2 ***Interpretation***: Any reference in the Conditions to:

"**continuing**", in respect of an Event of Default, shall be construed as a reference to an Event of Default which has not been waived in accordance with the terms of the Conditions or, as the case may be, the relevant Transaction Document;

a "**class**" shall be a reference to a class of the Notes being the Class A Notes, the Class M Notes, the Class B Notes or the Class R Notes and "**classes**" shall be construed accordingly and "**sub-class**" shall be a reference to any sub-class of such class of Notes (including, for the avoidance of doubt, the Class A1c Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes which are a sub-class of the Class A Notes);

"**including**" shall be construed as a reference to "**including without limitation**", so that any list of items or matters appearing after the word "**including**" shall be deemed not to be an exhaustive list, but shall be deemed rather to be a representative list, of those items or matters forming a part of the category described prior to the word "**including**";

"**indebtedness**" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

a "**law**" shall be construed as any law (including common or customary law), statute, constitution, decree, judgement, treaty, regulation, directive, bye-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court;

a "**person**" shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) of two or more of the foregoing;

"**principal**" shall, where applicable, include premium;

"**redeem**" and "**pay**" shall each include both of the others and "**redeemed**", "**redeemable**" and "**redemption**" and "**paid**", "**payable**" and "**payment**" shall be construed accordingly;

a reference to any person defined as a "**Transaction Party**" in the Conditions shall be construed so as to include its and any subsequent successors and permitted transferees in accordance with their respective interests; and

a "**successor**" of any party shall be construed so as to include an assignee or successor in title of such party and any person who under the laws of the jurisdiction of incorporation or domicile of such party has assumed the rights and obligations of such party under any Transaction Document or to which, under such laws, such rights and obligations have been transferred.

2.3 ***Transaction Documents and other agreements***: Any reference to any document defined as a Transaction Document or any other agreement or document shall be construed as a reference to such Transaction Document or, as the case may be, such other agreement or document as the same may have been, or may from time to time be, amended, amended and restated, varied, novated, supplemented or replaced.

2.4 ***Statutes and Treaties***: Any reference to a statute or treaty shall be construed as a reference to such statute or treaty as the same may have been, or may from time to time be, amended or, in the case of a statute, re-enacted.

2.5 ***Schedules***: Any Schedule of, or Appendix to a Transaction Document forms part of such Transaction Document and shall have the same force and effect as if the provisions of such Schedule or Appendix were set out in the body of such Transaction Document. Any reference to a Transaction Document shall include any such Schedule or Appendix.

2.6 ***Headings***: Condition headings are for ease of reference only.

2.7 ***Sections***: Except as otherwise specified in the Condition, reference in the Conditions to:

(a) a "**Section**" shall be construed as a reference to a Section of such Transaction Document;

(b) a "**Part**" shall be construed as a reference to a Part of such Transaction Document;

(c) a "**Schedule**" shall be construed as a reference to a Schedule of such Transaction Document;

(d) a "**Clause**" shall be construed as a reference to a Clause of a Part or Section (as applicable) of such Transaction Document; and

(e) a "**Paragraph**" shall be construed as a reference to a Paragraph of a Schedule of such Transaction Document.

2.8 **Number**

In any Transaction Document, save where the context otherwise requires, words importing the singular number include the plural and vice versa.

3. **Form and Denomination**

3.1 The Notes are in fully registered form in the Minimum Denomination for such Notes, without principal receipts, interest coupons or talons attached.

3.2 The Principal Amount Outstanding of the Notes of each class or sub-class initially offered and sold outside the United States to non U.S. persons pursuant to Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**") is represented by one or more global registered notes in fully registered form (the "**Reg S Global Registered Notes**") without coupons attached. The Principal Amount Outstanding of the Rule 144A Notes initially offered and sold within the United States to persons who are "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act ("**Rule 144A**"), in transactions made in accordance with Rule 144A, is represented by one or more global registered notes in fully registered form without coupons attached (the "**Rule 144A Global Registered Notes**" and together with the Reg S Global Registered Notes, the "**Global Registered Notes**"). References herein to the "**Notes**" shall include (i) in relation to any Notes of a class or sub-class represented by a Global Registered Note or Global Registered Notes, units of the Minimum Denomination of such class or sub-class, (ii) any Global Registered Note and (iii) any Definitive Registered Note issued in exchange for a Global Registered Note.

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

3.4 For so long as the Notes are represented by a Global Registered Note and DTC, Euroclear and Clearstream, Luxembourg so permit, the Notes shall be tradeable only in minimal amounts of £100,000 and integral multiples of £1,000 thereafter (in the case of the Sterling Notes), minimal nominal amounts of €100,000 and integral multiples of €1,000 thereafter (in the case of EUR Notes) and minimal nominal amounts of $150,000 and integral multiples of $1,000 thereafter (in the case of Dollar Notes).

3.5 Definitive registered Notes in an aggregate principal amount equal to the Principal Amount Outstanding of the Reg S Global Registered Notes (the "**Definitive Registered Regulation S Notes**") and the Rule 144A Global Registered Notes (the "**Definitive Registered Rule 144A Notes**" and together with the Definitive Registered Regulation S Notes, the "**Definitive Registered Notes**") will be issued in registered form and serially numbered in the circumstances referred to below. Definitive Registered Notes, if issued, will be issued in the denomination of £100,000 for the Sterling Notes, $150,000 for the Dollar Notes and €100,000 for the EUR Notes and any amount in excess thereof in integral multiples of £1,000, $1,000 or €1,000 (as applicable).

3.6 If, while any Notes are represented by a Global Registered Note:

(a) in the case of a Global Registered Note held on behalf of DTC, at any time DTC notifies the Issuer that it is unable or unwilling to discharge properly its responsibilities as depository with respect to the Global Registered Notes or DTC ceases to be a clearing agency registered under the United States Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC;

(b) in the case of a Global Registered Note held in Euroclear or Clearstream, Luxembourg, Euroclear or Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do so cease business and no alternative clearing system satisfactory to the Trustee is available; or

(c) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or any political subdivision thereof) or of any authority therein or thereof

having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form and a certificate to such effect signed by an authorised director of the Issuer is delivered to the Trustee,

the Issuer will issue Definitive Registered Notes to Noteholders whose accounts with the relevant clearing systems are credited with interests in that Global Registered Note in exchange for those interests within 30 days of the relevant event but not earlier than the Exchange Date. The Global Registered Note will not be exchangeable for Definitive Registered Notes in any other circumstances.

4. **Title**

4.1 The person registered in the Register as the holder of any Note will (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon or, if more than one person, the first named of such persons who will be treated as the absolute owner of such Note.

4.2 The Issuer shall cause to be kept at the Specified Office of the Registrar, the Register on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers and redemptions of the Notes.

4.3 No transfer of a Note will be valid unless and until entered on the Register.

4.4 Transfers and exchanges of beneficial interests in the Global Registered Note and any Definitive Registered Notes and entries on the Register relating thereto will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the legend appearing on the face of the Notes. In no event will the transfer of a beneficial interest in a Global Registered Note or the transfer of a Definitive Registered Note be made absent compliance with the regulations referred to above, and any purported transfer in violation of such regulations shall be void *ab initio* and will not be honoured by the Issuer or the Trustee. The regulations referred to above may be changed by the Issuer with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be sent by the Principal Paying Agent in the U.K. or the Registrar to any holder of a Note who so requests and will be available upon request at the Specified Office of the Registrar or the Principal Paying Agent.

4.5 A Definitive Registered Note may be transferred in whole or in part upon the surrender of the relevant Definitive Registered Note, together with the form of transfer endorsed on it duly completed and executed, at the Specified Office of the Registrar or the Principal Paying Agent. In the case of a transfer of part only of a Definitive Registered Note, a new Definitive Registered Note, in respect of the balance remaining will be issued to the transferor by or by order of the Registrar.

4.6 Each new Definitive Registered Note, to be issued upon transfer of Definitive Registered Notes will, within five Business Days of receipt of such request for transfer, be available for delivery at the Specified Office of the Registrar or the Principal Paying Agent stipulated in the request for transfer, or be mailed at the risk of the holder entitled to the Definitive Registered Note, to such address as may be specified in such request.

4.7 Registration of Definitive Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

4.8 No holder of a Definitive Registered Note may require the transfer of such Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on such Note.

5. **Status and Ranking**

5.1 ***Status***: The Notes of each class constitute direct, secured and unconditional obligations of the Issuer.

5.2 ***Ranking***: The Class A1c Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class A2 Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class A3 Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class A4 Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class M Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class B Notes will at all times rank without preference or priority *pari passu* amongst themselves. The Class R Notes will at all times rank without preference or priority *pari passu* amongst themselves.

5.3 ***Sole Obligations***: The Notes are obligations solely of the Issuer and are not obligations of, or guaranteed by, the Arranger, the Joint Lead Managers, the Co-Manager or any of the other Transaction Parties.

5.4 ***Priority of Interest Payments***: Payments of interest on the Class A Notes will at all times rank in priority to payments of interest on the Class M Notes, the Class B Notes and the Class R Notes, payments of interest on the Class M Notes will at all times rank in priority to payments of interest on the Class B Notes and the Class R Notes and payments of interest on the Class B Notes will at all times rank in priority to payments of interest on the Class R Notes, in each case in accordance with the Pre-Acceleration Revenue Priority of Payments. Payments of interest on the Class A1c Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes will rank *pari passu* and *pro rata*.

5.5 ***Priority of Principal Payments***: Payments of principal on the Class A Notes will rank in priority to payments of principal on the Class M Notes, the Class B Notes and the Class R Notes, payments of principal on the Class M Notes will at all times rank in priority to payments of principal on the Class B Notes and the Class R Notes, payments of principal on the Class B Notes will at all times rank in priority to payments of principal on the Class R Notes.

5.6 Payments of principal on the Class A1c Notes will rank in priority to payments of principal on the Class A2 Notes, the Class A3 Notes and the Class A4 Notes and payments of principal on the Class A2 Notes will rank in priority to payments of principal on the Class A3 Notes and the Class A4 Notes and the Class A3 Notes will rank in priority to payments of principal on the Class A4 Notes in accordance with the Pre-Acceleration Principal Priority of Payments unless an Enforcement Notice has been served on the Issuer by the Trustee, in which case, payments of principal on the Class A1c Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes will rank *pari passu* and *pro rata* in accordance with the Post-Acceleration Priority of Payments.

5.7 ***Priority of Payments***: Prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Revenue Receipts and Available Principal Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments and Pre-Acceleration Principal Priority of Payments (as applicable) and thereafter, in accordance with the Post-Acceleration Priority of Payments.

6. **Security**

6.1 ***Security***: The Notes are secured by the Security.

6.2 ***Enforceability***: The Security will become enforceable upon the delivery by the Trustee of an Enforcement Notice in accordance with Condition 13 (*Events of Default*) and subject to the matters referred to in Condition 14 (*Enforcement*).

7. **Issuer Covenants**

The Issuer makes the Issuer Covenants in favour of the Trustee which, amongst other things, restrict the ability of the Issuer to create or incur any indebtedness (save as permitted in the Trust Deed), dispose of assets or change the nature of its business, without the prior written consent of the Trustee. So long as any Note remains outstanding, the Issuer shall comply with the Issuer Covenants.

8. **Interest**

8.1 ***Accrual of Interest***: Each Note bears interest on its Principal Amount Outstanding, from (and including) the Closing Date.

8.2 ***Cessation of Interest***: Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from its due date for redemption unless, upon due presentation, payment of the principal is improperly withheld or refused or default is otherwise made in respect of the payment, in which case, it will continue to bear interest in accordance with this Condition (both before and after judgment) until whichever is the earlier of:

(a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and

(b) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Noteholders of such class (in accordance with Condition 22 (*Notices*)) that the full amount payable is available for collection by the Noteholder, provided that on due presentation payment is in fact made.

8.3 ***Interest Payments***: Interest on each Note is payable in the Applicable Currency in arrear on each Interest Payment Date commencing on the First Interest Payment Date, in an amount equal to the Interest Amount in respect of such Note for the Interest Period ending on the day immediately preceding such Interest Payment Date.

8.4 ***Calculation of Interest Amount***: Upon or as soon as practicable after each Interest Determination Date, the Issuer shall calculate (or shall cause the Agent Bank to calculate) the Interest Amount payable on each Note for the related Interest Period.

8.5 ***Determination of Note Rate, Interest Amount and Interest Payment Date***: The Agent Bank will, on each Interest Determination Date, determine:

(a) the Note Rate for each class (or sub-class) for the related Interest Period;

(b) the Interest Amount for each class (or sub-class) for the related Interest Period; and

(c) the Interest Payment Date next following the related Interest Period;

and notify the Issuer, the Administrators, the Cash Manager, the Trustee, the Registrar, the Swap Providers and the Paying Agents and for so long as the Notes are listed on the Stock Exchange, the Stock Exchange.

8.6 ***Publication of Note Rate, Interest Amount and Interest Payment Date***: As soon as practicable after receiving each notification of the Note Rate, the Interest Amount and the Interest Payment Date in accordance with Condition 8.5 (*Determination of Note Rate, Interest Amount and Interest Payment Date*) and in any event no later than the second Business Day thereafter, the Issuer will cause such Note Rate and Interest Amount for each class (or sub-class) and the next following Interest Payment Date to be published in accordance with the Notices Condition.

8.7 ***Amendments to Publications***: The Note Rate, Interest Amount for each class (or sub-class) and the Interest Payment Date so published 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 relevant Interest Period.

8.8 ***Determination or Calculation by Trustee***: If the Agent Bank does not at any time for any reason determine the Note Rate or the Interest Amount for each class (or sub-class) in accordance with this Condition 8 (*Interest*), the Trustee may (but without, save in the case of any fraud or negligence by the Trustee, any liability accruing to the Trustee as a result):

(a) determine the Note Rate for each class (or sub-class) at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in this Condition), it shall deem fair and reasonable in all the circumstances; and/or

(b) calculate the Interest Amount for each class (or sub-class) in the manner specified in this Condition,

and any such determination and/or calculation shall be deemed to have been made by the Agent Bank. In each case the Trustee may, at the expense of the Issuer, employ an expert to make the determination and any such determination shall be deemed to have been made by the Agent Bank.

8.9 ***Notifications to be final***: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 (*Interest*), whether by the Reference Banks (or any of them), the Paying Agents, the Registrar, the Agent Bank or the Trustee shall (in the absence of any Breach of Duty, or manifest error) be binding on the Issuer and all Noteholders and (in the absence of any Breach of Duty or manifest error) no liability to the Trustee or the Noteholders shall attach to the Reference Banks, the Agents, the Registrar or the Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions under this Condition 8 (*Interest*).

8.10 ***Reference Banks and Agent Bank***: The Issuer shall ensure that, so long as any of the Notes remains outstanding there shall at all times be four Reference Banks, an Agent Bank, a Paying Agent and a principal paying agent. In the event of any of the Reference Banks being unable or unwilling to continue to act as a Reference Bank or an Agent being unable or unwilling to continue to act as an Agent, the Issuer shall appoint such other bank as may be previously approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign until a successor approved in writing by the Trustee is appointed by the Issuer. Notice of any change in any of the Reference Banks or Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with the Notices Condition.

8.11 ***Interest Accrual:***

(a) To the extent that funds available to the Issuer to pay interest on the Notes of any class (other than the Class A Notes) on an Interest Payment Date are insufficient to pay the full amount of such interest, payment of the shortfall in respect of such class of Notes ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Interest Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds.

(b) Such Deferred Interest will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to such Notes and such portion of interest (as determined by this Condition 8 (*Interest*)) and payment of any Additional Interest will also be deferred until the first Interest Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest to the extent of such available funds.

(c) Payment of any amounts of Deferred Interest and Additional Interest shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

9. **Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation**

9.1 ***Final Redemption***: Unless previously redeemed or purchased and cancelled as provided in this Condition 9 (*Final Redemption, Mandatory Redemption in part, Optional Redemption and Cancellation*), the Issuer shall redeem the Notes in each class at their Principal Amount Outstanding together with any accrued interest on the Final Maturity Date.

9.2 ***Mandatory Redemption in part***: On each Interest Payment Date prior to the delivery of an Enforcement Notice, the Issuer is required to apply Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments, which shall include the redemption of the Notes to the extent that there are such amounts available to do so in accordance with the Pre-Acceleration Principal Priority of Payments.

9.3 ***Optional Redemption in whole***: The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding on any Interest Payment Date:

(a) when, on the related Calculation Date, the aggregate of the Sterling Equivalent Principal Amount Outstanding of the outstanding Notes is less than 10 per cent. of the Sterling Equivalent Principal Amount Outstanding of all of the Notes as at the Closing Date; or

(b) from and including the Step-Up Date;

subject to the following:

(a) no Enforcement Notice has been delivered by the Trustee;

(b) the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and

(c) prior to giving any such notice, the Issuer shall have provided to the Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre-Acceleration Principal Priority of Payments.

9.4 ***Optional Redemption in whole for taxation reasons***: The Issuer may redeem all (but not some only) of the Notes in each class at their Principal Amount Outstanding, on any Interest Payment Date:

(a) after the date on which, by virtue of a change in Tax law (or the application or official interpretation of Tax law), the Issuer (or the Paying Agents on the Issuer's behalf) are to make any payment in respect of the Notes or Swap Provider is to make any payments in respect of the relevant Swap Agreement and either the Issuer (or the Paying Agents on the Issuer's behalf) or the Swap Provider, as the case may be, would be required to make a Tax Deduction in respect of such relevant payment; or

(b) after the date on which, by virtue of a change in the Tax law (or the application or official interpretation of Tax law), the Issuer would be subject to United Kingdom corporation tax in an accounting period on an amount which materially exceeds the aggregate Issuer Profit Amount retained during that account period;

subject to the following:

(c) no Enforcement Notice has been delivered by the Trustee;

(d) that the Issuer has given not more than 60 nor less than 14 days' notice to the Trustee and the Noteholders in accordance with the Notices Condition of its intention to redeem all (but not some only) of the Notes in each class; and

(e) that prior to giving any such notice, the Issuer (or in respect to Condition (a), any Swap Provider (if applicable)) has provided to the Trustee:

(i) in the case of 9.4(b) above only, a legal opinion (in form and substance satisfactory to the Trustee) from a firm of lawyers in the applicable jurisdiction (approved in writing by the Trustee), opining on the relevant change in Tax law; and

(ii) a certificate signed by two directors of the Issuer or, in the case of the Swap Provider, an Authorised Signatory to the effect that the obligation to make a Tax Deduction cannot be avoided; and

(iii) a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem the Notes pursuant to this Condition and meet its payment obligations of a higher priority under the Pre–Acceleration Principal Priority of Payments.

9.5 ***Calculation of Note Principal Payment, Principal Amount Outstanding and Pool Factor***: On each Calculation Date, the Issuer shall calculate (or cause the Cash Manager to calculate):

(a) the aggregate of any Note Principal Payment due in relation to each class on the Interest Payment Date immediately succeeding such Calculation Date;

(b) the Principal Amount Outstanding of each Note in each class on the Interest Payment Date immediately succeeding such Calculation Date (after deducting any Note Principal Payment due to be made on that Interest Payment Date in relation to such class); 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 a Note of that class (as referred to in Condition 9.5(b) above) and the denominator is the principal amount of that Note on issue expressed as an entire integer,

and notify the Issuer, the Trustee, the Paying Agents, the Agent Bank, the Registrar and for so long as the Notes are listed on the Stock Exchange, the Stock Exchange by not less than two Business Days prior to the relevant Interest Payment Date.

9.6 ***Calculations final and binding***: Each calculation by or on behalf of the Issuer of any Note Principal Payment, the Principal Amount Outstanding of a Note of each class and the Pool Factor shall in each case (in the absence of any Breach of Duty or manifest error) be final and binding on all persons.

9.7 ***Trustee to determine amounts in case of Issuer default***: If the Issuer does not at any time for any reason calculate (or cause the Cash Manager to calculate) any Note Principal Payment, the Principal Amount Outstanding in relation to each class or the Pool Factor in accordance with this Condition, such amounts may be calculated by the Trustee (without, in the absence of fraud or negligence, any liability accruing to the Trustee as a result) in accordance with this Condition (based on information supplied to it by the Issuer or the Cash Manager) and each such calculation shall be deemed to have been made by the Issuer. In each case, the Trustee may, at the expense of the Issuer employ an expert to make such calculations and any such calculations shall be deemed to have been made by the Issuer.

9.8 ***Conclusiveness of certificates and legal opinions***: Any certificate and legal opinion given by or on behalf of the Issuer or, as the case may be, the Swap Provider pursuant to Condition 9.3 (*Optional Redemption in whole*) and Condition 9.4 (*Optional Redemption in whole for taxation reasons*) may be relied on by the Trustee without further investigation, without liability to any other person and shall be conclusive and binding on the Noteholders, the Trustee and on the other Secured Creditors.

9.9 ***Notice of Calculation***: The Issuer will cause each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each class and the Pool Factor to be notified immediately after calculation to the Trustee, the Agents and, for so long as the Notes are listed on the Stock Exchange, the Stock Exchange and will immediately cause details of each calculation of a Note Principal Payment, Principal Amount Outstanding in relation to each class and the Pool

Factor to be published in accordance with the Notices Condition by no later than two Business Days prior to each Interest Payment Date.

9.10 ***Notice irrevocable***: Any such notice as is referred to in Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) or Condition 9.9 (*Notice of Calculation*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes to which such notice relates at their Principal Amount Outstanding if effected pursuant to Condition 9.3 (*Optional Redemption in whole*) or Condition 9.4 (*Optional Redemption in whole for taxation reasons*) and in an amount equal to the Note Principal Payment in respect of each Note calculated as at the related Calculation Date if effected pursuant to Condition 9.2 (*Mandatory Redemption in part*).

9.11 ***Cancellation or redeemed Notes***: All Notes redeemed in full will be cancelled forthwith by the Issuer and may not be reissued or resold.

10. **Limited Recourse**

10.1 If at any time following:

(a) the occurrence of either:

(i) the Final Maturity Date or any earlier date upon which all of the Notes of each class are due and payable; or

(ii) the service of an Enforcement Notice; and

(b) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments; and

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. For the purposes of this Condition 10, "**Realisation**" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor in accordance with the provisions of the Transaction Documents.

11. **Payments**

11.1 ***Principal and interest***: Payments of principal and interest shall be made by cheque drawn in the Applicable Currency or, upon application by a Noteholder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for payment, by transfer to an account in the Applicable Currency, maintained by the payee with a bank in London and (and in the case of final redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Notes at the Specified Office of any Paying Agent in accordance with the terms of the Agency Agreement.

11.2 ***Record date***: Each payment in respect of a Note will be made to the person shown as the Noteholder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Noteholder in the Register at the opening of business on the relevant Record Date. The person shown in the Register at the opening of business on the relevant Record Date in respect of a Note shall be the only person entitled to receive payments in respect of Notes represented by such Note and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

11.3 ***Payments subject to fiscal laws***: All payments in respect of the Notes are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

11.4 ***Partial Payments***: If a Principal Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note.

11.5 ***Payments on Business Days***: If the due date for payment of any amount in respect of any Note is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note.

12. **Taxation**

12.1 ***Payments free of Tax***: All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for or on account of, any Taxes imposed, levied, collected, withheld or assessed by the Issuer Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless the Issuer, the Trustee or the Paying Agents (as the case may be) are required by law to make any Tax Deduction. In that event, the Issuer, the Trustee or the Paying Agents (as the case may be) shall make such payments after such Tax Deduction and shall account to the relevant authorities for the amount so withheld or deducted.

12.2 ***No payment of additional amounts***: Neither the Issuer, the Trustee nor the Paying Agents will be obliged to pay any additional amounts to the Noteholders as a result of any such Tax Deduction.

13. **Events of Default**

13.1 ***Events of Default***: Subject to the other provisions of this Condition, each of the following events shall be treated as an "**Event of Default**":

(a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Most Senior Class of Notes within five days following the due date for payment of such principal or fails to pay any amount of interest in respect of the Most Senior Class of Notes within ten days following the due date for payment of such interest (provided that, for the avoidance of doubt, a deferral of interest in respect of a Class of Notes (other than the Class A Notes) in accordance with Condition 8.11 (*Interest Accrual*) shall not constitute a default in the payment of such interest for the purposes of this Condition 13 (*Events of Default*)); or

(b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Most Senior Class of Notes, the Issuer Covenants, the Trust Deed, the Deed of Charge or any of the other Transaction Documents and such default (a) is, in the opinion of the Trustee, incapable of remedy or (b) is, in the opinion of the Trustee, capable of remedy, but remains unremedied for 30 days or such longer period as the Trustee may agree after the Trustee has given written notice of such default to the Issuer; or

(c) an Insolvency Event occurs in relation to the Issuer; or

(d) it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or Trust Documents or any of the other Transaction Documents.

13.2 ***Delivery of Enforcement Notice***: If an Event of Default occurs and is continuing, the Trustee may at its discretion and shall:

(a) if so requested in writing by the holders of at least 25 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of Notes outstanding; or

(b) if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding;

deliver an Enforcement Notice to the Issuer.

13.3 ***Conditions to delivery of Enforcement Notice***: Notwithstanding Condition 13.2 (*Delivery of Enforcement Notice*) the Trustee shall not be obliged to deliver an Enforcement Notice unless:

(a) in the case of the occurrence of any of the events mentioned in Condition (b) (*Breach of other obligations*) the Trustee shall have certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders of the Most Senior Class of Notes outstanding; and

(b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

13.4 ***Consequences of delivery of Enforcement Notice***: Upon the delivery of an Enforcement Notice, the Notes of each class shall become immediately due and payable, without further action or formality, at their Principal Amount Outstanding together with any accrued interest.

14. **Enforcement**

14.1 ***Proceedings***: The Trustee may, at its discretion and without further notice, institute such steps, actions, proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes of each class (including these Conditions), the Deed of Charge or under the other Transaction Documents, but it shall not be bound to do so unless:

(a) so requested in writing by the holders of at least 25 per cent. of the Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of outstanding Notes; or

(b) so directed by an Extraordinary Resolution of the Noteholders of the Most Senior Class of outstanding Notes;

and in any such case, only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.2 ***Directions to the Trustee***: If the Trustee shall take any action described in Condition 14.1 (*Proceedings*) it may take such action without having regard to the effect of such action on individual Noteholders or any other Secured Creditor, provided that so long as any of the Most Senior Class of Notes are outstanding, the Trustee shall not, and shall not be bound to, act at the request or direction of the Noteholders of any other class of Notes unless:

(a) to do so would not, in its opinion, be materially prejudicial to the interests of the Noteholders of the classes of Notes ranking senior to such other class; or

(b) (if the Trustee is not of that opinion) such action is sanctioned by an Extraordinary Resolution of the Noteholders of the Notes ranking senior to such other class.

14.3 ***Restrictions on disposal of Issuer's assets***: If an Enforcement Notice has been delivered by the Trustee otherwise than by reason of non-payment of any amount due in respect of the Notes, the Trustee will not be entitled to dispose of the Charged Property or any part thereof (apart from Excess Swap Collateral or prior to the designation of an early termination event under the relevant Swap Agreement and the resulting application of collateral by netting or set-off, an amount equal to the value of all Swap Collateral provided by the relevant Swap Provider) unless either:

(a) the Cash Manager certifies to the Trustee that a sufficient amount would be realised to allow payment in full of all amounts owing to the Noteholders of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Acceleration Priority of Payments; or

(b) the Trustee is of the opinion, which shall be binding on the Noteholders and the other Secured Creditors, reached after considering at any time and from time to time the advice of an investment bank or other financial adviser selected by the Trustee, (and if the Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition 14.3(b) shall not apply) that the cash flow prospectively receivable 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 due in respect of the Notes of each class after payment of all other claims ranking in priority to the Notes in accordance with the Post-Acceleration Priority of Payments; and

(c) the Trustee shall not be bound to make the determination contained in Condition 14.3(b) unless the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby become liable or which it may incur by so doing.

14.4 ***Third Party Rights***: No person shall have any right to enforce any Condition or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

15. **No action by Noteholders or any other Secured Creditor**

15.1 Only the Trustee may pursue the remedies available under the general law or under the Trust Documents to enforce the Security and no Noteholder or other Secured Creditor shall be entitled to proceed directly against the Issuer to enforce the Security. In particular, none of the Noteholders or any other Secured Creditor (nor any person on its or their behalf, other than the Trustee where appropriate) are entitled:

(a) otherwise than as permitted by these Conditions, to direct the Trustee to enforce the Security or take any proceedings against the Issuer to enforce the Security; or

(b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due by the Issuer to such Noteholders or any other Secured Creditors; or

(c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any insolvency proceeding in relation to the Issuer; or

(d) to take or join in the taking of any steps or proceedings which would result in the Priority of Payments not being observed.

16. **Meetings of Noteholders**

16.1 ***Convening***: The Trust Deed contains "Provisions for Meetings of Noteholders" for convening separate or combined meetings of Noteholders of any class to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, which modification may be made if sanctioned by an Extraordinary Resolution.

16.2 ***Separate and combined meetings***: The Trust Deed and the Deed of Charge provide that:

(a) an Extraordinary Resolution which in the opinion of the Trustee affects the Notes of only one class shall be transacted at a separate meeting of the Noteholders of that class;

(b) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes but does not give rise to an actual or potential conflict of interest between the Noteholders of one class of Notes and the holders of another class of Notes shall be transacted either at separate meetings of the Noteholders of each such class or at a single meeting of the Noteholders of all such classes of Notes as the Trustee shall determine in its absolute discretion; and

(c) an Extraordinary Resolution which in the opinion of the Trustee affects the Noteholders of more than one class of Notes and gives rise to any actual or potential conflict of interest between the Noteholders of one class of Notes and the Noteholders of any other

class of Notes shall be transacted at separate meetings of the Noteholders of each such class.

16.3 ***Request from Noteholders***: A meeting of Noteholders of a particular class may be convened by the Trustee or the Issuer at any time and must be convened by the Trustee (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) upon the request in writing of Noteholders of a particular class holding not less than ten per cent. of the aggregate Sterling Equivalent Principal Amount Outstanding of the outstanding Notes of that class. However, so long as no Event of Default has occurred and is continuing, the Noteholders are not entitled to instruct or direct the Issuer to take any action, either directly or indirectly through the Trustee, without consent of the Issuer and, if applicable, certain other transaction parties pursuant to any relevant Transaction Documents, unless the Issuer has an obligation to take such action under the relevant Transaction Documents.

16.4 ***Quorum***: The quorum at any meeting convened to vote on:

(a) an Extraordinary Resolution, other than regarding a Reserved Matter, relating to a meeting of a particular class or classes of the Notes will be one or more persons holding or representing a majority of the Sterling Equivalent Principal Amount Outstanding of the outstanding Notes in that class or those classes or, at any adjourned meeting, one or more persons being or representing Noteholders of that class or those classes, whatever the Sterling Equivalent Principal Amount Outstanding of the outstanding Notes so held or represented in such class or classes; and

(b) an Extraordinary Resolution relating to a Reserved Matter (which must be proposed separately to each class of Noteholders) will be one or more persons holding or representing in the aggregate 75 per cent. of the Sterling Equivalent Principal Amount Outstanding of the outstanding Notes in the relevant class or classes or, at any adjourned meeting, one or more persons holding or representing not less than in the aggregate 25 per cent. of the Sterling Equivalent Principal Amount Outstanding of the outstanding Notes in the relevant class or classes.

16.5 ***Relationship between Classes****:*

In relation to each class of Notes:

(a) no Extraordinary Resolution involving a Reserved Matter that is passed by the holders of one class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes (to the extent that there are outstanding Notes in each such other classes);

(b) no Extraordinary Resolution to approve any matter other than a Reserved Matter of any class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other classes of Notes ranking senior to such class (to the extent that there are outstanding Notes ranking senior to such class) unless the Trustee considers that none of the holders of each of the other classes of Notes ranking senior to such class would be materially prejudiced by the absence of such sanction; and

(c) any resolution passed at a Meeting of Noteholders of one or more classes of Notes duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such class or classes, whether or not present at such Meeting and whether or not voting and, except in the case of a meeting relating to a Reserved Matter, any resolution passed at a meeting of the holders of the Most Senior Class of Notes duly convened and held as aforesaid shall also be binding upon the holders of all the other classes of Notes.

16.6 ***Resolutions in writing***: A Written Resolution shall take effect as if it were an Extraordinary Resolution.

17. **Modification and Waiver**

17.1 ***Modification***: The Trustee may at any time and from time to time, without the consent or sanction of the Noteholders or any other Secured Creditors, concur with the Issuer and any other relevant parties in making:

(a) any modification to these Conditions, the Trust Documents, the Notes or the other Transaction Documents in relation to which its consent is required (other than in respect of a Reserved Matter or any provisions of the Trust Documents referred to in the definition of a Reserved Matter) which, in the opinion of the Trustee, it may be proper to make and will not be materially prejudicial to the holders of the Most Senior Class of outstanding Notes; or

(b) any modification to these Conditions, the Trust Documents or the other Transaction Documents in relation to which its consent is required, if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error.

17.2 ***Waiver***: In addition, the Trustee may, without the consent of the Noteholders or any other Secured Creditor concur with the Issuer or any other relevant parties in authorising or waiving any proposed breach or breach of the covenants or provisions contained in the Trust Documents, the Notes or any of the other Transaction Documents (including an Event of Default or Potential Event of Default) if, in the opinion of the Trustee, the holders of the Most Senior Class of outstanding Notes will not be materially prejudiced by such waiver.

17.3 ***Restriction on power to waive***: The Trustee shall not exercise any powers conferred upon it by Condition 17.2 (*Waiver*) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Sterling Equivalent Principal Amount Outstanding of the Most Senior Class of outstanding Notes, but so that no such direction or request shall affect (a) any authorisation, waiver or determination previously given or made or (b) shall authorise or waive any such proposed breach or breach relating to a Reserved Matter unless the holders of each class of outstanding Notes has, by Extraordinary Resolution, so authorised its exercise.

17.4 ***Notification***: Unless the Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the Transaction Documents, as soon as practicable after it has been made.

17.5 ***Binding Nature***: Any authorisation, waiver, determination or modification referred to in Condition 17.1 (*Modification*) or Condition 17.2 (*Waiver*) shall be binding on the Noteholders and the other Secured Creditors.

18. **Prescription**

18.1 ***Principal***: Claims for principal in respect of Notes shall become void where application for payment is made more than ten years after the due date therefor.

18.2 ***Interest***: Claims for interest in respect of Notes, shall become void where application for payment is made more than five years after the due date therefor.

19. **Replacement of Notes**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and Stock Exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

20. **Trustee and Agents**

20.1 ***Trustee's right to Indemnity***: Under the Transaction Documents, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid or reimbursed for any Liabilities incurred by it in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

20.2 ***Trustee not responsible for loss or for monitoring***: The Trustee is not responsible for any loss, expense or liability which may be suffered as a result of the Charged Property or any documents of title thereto being uninsured or inadequately insured or being held by or to the order of the Administrators or by any person on behalf of the Trustee (as applicable). The Trustee shall not be responsible for monitoring the compliance by any of the other Transaction Parties with their obligations under the Transaction Documents.

20.3 ***Regard to classes of Noteholders***: In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will:

(a) have regard to the interests of each class of Noteholders as a class and will not be responsible for any consequence for individual Noteholders as a result of such holders being domiciled or resident in, or otherwise connected in any way with, or subject to the jurisdiction of, a particular territory or taxing jurisdiction; and

(b) in the event of a conflict of interests of holders of different classes have regard only to the holders of the Most Senior Class of outstanding Notes and will not have regard to any lower ranking class of Notes nor to the interests of the other Secured Creditors except to ensure the application of the Issuer's funds after the delivery of an Enforcement Notice in accordance with the Post-Acceleration Priority of Payments.

20.4 ***Paying Agents solely agents of Issuer***: In acting under the Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

20.5 ***Initial Paying Agents***: The Issuer reserves the right (with the prior written approval of the Trustee) to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent or agent bank and additional or successor paying agents at any time, having given not less than 30 days notice to such Agent.

21. **Substitution of Issuer**

21.1 ***Substitution of Issuer***: The Trustee may, without the consent of the Noteholders or any other Secured Creditor, subject to:

(a) the consent of the Issuer; and

(b) such further conditions as are specified in the Trust Deed,

agree to the substitution of a Substituted Obligor in place of the Issuer as the principal debtor in respect of the Trust Documents, the Transaction Documents, the Notes and the Secured Amounts.

21.2 ***Notice of Substitution of Issuer***: Not later than fourteen days after any substitution of the Issuer in accordance with this Condition, the Substituted Obligor shall cause notice of such substitution to be given to the Noteholders and the other Secured Creditors in accordance with the Notices Condition and the other relevant Transaction Documents.

21.3 ***Change of Law***: In the case of a substitution pursuant to this Condition, the Trustee may in its absolute discretion agree, without the consent of the Noteholders or the other Secured Creditors to a change of the law governing the Notes and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the

interests of the holders of the Most Senior Class of outstanding Notes, provided that the Rating Agencies are notified.

21.4 ***No indemnity***: No Noteholder shall, in connection with any such substitution, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon individual Noteholders.

22. **Notices**

22.1 ***Valid Notices***: Any notice to Noteholders shall be validly given if such notice is either:

(a) published in the Financial 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 Trustee shall approve having a general circulation in Europe; or

(b) published on the Relevant Screen; or

(c) prior to the issue of any Definitive Registered Notes and so long as the Global Registered Notes are held on behalf of DTC and/or Euroclear and/or Clearstream, Luxembourg upon delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg for communication by them to Noteholders.

22.2 ***Date of publication***: Any notices so published shall be deemed to have been given on the date on which it was so sent or, as the case may be, on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required or on the Relevant Screen or on the applicable date of delivery of the relevant notice to Euroclear and Clearstream, Luxembourg (as applicable).

22.3 ***Other Methods***: The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its 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 Trustee shall require.

23. **Governing Law and Jurisdiction**

23.1 ***Governing law***: The Transaction Documents and the Notes and all non-contractual obligations arising from or connected with them are governed by, and shall be construed in accordance with, English law other than certain provisions of the Transaction Documents particular to the law of Scotland (which are governed by, and shall be construed in accordance with, Scots law).

23.2 ***Jurisdiction***: The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes and the Transaction Documents (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of any of the Notes or the Transaction Documents or the consequences of their nullity) and accordingly any legal action or proceedings arising out of or in connection with the Notes and/or the Transaction Documents may be brought in such Courts. The Issuer has in each of the Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of such Courts.

TAX TREATMENT ON THE NOTES

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of HMRC, which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, holders of the Notes should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Interest on the Notes

Withholding tax on payments of interest on the Notes

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000). The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

In all cases falling outside the exemption described above, interest on the Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

Provision of Information

Noteholders should note that where any interest on the Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholders (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. In certain circumstances, the details provided to HMRC may be passed by HMRC to the tax authorities of certain other jurisdictions.

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other

similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent.. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

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

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

Other Rules Relating to United Kingdom Withholding Tax

(a) Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

(b) The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or principal" which may prevail under any other law.

(c) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 21 (*Substitution of the Issuer*) of the Notes or otherwise and does not consider the tax consequences of any such substitution.

UNITED STATES TAXATION

To ensure compliance with requirements imposed by the IRS, we inform you that any tax discussion herein was not written and is not intended to be used and cannot be used by any taxpayer for purposes of avoiding U.S. federal income tax penalties that may be imposed on the taxpayer. Any such tax discussion was written to support the promotion or marketing of the Class A Notes and Class M Notes offered pursuant to Rule 144A (the "Rule 144A Notes") to be issued pursuant to this Prospectus. Prospective purchasers of the Rule 144A Notes should consult their own tax advisers as to the particular U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the Rule 144A Notes as well as the applicability and effect of any state, local, foreign or other tax laws.

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder (as defined below) of its acquisition, ownership and disposition of the Rule 144A Notes. The following summary applies only to a U.S. Holder that acquires a Rule 144A Note on original issue at its "issue price" (the first price at which a substantial amount of Rule 144A Notes is sold for money, excluding sales to bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers) and holds such Rule 144A Note as a "capital asset" (generally, property held for investment). In addition, the following summary does not discuss aspects of U.S. federal income tax law that may be applicable to a U.S. Holder in light of its particular situation, including, among others, as an insurance company, a tax-exempt organisation, a bank, a dealer in securities or currencies, a securities dealer that elects the mark-to-market treatment, a U.S. Holder that holds a Rule 144A Note as part of a "straddle," "hedge" or "conversion transaction" for U.S. federal income tax purposes, a U.S. Holder entering into "constructive transactions" with respect to the Rule 144A Notes, a U.S. Holder whose functional currency is not the U.S. dollar, or a U.S. expatriate. Further, this discussion does not address any tax consequences applicable to holders of equity interests in a holder of the Rule 144A Notes.

The following summary is based on the provisions of the Internal Revenue Code of 1986, as amended (the "**Code**"), applicable Treasury Regulations, judicial authority and administrative rulings and practices, in effect as of the date of this offering, any of which may be appealed, revoked or otherwise altered with retroactive effect, thereby changing the U.S. federal income tax consequences discussed below. There is no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Rule 144A Note that is for U.S. federal income tax purposes:

(a) a citizen or resident of the United States,

(b) a corporation created or organised under the laws of the United States or any state thereof of the District of Columbia,

(c) an estate the income of which is subject to U.S. federal income taxation regardless of its source,

(d) a trust, if both

  (i) a court within the United States is able to exercise primary jurisdiction over the administration of the trust, and

  (ii) one or more United States persons have the authority to control all substantial decisions of the trust, or

(e) a trust in existence on 20 August 1996, and treated as a United States person prior to such date, that has elected to continue to be treated as a United States person.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds a Rule 144A Note, the U.S. federal income tax treatment of a partner in such partnership generally will depend upon the activities of the partnership and the status of the partner. Therefore, partners in a partnership holding a Rule 144A Note should consult their own tax advisers regarding the U.S. federal income tax consequences to such partners of the acquisition, ownership and disposition of the Rule 144A Note by such partnership.

Treatment of Rule 144A Notes

The Issuer will treat the Rule 144A Notes as indebtedness for U.S. federal income tax purposes. Each U.S. Holder of a Rule 144A Note, by acceptance of such Rule 144A Note, will agree to treat such Rule 144A Note as indebtedness for U.S. federal income tax purposes. Although the matter is not free from doubt due to a lack of authority addressing the characterisation of securities with terms similar to the Rule 144A Notes, Clifford Chance US LLP ("**Special U.S. Tax Counsel**") is of the opinion that the Rule 144A Notes will be treated as indebtedness for U.S. federal income tax purposes. The opinion of Special U.S. Tax Counsel is not binding on the IRS, and no assurance can be given that the characterisation of the Rule 144A Notes as indebtedness will prevail if the issue were challenged by the IRS. If the Rule 144A Notes were treated as equity in, rather than indebtedness of, the Issuer, a U.S. Holder would be subject to US federal income tax that which differs from that specified herein. Prospective U.S. Holders in the Rule 144A Notes should consult with their tax advisers as to the effect of a recharacterisation of the Rule 144A Notes as equity interests in the Issuer. The remainder of this discussion assumes the Rule 144A Notes will be treated as indebtedness for U.S. federal income tax purposes.

Interest and Original Issue Discount on the Rule 144A Notes

In general, stated interest on a Rule 144A Note that is considered "qualified stated interest" will be includible in the gross income of a U.S. Holder in accordance with its regular method of tax accounting. "Qualified stated interest" is interest that is unconditionally payable at least annually at a single fixed or qualified floating rate. Interest on a Rule 144A Note that is not "qualified stated interest" must be accrued by a U.S. Holder as original issue discount ("**OID**") on a yield to maturity basis, regardless of such U.S. Holder's regular method of tax accounting. All interest payments required to be made under the Rule 144A Notes should be "**qualified stated interest**". However, the Rule 144A Notes will still be treated as issued with OID if they are issued at a discount. Discount on the Rule 144A Notes from issuance at less than par will only be required to be accrued under Treasury Regulations governing the treatment of OID (the "**OID Regulations**") if such discount exceeds a statutorily defined *de minimis* amount. Any *de minimis* OID on the Rule 144A Notes will be includible in the income of a U.S. Holder on a *pro rata* basis as principal payments are made on the Rule 144A Notes. It is not expected that the Rule 144A Notes will be issued with other than *de minimis* OID.

As an alternative to the above treatment, U.S. Holders may elect to include in gross income all interest with respect to the Rule 144A Notes, including stated interest and *de minimis* OID, subject to certain adjustments, on the yield to maturity basis described above.

Interest and OID, if any, on a Rule 144A Note will be treated as arising from foreign sources for foreign tax credit purposes. The rules relating to foreign tax credits and the timing thereof are complex. U.S Holders should consult their own tax advisers regarding the availability of a foreign tax credit and the application of the foreign tax credit limitations to their particular circumstances.

Sale, Retirement or Other Taxable Disposition

In general, a U.S. Holder will recognise gain or loss upon the sale, retirement or other taxable disposition of a Rule 144A Note in an amount equal to the difference between the amount of cash and the fair market value of the property received in exchange for the Rule 144A Note (except to the extent attributable to the payment of accrued interest and OID, if any, not previously taken into income, which generally will be taxable to the U.S. Holder as ordinary income) and the U.S. Holder's adjusted tax basis in the Rule 144A Note. A U.S. Holder's tax basis in a Rule 144A Note generally will equal the acquisition cost of the Rule 144A Note, reduced for any amounts received by the U.S. Holder from the Issuer in respect of the Rule 144A Note other than qualified stated interest. In addition, to the extent that the Rule 144A Notes are issued with OID, the U.S. Holder will increase the U.S. Holder's tax basis in the Rule 144A Note by the amount included in income as OID and decrease it by amounts previously received from the Issuer in respect of the Rule 144A Note other than qualified stated interest. Gain or loss realised on the sale, retirement or other taxable disposition of a Rule 144A Note will be long-term capital gain or loss if the U.S. Holder held the Rule 144A Note for more than one year at the time of the sale, retirement or other taxable disposition of the Rule 144A Note. The deductibility of capital losses is subject to certain limitations. Gain or loss realised by a U.S. Holder on the sale, retirement or other taxable disposition of a Rule 144A Note generally will be U.S. source gain or loss for foreign tax credit purposes.

Foreign Currency Rule 144A Notes

The following discussion summarizes the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of Rule 144A Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in a currency other than the U.S. dollar ("**foreign currency Rule 144A Notes**").

The rules applicable to foreign currency Rule 144A Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Rule 144A Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Rule 144A Notes are complex and may depend on the Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Holder should make any of these elections may depend on the Holder's particular federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the federal income tax consequences of the ownership and disposition of foreign currency Rule 144A Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Rule 144A Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency. A cash method Holder who receives a payment of qualified stated interest in U.S. dollars pursuant to an option available under such foreign currency Rule 144A Note will be required to include the amount of this payment in income upon receipt.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortizable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Rule 144A Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognize ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognized will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a Holder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount. An accrual method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortizable bond premium on a foreign currency Rule 144A Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realized with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above.

If an election to amortize bond premium is made, amortizable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realized on amortized bond premium with respect to any period by treating the bond premium amortized in the period in the same manner as on the sale, exchange or retirement of the foreign currency Rule 144A Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realized on the sale, exchange or retirement of a foreign currency Rule

144A Note with amortizable bond premium by a U.S. Holder who has not elected to amortize the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's tax basis in a foreign currency Rule 144A Note, and the amount of any subsequent adjustment to the Holder 's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Rule 144A Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a foreign currency Rule 144A Note with previously owned foreign currency will recognize ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Rule 144A Note on the date of purchase.

Gain or loss realized upon the sale, exchange or retirement of a foreign currency Rule 144A Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Rule 144A Note, determined on the date the payment is received or the Rule 144A Note is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Rule 144A Note, determined on the date the U.S. Holder acquired the Rule 144A Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Rule 144A Notes described above. The foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by the Holder on the sale, exchange or retirement of the foreign currency Rule 144A Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the Holder or the "qualified business unit" of the Holder on whose books the foreign currency Rule 144A Note is properly reflected. Any gain or loss realized by these Holders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of a short-term foreign currency Rule 144A Note, to the extent of any discount not previously included in the Holder's income. Holders should consult their own tax advisor with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such foreign currency Rule 144A Note accrue.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Rule 144A Note equal to the U.S. dollar value of the foreign currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Rule 144A Note is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations provided that the foreign currency Rule 144A Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realized by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase foreign currency Rule 144A Notes) will be ordinary income or loss.

Tax Shelter Reporting Requirements

If a U.S. Holder realises a loss upon the disposition or deemed disposition of the Rule 144A Notes in an amount that exceeds a certain threshold, it is possible that the provisions of U.S. Treasury Regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss generating transaction to the IRS. While these regulations are directed towards "tax shelters," they are written quite broadly, and apply to transactions that would not typically be considered tax shelters. In addition, a significant penalty is imposed on taxpayers that participate in a "reportable transaction" and fail to make the required disclosure. The penalty is generally $10,000 for natural persons and $50,000 for other persons (increased to $100,000 and $200,000, respectively, if the reportable transaction is a "listed" transaction). However, certain exceptions apply, including an exception generally applicable to U.S. Holders with a tax basis in a Rule 144A Note equal to cost. U.S. Holders should consult their own tax advisers concerning any possible disclosure obligation with respect to the Rule 144A Notes.

Tax Treatment of Tax-Exempt U.S. Holders

U.S. Holders which are tax-exempt entities ("**Tax-Exempt U.S. Holders**") will not be subject to the tax on unrelated business taxable income ("**UBTI**") with respect to interest and capital gains income derived from an investment in the Rule 144A Notes. However, a Tax-Exempt U.S. Holder which incurs

"acquisition indebtedness" (as defined in Section 514(c) of the Code) with respect to the Rule 144A Notes may be subject to the tax on UBTI with respect to income from the Rule 144A Notes to the extent that the Rule 144A Notes constitute "debt-financed property" (as defined in Section 514(b) of the Code) of the Tax-Exempt U.S. Holder.

Tax-Exempt U.S. Holders should consult their own tax advisors regarding an investment in the Rule 144A Notes.

Reporting and Backup Withholding

A U.S. Holder that is an exempt recipient will not be subject to information reporting requirements with respect to payments of principal or interest on, and proceeds from the sale, retirement or other taxable disposition of, a Rule 144A Note. A U.S. Holder that is not an exempt recipient may be subject to information reporting requirements. Such U.S. Holder can satisfy this requirement by providing the Issuer or its paying agent with a duly completed and executed copy of an IRS Form W-9 or a substantially similar form. In general, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

If a U.S. Holder subject to the information reporting requirement fails to provide the Issuer or its paying agent with a duly completed and executed copy of an IRS Form W-9 or a substantially similar form, or the information on such form, including the U.S. Holder's U.S. taxpayer identification number, is incorrect, or the IRS notifies the Issuer or its paying agent that the U.S. Holder has failed to report or under-reported payments of interest or dividends, the Issuer or its paying agent will be required to withhold a portion (currently 28 per cent.) of certain payments it makes to the U.S. Holder and pay to the IRS as a backup against the U.S. Holder's potential U.S. federal income tax liability. Backup withholding is not an additional tax and will be credited against the U.S. Holder's U.S. federal income tax liability or refunded to the U.S. Holder, provided that the holder timely files a tax return with the IRS. Prospective purchasers should consult their own tax advisers regarding the applicability of the information reporting and backup withholding rules to them.

Recently enacted legislation imposes reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds $50,000. The Rule 144A Notes are expected to constitute foreign financial assets subject to these requirements unless the Rule 144A Notes are regularly traded on an established securities market and held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

The above summary is not intended to constitute a complete analysis of all U.S. income tax consequences relating to U.S. Holders of their acquisition, ownership and disposition of the Rule 144A Notes. U.S. Holders should consult their own tax advisers concerning the tax consequences to them of the acquisition, ownership and disposition of the Rule 144A Notes in light of their particular circumstances under the U.S. federal, state, local, foreign and other laws.

SUBSCRIPTION AND SALE

Citibank International plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS and RBS SI (together, the "**Joint Lead Managers**") and Wells Fargo Securities International Limited (the "**Co-Manager**" and, together with the Joint Lead Managers, the "**Managers**") have entered into a Class A subscription agreement (the "**Subscription Agreement**") dated 10 October 2011 amongst the Sellers, the Managers and the Issuer, pursuant to which the Managers have agreed with the Issuer (subject to certain conditions) to subscribe and pay for or procure subscription and payment for (i) $725,000,000 of the Class A1c Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A1c Notes, (ii) £70,000,000 of the Class A2a Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A2a Notes; (iii) €220,000,000 of the Class A2b Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A2b Notes, (iv) $670,000,000 of the Class A2c Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A2c Notes, (v) £150,000,000 of the Class A3a Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A3a Notes; and (vi) $500,000,000 of the Class A3c Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A3c Notes. In particular, J.P. Morgan Securities Ltd. (or one of its affiliates) will, on the Closing Date, purchase the majority of the Class A1c Notes as well as certain of the Class A2 Notes and Citibank International plc (or one of its affiliates) will, on the Closing Date, purchase the majority of the Class A3 Notes as well as certain of the Class A2 Notes.

RBS (as Seller) has, pursuant to a note purchase agreement dated on or about the date hereof between the Sellers, RBS (as Arranger) and the Issuer (the "**Note Purchase Agreement**"), agreed with the Issuer (subject to certain conditions) to subscribe and pay for or procure subscription and payment for (i) $1,911,000,000 of the Class A4 Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class A4 Notes, (ii) £66,900,000 of the Class M Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class M Notes, (iii) £440,900,000 of the Class B Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class B Notes and (iv) £176,400,000 of the Class R Notes at the issue price of 100 per cent. of the aggregate principal amount of the Class R Notes, as at the date hereof.

RBS expects on or after the Closing Date to finance all or a portion of such Class A4 Notes through securities lending or similar transactions with one or more counterparties.

The Issuer has agreed to indemnify the Managers (in respect of the Notes) against certain liabilities and to pay certain costs and expenses in connection with the issue of the Notes.

Other than admission of the Notes to the Official List and the admission to trading on the London Stock Exchange's Regulated Market, no action has been taken by the Issuer, the Managers or RBS (as Seller), which would or has been intended to permit a public offering of the Notes, or possession or distribution of this Prospectus or other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

This Prospectus does not constitute, and may not be used for the purpose of, an offer or a solicitation by anyone to subscribe for or purchase any of the Notes in or from any country or jurisdiction where such an offer or solicitation is not authorised or is unlawful.

United Kingdom

Each of the Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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

(b) 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.

Each of the Managers has acknowledged that, save for having obtained the approval of the Prospectus as a prospectus in accordance with Part VI of FSMA, having applied for the admission of the Class A Notes to the Official List and admission to trading on the London Stock Exchange, no further action has been or

will be taken in any jurisdiction by the Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of the Prospectus or any other offering material in relation to the Notes, in any country or jurisdiction where such further action for that purpose is required.

United States

Each of the Managers has acknowledged in the Subscription Agreement, that the Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons 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. In addition, the Notes cannot be resold in the United States or to U.S. persons unless they are subsequently registered or an exemption from registration is available. In connection with any Reg S Notes, each Manager has agreed that with respect to the relevant Reg S Notes for which it has subscribed that it will not offer or sell the Reg S Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Reg S Notes and the closing date (the "**distribution compliance period**") within the United States or to, or for the account or benefit of, U.S. persons except pursuant to Rule 144A or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Manager has further agreed that it will have sent to each affiliate or person receiving a selling commission, fee or other remuneration that purchases Reg S Notes from it during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Reg S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until the expiration of the distribution compliance period, an offer or sale of the Notes within the United States by any Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements under the Securities Act.

The Managers may directly or through its U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to QIBs in reliance on Rule 144A and each purchaser of Notes is hereby notified that the Managers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased by a QIB pursuant to Rule 144A is $150,000 (or the approximate equivalent thereof in any other currency). To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, the issuer has undertaken to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and the issuer is neither a reporting company under Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

This Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Managers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB within the meaning of Rule 144A to whom an offer has been made directly by the Managers or its U.S. broker-dealer affiliate. Distribution of this Prospectus by any non-U.S. person outside the United Sates or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

Each Manager has acknowledged that any Reg S Notes and any Rule 144A Notes that are not ERISA-eligible Notes are not designed for, and may not be purchased or held by, any "Benefit Plan Investor" (as defined in ERISA Considerations) and each purchaser of such note will be deemed to have represented, warranted and agreed that it is not, and for so long as it holds such note will not be, such a "Benefit Plan Investor".

General

Each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in respect of the Notes in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers of the Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Legend

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Reg S Global Registered Note will bear a legend substantially as set forth below:

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "**INVESTMENT COMPANY**" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS GLOBAL REGISTERED NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE (I) REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT IS NOT A "**U.S. PERSON**" WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND (II) AGREED FOR THE BENEFIT OF THE ISSUER THAT IF IT SHOULD DECIDE TO DISPOSE OF ITS BENEFICIAL INTERESTS REPRESENTED BY THIS GLOBAL REGISTERED NOTE, SUCH BENEFICIAL INTERESTS MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH ANY APPLICABLE LAWS OF ANY STATE OF THE UNITED STATES. ACCORDINGLY, ANY TRANSFER OF THE NOTES MAY ONLY BE MADE: (A) TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**") OR (B) TO OR FOR THE ACCOUNT OR BENEFIT OF PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN ACCORDANCE WITH RULE 144A. IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (B), THEN (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED BE REPRESENTED BY AN INTEREST IN THE RULE 144A GLOBAL REGISTERED NOTE (AS DEFINED IN THE TRUST DEED) AND (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE TRUST DEED AND IS AVAILABLE FROM THE REGISTRAR). ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG (AND ANY PAYMENT HEREON IS MADE TO EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, EUROCLEAR OR CLEARSTREAM, LUXEMBOURG, HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL REGISTERED NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE [COMMON SAFEKEEPER]/[COMMON DEPOSITORY] OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL REGISTERED NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE REGULATIONS.

[TO BE INCLUDED IN THE CLASS A NOTES AND CLASS M NOTES] EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (II) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-US OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE, OR ANY SIMILAR LAW TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN, PLAN OR OTHER BENEFIT PLAN'S INVESTMENT IN THE ENTITY, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

[TO BE INCLUDED IN THE CLASS B AND THE CLASS R NOTES] BY ITS ACQUISITION AND HOLDING OF THIS NOTE, EACH HOLDER OF THIS NOTE WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (I) IT IS NOT AND IS NOT DEEMED FOR PURPOSES OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO BE (AND IS NOT ACTING ON BEHALF OF) (A) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN ERISA AND SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (B) A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE "**PLAN ASSETS**" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY (ANY OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**"), AND (II) IF AT ANY TIME THE PURCHASER OR TRANSFEREE WILL BE AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR AND THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-US OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), THE PURCHASE AND HOLDING OF THIS NOTE DOES NOT AND WILL NOT VIOLATE ANY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

THE ISSUER HAS THE RIGHT TO COMPEL ANY HOLDER OF NOTES REPRESENTED BY THIS GLOBAL REGISTERED NOTE OR BENEFICIAL OWNER OF ANY INTEREST THEREIN THAT IS A U.S. PERSON (OTHER THAN A QUALIFIED INSTITUTIONAL BUYER) TO SELL SUCH NOTES OR INTEREST THEREIN, OR MAY SELL SUCH NOTES OR INTEREST THEREIN ON BEHALF OF SUCH PERSON, AT THE LOWEST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE NOTEHOLDER OR BENEFICIAL OWNER, AS THE CASE MAY BE, (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF AND (Z) THE FAIR MARKET VALUE THEREOF. IN

ADDITION, THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF NOTES OR ANY INTEREST THEREIN TO A PERSON WHO IS A NOT AN ELIGIBLE TRANSFEREE.

Unless determined otherwise by the Issuer in accordance with applicable law and so long as any series of the Notes is outstanding, a Rule 144A Global Registered Note will bear a legend substantially set forth below:

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE ISSUER HAS NOT BEEN REGISTERED AND DOES NOT INTEND TO REGISTER AS AN "**INVESTMENT COMPANY**" UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS GLOBAL REGISTERED NOTE CERTIFICATE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I)(A) IS A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), ("**RULE 144A**") (B) WILL HOLD AT LEAST THE MINIMUM DENOMINATION OF $150,000, (C) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (D) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL THE PRECEDING REQUIREMENTS AND (E) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON THAT MEETS ALL THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (E) OR (II) IS NOT A U.S. PERSON AND IS ACQUIRING THE NOTES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"). IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (II), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE REGULATION S GLOBAL REGISTERED NOTE (AS DEFINED IN THE TRUST DEED) AND (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE TRUST DEED AND IS AVAILABLE FROM THE REGISTRAR). ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THE FOREGOING REQUIREMENTS SHALL BE NULL AND VOID AB INITIO.

[TO BE INCLUDED IN THE RULE 144A GLOBAL REGISTERED NOTES (OTHER THAN THOSE REPRESENTING EUR NOTES)] UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT HEREON IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[TO BE INCLUDED IN THE RULE 144A GLOBAL REGISTERED NOTES REPRESENTING EUR NOTES] UNLESS THIS NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM,

LUXEMBOURG (AND ANY PAYMENT HEREON IS MADE TO EUROCLEAR OR CLEARSTREAM, LUXEMBOURG OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORISED REPRESENTATIVE OF EUROCLEAR OR CLEARSTREAM, LUXEMBOURG), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, EUROCLEAR OR CLEARSTREAM, LUXEMBOURG, HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL REGISTERED NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF THE COMMON DEPOSITORY OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL REGISTERED NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE REGULATIONS.

TRANSFERS OF THIS GLOBAL REGISTERED NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF CEDE & CO. OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL REGISTERED NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE REGULATIONS.

[TO BE INCLUDED IN THE CLASS A NOTES AND CLASS M NOTES] EACH PURCHASER AND TRANSFEREE OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, SHALL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE WILL NOT BE (AND WILL NOT BE ACTING ON BEHALF OF) (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA OR A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (II) ANY EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-US OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (III) AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA, SECTION 4975 OF THE CODE OR ANY SIMILAR LAW, TO INCLUDE PLAN ASSETS BY REASON OF SUCH EMPLOYEE BENEFIT PLAN, PLAN OR OTHER BENEFIT PLAN'S INVESTMENT IN THE ENTITY, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE OR ANY INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF ANOTHER EMPLOYEE BENEFIT PLAN SUBJECT TO SIMILAR LAW, IS NOT IN VIOLATION OF ANY SIMILAR LAW).

[TO BE INCLUDED IN THE CLASS B NOTES AND THE CLASS R NOTES] BY ITS ACQUISITION AND HOLDING OF THIS NOTE, EACH HOLDER OF THIS NOTE WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT (I) IT IS NOT AND IS NOT DEEMED FOR PURPOSES OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") TO BE (AND IS NOT ACTING ON BEHALF OF) (A) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN ERISA AND SUBJECT TO PART 4 OF SUBTITLE B OF TITLE I OF ERISA, (B) A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE CODE, OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE "**PLAN ASSETS**" BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN'S INVESTMENT IN THE ENTITY (ANY OF THE FOREGOING, A "**BENEFIT PLAN INVESTOR**"), AND (II) IF AT ANY TIME THE PURCHASER OR TRANSFEREE WILL BE AN EMPLOYEE BENEFIT PLAN THAT IS NOT A BENEFIT PLAN INVESTOR AND THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, NON-US OR OTHER LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), THE PURCHASE AND HOLDING OF THIS NOTE DOES NOT AND WILL NOT VIOLATE ANY SIMILAR LAW. ANY PURPORTED TRANSFER OF THIS NOTE THAT DOES NOT COMPLY WITH THESE REQUIREMENTS SHALL BE NULL AND VOID *AB INITIO*.

THE PURCHASER OR ACQUIROR ACKNOWLEDGES THAT THE ISSUER RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH

CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND AND NOT OTHERWISE DEFINED HEREIN, HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

THE ISSUER HAS THE RIGHT TO COMPEL ANY HOLDER OF NOTES REPRESENTED BY THIS GLOBAL REGISTERED NOTE OR BENEFICIAL OWNER OF ANY INTEREST THEREIN THAT IS A U.S. PERSON (OTHER THAN A QUALIFIED INSTITUTIONAL BUYER) TO SELL SUCH NOTES OR INTEREST THEREIN, OR MAY SELL SUCH NOTES OR INTEREST THEREIN ON BEHALF OF SUCH PERSON, AT THE LOWEST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE NOTEHOLDER OR BENEFICIAL OWNER, AS THE CASE MAY BE, (Y) 100% OF THE PRINCIPAL AMOUNT THEREOF AND (Z) THE FAIR MARKET VALUE THEREOF. IN ADDITION, THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF NOTES OR ANY INTEREST THEREIN TO A PERSON WHO IS A NOT AN ELIGIBLE TRANSFEREE.

Because of the foregoing restrictions, purchasers of Notes are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such securities offered and sold.

CERTAIN ERISA AND OTHER U.S. CONSIDERATIONS

Subject to the considerations discussed below, the Notes and any interests in a Note should be eligible for purchase by Benefit Plan Investors (as defined below). Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended (**ERISA**), and/or Section 4975 of the Code, prohibits a pension, profit-sharing or other employee benefit plan, as well as individual retirement accounts and certain types of Keogh Plans subject to ERISA or Section 4975 of the Code (each, a "**Benefit Plan**") from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to such Benefit Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for such persons.

Certain transactions involving the purchase, holding or transfer of the Notes or any interest in any Note might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Benefit Plan. Under a regulation issued by the United States Department of Labor (the "**Plan Assets Regulation**"), the assets of the Issuer would be treated as "plan assets" of a Benefit Plan for the purposes of ERISA and the Code only if the Benefit Plan acquires an "equity interest" in the Issuer and none of the exceptions contained in the Plan Assets Regulation or ERISA is applicable. An equity interest for purposes of the Plan Assets Regulation is an interest in an entity other than a Note which is treated as indebtedness under applicable local law and which has no substantial equity features. If the underlying assets of the Issuer are deemed to be Benefit Plan assets, the obligations and other responsibilities of Benefit Plan sponsors, Benefit Plan fiduciaries and Benefit Plan administrators, and of "parties in interest" and "disqualified persons" (as defined under ERISA and the Code), under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favourable statutory or administrative exemption or exception applies). In addition, various providers of fiduciary or other services to the entity, and any other parties with authority or control with respect to the entity, could be deemed to be Benefit Plan fiduciaries or otherwise parties in interest or disqualified persons by virtue of their provision of such services (and there could be an improper delegation of authority to such providers).

Each purchaser and transferee of a Class A Note and Class M Note or any interest therein will be deemed to have represented and agreed that (a) it is not and for so long as it holds any such Class A Note or Class M Note or any interest therein will not be (and will not be acting on behalf of) (i) an "**employee benefit plan**" as defined in and subject to ERISA, (ii) a "plan" as defined in and subject to Section 4975 of the Code, (iii) an entity whose underlying assets are deemed for purposes of ERISA or Section 4975 of the Code to include "plan assets" of any such Benefit Plan or other employee benefit plan (any of (i), (ii) or (iii) a "**Benefit Plan Investor**"), or (iv) any employee benefit plan subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), or (b) its purchase and holding of any Class A Note or Class M Note will not constitute or result in a non-exempt prohibited transaction under ERISA, Section 4975 of the Code or, as applicable, in a violation of any Similar Law.

With respect to the Class B Notes and the Class R Notes, each purchaser and transferee of such Class B Notes or Class R Notes will be deemed to have represented and agreed either that (i) it is not, and is not deemed for purposes of ERISA or Section 4975 of the Code to be, and for so long as it holds such Class B Note or Class R Note (or any interest therein) will not be or be deemed for such purposes to be, a Benefit Plan Investor or an employee benefit plan subject to Similar Law or (ii) it will be an employee benefit plan that is not a Benefit Plan Investor and is subject to Similar Law, and the purchase and holding of the Class B Notes or the Class R Notes do not and will not violate any Similar Law. Any purported purchase or transfer of Class B Notes or Class R Notes that do not comply with the foregoing shall be null and void *ab initio*.

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility or prohibited transaction provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to state or other federal, or other laws or regulations that are substantially similar to ERISA and the Code.

The sale of a Note to a Benefit Plan is in no respect a representation by the Issuer, the Arranger, the Joint Lead Managers or the Co-Manager that such an investment meets all relevant requirements with respect to investments by Benefit Plans generally or any particular Benefit Plan, or that such an investment is appropriate for Benefit Plans generally or any particular Benefit Plan.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA AND OTHER U.S. IMPLICATIONS OF AN INVESTMENT IN THE SECURITIES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

LISTING AND GENERAL INFORMATION

(a) It is expected that the admission of the Notes to the Official List and the admission of the Notes to trading on the London Stock Exchange's Regulated Market will be granted on or around 18 October 2011. Prior to listing, however, dealings will be permitted by the Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in Sterling, Euro or Dollars and for delivery on the third working day after the date of the transaction.

(b) None of the Issuer or Holdings is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or Holdings respectively is aware), since 7 April 2011 (being the date of incorporation of the Issuer) and 26 August 2009 (being the date of incorporation of Holdings) which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Issuer or Holdings (as the case may be).

(c) No statutory or non-statutory accounts within the meaning of Sections 434 and 435 of the Companies Act 2006 (as amended) in respect of any financial year of the Issuer have been prepared. So long as the Notes are admitted to trading on the Stock Exchange's Regulated Market, the most recently published audited annual accounts of the Issuer from time to time shall be available at the Specified Office of the Principal Paying Agent in London. The Issuer does not publish interim accounts.

(d) For so long as the Notes are admitted to the Official List and to trading on the Stock Exchange's Regulated Market, the Issuer shall maintain a Paying Agent in the United Kingdom.

(e) The credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies, each of which is established in the European Union, and has submitted an application for registration in accordance with the CRA Regulation and such application for registration is still pending.

(f) Since the date of its incorporation, the Issuer has not entered into any contracts or arrangements not being in the ordinary course of business.

(g) Since 7 April 2011 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the financial or trading position of the Issuer.

(h) Since 26 August 2009 (being the date of incorporation of Holdings), there has been (a) no material adverse change in the financial position or prospects of Holdings and (b) no significant change in the financial or trading position of Holdings.

(i) The issue of the Notes was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 4 October 2011.

(j) The following Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg under the following ISIN, CUSIP Numbers and Common Codes:

Class or Sub-Class of Notes	ISIN Reg S Notes	ISIN 144A Notes	CUSIP Number 144A Notes	Common Code Reg S Notes	Common Code 144A Notes
Class A1c	XS0685394123	US04271HAA41	04271H AA4	068539412	068657733
Class A2a	XS0685394396	NA	NA	068539439	NA
Class A2b	XS0685394479	XS0685394552	NA	068539447	068539455
Class A2c	XS0685394636	US04271HAB24	04271H AB2	068539463	068657768
Class A3a	XS0685394800	NA	NA	068539480	NA
Class A3c	XS0685395286	US04271HAC07	04271H AC0	068539528	068657784
Class A4c1	XS0688842847	US04271HAD89	04271H AD8	068884284	068963443
Class A4c2	XS0691908718	US04271HAE62	04271H AE6	069190871	069271413
Class A4c3	XS0691920507	US04271HAF38	04271H AF3	069192050	069271456
Class A4c4	XS0691926538	US04271HAG11	04271H AG1	069192653	069271464

Class or Sub-Class of Notes	ISIN Reg S Notes	ISIN 144A Notes	CUSIP Number 144A Notes	Common Code Reg S Notes	Common Code 144A Notes
Class A4c5	XS0691932346	US04271HAH93	04271H AH9	069193234	069271502
Class M	XS0685622879	NA	NA	068562287	NA
Class B	XS0685623257	NA	NA	068562325	NA
Class R	XS0685623687	NA	NA	068562368	NA

(k) From the date of this Prospectus and for so long as the Notes are listed on the London Stock Exchange's Regulated Market, copies of the following documents may be inspected at the registered office of the Trustee during usual business hours, on any weekday (public holidays excepted):

(i) the Memorandum and Articles of Association of each of the Issuer and Holdings;

(ii) copies of the following documents:

(A) the Trust Deed;

(B) the Deed of Charge;

(C) the Agency Agreement;

(D) the Incorporated Terms Memorandum;

(E) the Account Bank Agreement;

(F) the Administration Agreement;

(G) the Cash Management Agreement;

(H) the Corporate Services Agreement;

(I) the Delegation Agreement;

(J) the Basis Swap Agreement;

(K) the Currency Swap Agreements;

(L) the Issuer Power of Attorney;

(M) the Mortgage Sale Agreement;

(N) the Seller Collection Accounts Declarations of Trust;

(O) the Seller Security Power of Attorney; and

(P) the Subordinated Loan Agreement.

(l) The Cash Manager on behalf of the Issuer will publish the quarterly investor report detailing, inter alia, certain aggregated loan data in relation to the Portfolio. Such investor reports will be published on The Royal Bank of Scotland plc website at http://www.investors.rbs.com/. This website and the contents thereof do not form part of this Prospectus. Investor reports will also be made available to the Sellers and the Rating Agencies. Other than as outlined above, the Issuer does not intend to provide post-issuance transaction information regarding the Notes.

(m) Further to receipt of such information from RBS as Seller and the Cash Manager under the Transaction Documents, the Issuer will make available further information in relation to each Loan, which will be accessible to Noteholders via the following website, subject to the terms set out therein: http://www.structuredfn.com/dealaccess/rbs/index.html. For the avoidance of doubt, the contents of this website are for information purposes only and do not form part of this Prospectus.

(n) The Issuer confirms that the Loans backing the issue of the Notes have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Prospectus and may be affected by the future performance of such assets backing the issue of the Notes. Consequently investors are advised to review carefully any disclosure in the Prospectus together with any amendments or supplements thereto.

Annex A

Static Pool Data[2]

The tables on the following pages set out static pool information with respect to the mortgages loans in GMS. These tables show, for originations for RBS over a six to seven year period, the distribution of such loans originated in that year by origination characteristics and by delinquency category, cumulative loss and prepayments as at each month-end.

In the following tables, monthly prepayment rates represent for each month earlier than scheduled full and partial repayments (hence excluding monthly scheduled repayments) as a percentage of monthly opening balances. A delinquency category corresponds to the number of full monthly contractual repayment amounts in arrears. Delinquency rates represent the monthly closing balances of loans in a particular delinquency category as a percentage of aggregate monthly closing balances. Loss data represent cumulative write-offs on a given year's originations as a percentage of original advances during such year. A write-off occurs following repossession and/or sale of a property and, if pursued, collection efforts for any shortfall.

Origination Characteristics

	2005	2006	2007	2008	2009	2010	H1 2011
Number of accounts opened	89,641	78,224	72,319	80,885	106,612	97,189	55,073
Average original balance	102,099	£122,114	£135,685	£140,720	£135,037	£136,471	£126,979
Weighted average original LTV	63.7%	67.9%	67.3%	70.6%	68.6%	66.2%	54.9%
Weighted average original term	20.29	21.68	21.82	22.2	22.49	20.09	21.08

[2] ***Columns may not add up to the total due to rounding***

	2005		2006		2007		2008		2009		2010		H1 2011	
	Principal Balance (£000)	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principle Balance (£000)**	**% of Total**	**Principle Balance (£000)**	**% of Total**
Other	£182,505.82	2.0%	£94,493.21	1.0%	£45,937	0.5%	£9,581	0.1%	£13,675	0.1%	£6,543	0.0%	£281	0.0%
East Anglia	£325,169.92	3.6%	£373,119.58	3.9%	£347,468	3.5%	£370,674	3.3%	£476,192	3.3%	£465,718	3.5%	£222,354	3.2%
East Midlands	£533,317.01	5.8%	£546,819.13	5.7%	£562,755	5.7%	£590,597	5.2%	£721,684	5.0%	£625,988	4.7%	£314,611	4.5%
Greater London	£1,480,985.12	16.2%	£1,675,363.46	17.5%	£1,851,455	18.9%	£2,415,988	21.2%	£2,913,586	20.2%	£2,908,849	21.9%	£1,522,127	21.8%
North West	£1,199,186.66	13.1%	£1,149,371.20	12.0%	£1,219,134	12.4%	£1,344,274	11.8%	£1,582,620	11.0%	£1,350,919	10.2%	£658,774	9.4%
Northern	£358,231.76	3.9%	£295,798.43	3.1%	£270,060	2.8%	£307,296	2.7%	£423,888	2.9%	£398,523	3.0%	£217,143	3.1%
Northern Ireland	£24,629.37	0.3%	£20,398.59	0.2%	£11,403	0.1%	£1,864	0.0%	£0	0.0%	£220	0.0%	£0	0.0%
Scotland	£1,093,259.69	11.9%	£1,059,845.07	11.1%	£1,102,384	11.2%	£1,333,751	11.7%	£1,489,460	10.3%	£1,161,948	8.8%	£608,609	8.7%
South East	£1,720,986.12	18.8%	£2,047,876.02	21.4%	£2,096,007	21.4%	£2,454,601	21.6%	£3,410,372	23.7%	£3,170,189	23.9%	£1,780,648	25.5%
South West	£710,191.51	7.8%	£802,151.65	8.4%	£833,164	8.5%	£908,956	8.0%	£1,333,188	9.3%	£1,225,272	9.2%	£673,648	9.6%
Wales	£288,452.02	3.2%	£260,810.78	2.7%	£285,974	2.9%	£302,980	2.7%	£378,805	2.6%	£349,338	2.6%	£200,066	2.9%
West Midlands	£587,191.10	6.4%	£604,946.98	6.3%	£586,395	6.0%	£659,643	5.8%	£867,584	6.0%	£850,777	6.4%	£410,938	5.9%
Yorkshire & Humberside	£648,184.16	7.1%	£621,238.10	6.5%	£600,450	6.1%	£681,908	6.0%	£785,479	5.5%	£749,183	5.6%	£383,896	5.5%
Total	**£9,152,290.25**	**1**	**£9,552,232.18**	**1**	**£9,812,586**	**100%**	**£11,382,114**	**100%**	**£14,396,532**	**100%**	**£13,263,467**	**100%**	**£6,993,094**	**100%**

	2005		2006		2007		2008		2009		2010		H1 2011	
	Principal Balance (£000)	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**
BRT	£1,605,937	17.5%	£1,982,319	20.8%	£2,876,065	29.3%	£3,709,393	32.6%	£1,857,698	12.9%	£6,668,757	50.3%	£2,087,303	29.8%
Capped	£1,736	0.0%	£773	0.0%	£460	0.0%	£0	0.0%	£0	0.0%	£0	0.0%	£0	0.0%
Discounted SVR	£3,172,557	34.7%	£2,215,856	23.2%	£340,724	3.5%	£91,505	0.8%	£4,707	0.0%	£2,089	0.0%	£69	0.0%
Fixed	£3,835,691	41.9%	£4,845,819	50.7%	£6,413,355	65.4%	£7,329,726	64.4%	£12,469,013	86.6%	£6,521,459	49.2%	£4,892,755	70.0%
Flexible	£119,905	1.3%	£66,104	0.7%	£47,394	0.5%	£46,416	0.4%	£2,237	0.0%	£2,060	0.0%	£738	0.0%
Variable	£31,112	0.3%	£26,122	0.3%	£21,673	0.2%	£66,304	0.6%	£19,491	0.1%	£32,492	0.2%	£12,130	0.2%
Other	£385,353	4.2%	£415,238	4.3%	£112,914	1.2%	£138,769	1.2%	£43,386	0.3%	£36,610	0.3%	£98	0.0%
Total	£9,152,290	100%	£9,552,232	100%	£9,812,586	100%	£11,382,114	100%	£14,396,532	100%	£13,263,467	100%	£6,993,094	100%

	2005		2006		2007		2008		2009		2010		H1 2011	
	Principal Balance (£000)	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**	**Principal Balance (£000)**	**% of Total**
Buy-to-Let	£520,325	5.7%	£267,881	2.8%	£279,915	2.9%	£455,097	4.0%	£207,984	1.4%	£249,655	1.9%	£92,207	1.3%
First Time Buyer	£0	0.0%	£1,054,849	11.0%	£1,141,272	11.6%	£1,503,138	13.2%	£3,739,984	26.0%	£3,496,182	26.4%	£835,974	12.0%
Remortgage	£4,585,561	50.1%	£4,345,129	45.5%	£5,102,908	52.0%	£6,025,886	52.9%	£5,121,861	35.6%	£3,870,915	29.2%	£4,012,905	57.4%
Other.....	£4,046,404	44.2%	£3,884,373	40.7%	£3,288,490	33.5%	£3,397,993	29.9%	£5,326,703	37.0%	£5,646,715	42.6%	£2,052,007	29.3%
Total.....	**£9,152,290**	**100%**	**£9,552,232**	**100%**	**£9,812,586**	**100%**	**£11,382,114**	**100%**	**£14,396,532**	**100%**	**£13,263,467**	**100%**	**£6,993,094**	**100%**

* Please note there is no First Time Buyer information available for 2005.

RBS and NWHL Balances and Impairment Charges for Mortgages*

	2008	2009	2010	H1 2011
GMS Balances (£bn)	31.9	43.9	56.7	61.8
Total Balances (£bn)	74.5	85.5	92.3	96
GMS as % of Total	43%	51%	61%	64%
Total Impairment Charge (£m)	34.4	166.6	263.9	360.6

*Write-offs in the Sellers' mortgage book can lag significantly behind the point of impairment, as typically shortfall mortgage recoveries can be subject to a lengthy recovery process. This could include repossession proceedings, with any shortfall remaining following possession also subject to a further potentially lengthy unsecured recovery process. The recent experience of impairment charges as shown in the above table may be an additional indicator of future cumulative losses.

Static Pool Data for 2004 RBS and NWHL GMS Originations*

Year 2004 Total RBS and NWHL GMS Originations

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 month delinquency %	1-<2 month delinquency %	2-<3 month delinquency %	3 – 6 months delinquency %	6 – 12 months delinquency %	12 – 24 months delinquency %	Over 24 months delinquency %	Total delinquent balance %	Cumulative Losses £000s	Cumulative Losses % of Total years originations
Jun-11	0.51	91.34	1.25	1.88	0.92	1.28	0.71	1.31	0.86	8.21	1012	0.13
May-11	0.56	91.56	1.25	1.62	1.05	1.26	0.62	1.43	0.78	8.00	1012	0.13
Apr-11	0.57	91.54	1.31	1.79	0.99	1.02	0.69	1.59	0.63	8.02	1012	0.13
Mar-11	0.99	90.96	1.45	2.08	1.02	1.14	0.71	1.80	0.40	8.61	1012	0.13
Feb-11	0.65	91.23	1.12	2.20	1.19	0.99	0.77	1.73	0.38	8.38	910	0.12
Jan-11	0.35	91.02	1.42	2.05	1.20	1.05	0.76	1.76	0.37	8.61	878	0.12
Dec-10	0.51	91.30	1.31	2.17	1.08	0.92	0.84	1.66	0.36	8.33	877	0.12
Nov-10	1.15	92.03	1.20	1.66	1.01	0.89	0.88	1.64	0.53	7.80	418	0.06
Oct-10	0.97	91.62	1.18	2.06	1.13	0.90	0.66	1.69	0.58	8.21	418	0.06
Sep-10	0.84	91.80	0.94	2.11	0.92	1.03	0.85	1.72	0.46	8.03	418	0.06
Aug-10	0.81	92.02	0.70	1.93	0.82	1.42	0.75	1.71	0.49	7.81	418	0.06
Jul-10	1.01	91.97	0.85	2.01	1.12	0.90	0.75	1.76	0.47	7.87	418	0.06
Jun-10	0.92	92.23	1.00	1.97	0.97	0.94	0.67	1.64	0.43	7.61	418	0.06
May-10	0.59	92.63	0.96	1.88	0.66	0.98	0.80	1.58	0.41	7.28	223	0.03
Apr-10	1.07	92.41	1.26	1.51	0.83	1.00	0.86	1.52	0.52	7.50	223	0.03
Mar-10	0.66	92.43	1.08	1.69	0.87	0.88	1.37	1.14	0.45	7.48	223	0.03
Feb-10	0.93	92.73	1.01	1.45	1.09	0.68	1.52	0.98	0.45	7.19	223	0.03
Jan-10	0.35	92.32	1.03	1.54	1.15	0.83	1.62	0.99	0.46	7.63	135	0.02
Dec-09	0.45	92.37	0.92	1.65	1.10	0.99	1.39	1.00	0.53	7.58	135	0.02
Nov-09	0.56	92.42	0.80	1.76	1.04	1.15	1.17	1.00	0.60	7.53	135	0.02
Oct-09	0.52	92.59	0.85	1.67	0.81	1.16	1.33	0.93	0.64	7.39	54	0.01
Sep-09	0.79	92.19	0.80	2.11	0.90	1.64	0.75	0.91	0.68	7.79	54	0.01
Aug-09	0.78	92.26	1.03	1.71	0.99	1.59	0.87	0.85	0.67	7.72	54	0.01
Jul-09	0.64	91.46	0.85	2.46	0.91	1.90	0.89	0.84	0.66	8.52	54	0.01
Jun-09	0.94	91.41	1.13	2.54	1.29	1.20	0.72	1.07	0.62	8.58	41	0.01
May-09	0.79	91.00	1.11	2.97	1.28	1.24	0.87	0.96	0.56	8.98	41	0.01
Apr-09	0.70	89.62	1.93	4.08	0.83	1.10	0.98	0.79	0.66	10.37	41	0.01
Mar-09	1.62	92.01	1.78	2.01	0.92	0.86	0.97	0.82	0.61	7.97	41	0.01
Feb-09	0.78	91.91	1.68	1.90	0.60	1.03	1.09	0.77	1.02	8.09	9	0.00
Jan-09	1.61	92.34	1.40	1.82	0.59	1.06	1.08	0.83	0.87	7.66	9	0.00
Dec-08	0.71	92.32	1.54	1.91	0.49	1.26	0.70	0.88	0.90	7.67	9	0.00
Nov-08	0.87	92.69	1.64	1.44	0.75	1.21	0.64	0.94	0.69	7.31	9	0.00
Oct-08	0.73	92.25	1.64	2.18	0.59	1.05	0.74	1.04	0.51	7.75	9	0.00
Sep-08	1.03	92.66	1.68	1.73	0.69	0.89	0.64	1.58	0.12	7.33	9	0.00
Aug-08	0.86	92.42	1.95	1.79	0.83	0.69	0.71	1.47	0.12	7.58	9	0.00
Jul-08	0.98	93.03	1.75	1.63	0.47	1.12	0.45	1.44	0.11	6.97	7	0.00
Jun-08	1.07	92.77	2.04	1.75	0.59	0.81	0.61	1.36	0.06	7.23	6	0.00
May-08	1.31	91.56	1.91	3.06	0.56	0.86	0.65	1.35	0.06	8.44	6	0.00

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 month delinquency %	1-<2 month delinquency %	2-<3 month delinquency %	3 – 6 months delinquency %	6 – 12 months delinquency %	12 – 24 months delinquency %	Over 24 months delinquency %	Total delinquent balance %	Cumulative Losses £000s	Cumulative Losses % of Total years originations
Apr-08	1.66	91.43	1.83	3.34	0.74	0.73	0.67	1.24	0.01	8.57	5	0.00
Mar-08	1.65	92.08	2.29	2.30	0.71	0.66	0.73	1.22	0.01	7.92	5	0.00
Feb-08	1.47	92.18	2.31	2.12	0.69	0.84	0.60	1.27	0.00	7.82	5	0.00
Jan-08	0.68	92.19	2.01	2.16	0.84	0.95	0.57	1.27	0.00	7.81	4	0.00
Dec-07	0.75	92.27	2.12	2.36	0.42	1.08	0.52	1.23	0.00	7.73	4	0.00
Nov-07	1.30	93.15	1.72	1.97	0.43	0.90	0.99	0.85	0.00	6.85		0.00
Oct-07	1.26	93.92	1.57	1.60	0.44	0.66	1.17	0.63	0.00	6.08		0.00
Sep-07	1.08	93.67	1.69	1.53	0.43	0.77	1.41	0.49	0.00	6.33		0.00
Aug-07	1.35	92.99	2.08	1.76	0.40	0.69	1.50	0.58	0.00	7.01		0.00
Jul-07	1.59	93.27	1.68	1.42	0.58	0.85	1.57	0.63	0.00	6.73		0.00
Jun-07	1.66	90.35	2.50	3.56	0.59	1.00	1.58	0.41	0.00	9.65		0.00
May-07	2.43	92.73	2.18	1.53	0.68	1.11	1.41	0.36	0.00	7.27		0.00
Apr-07	2.15	92.61	2.11	1.76	0.88	1.14	1.07	0.42	0.00	7.39		0.00
Mar-07	3.13	91.79	2.68	2.18	0.77	1.30	0.83	0.44	0.00	8.21		0.00
Feb-07	3.87	91.77	3.37	1.84	0.55	1.21	0.88	0.39	0.00	8.23		0.00
Jan-07	3.50	91.38	3.70	2.14	0.76	0.82	0.88	0.33	0.00	8.62		0.00
Dec-06	2.60	92.90	3.11	1.42	0.71	0.81	0.67	0.37	0.00	7.10		0.00
Nov-06	1.80	93.07	2.49	2.03	0.70	0.64	0.76	0.30	0.00	6.93		0.00
Oct-06	1.39	93.22	2.34	2.27	0.48	0.68	0.69	0.32	0.00	6.78		0.00
Sep-06	1.29	93.39	2.86	1.65	0.52	0.61	0.70	0.27	0.00	6.61		0.00
Aug-06	1.04	93.12	2.44	2.08	0.69	0.76	0.68	0.24	0.00	6.88		0.00
Jul-06	1.00	92.79	2.90	1.92	0.77	0.85	0.60	0.18	0.00	7.21		0.00
Jun-06	0.93	92.28	2.90	2.52	0.59	0.96	0.60	0.14	0.00	7.72		0.00
May-06	0.95	92.60	2.94	2.34	0.58	0.75	0.65	0.14	0.00	7.40		0.00
Apr-06	1.01	92.34	3.37	2.29	0.62	0.54	0.73	0.10	0.00	7.66		0.00
Mar-06	0.73	91.82	3.00	3.32	0.55	0.59	0.62	0.10	0.00	8.18		0.00
Feb-06	0.84	90.94	3.72	3.48	0.55	0.71	0.51	0.10	0.00	9.06		0.00
Jan-06	0.54	90.06	3.62	4.18	0.67	0.94	0.41	0.13	0.00	9.94		0.00
Dec-05	0.78	90.82	3.19	4.05	0.65	0.84	0.36	0.09	0.00	9.18		0.00
Nov-05	0.66	91.38	2.90	3.81	0.84	0.74	0.26	0.06	0.00	8.62		0.00
Oct-05	0.81	92.17	2.70	3.29	0.92	0.69	0.23	0.00	0.00	7.83		0.00
Sep-05	0.71	92.81	2.41	3.09	0.85	0.60	0.23	0.00	0.00	7.19		0.00
Aug-05	0.79	93.22	2.13	3.30	0.59	0.45	0.30	0.00	0.00	6.78		0.00
Jul-05	0.59	93.93	2.26	2.47	0.70	0.42	0.22	0.00	0.00	6.07		0.00
Jun-05	0.45	94.32	1.81	2.62	0.61	0.49	0.16	0.00	0.00	5.68		0.00
May-05	0.34	92.46	1.75	4.55	0.74	0.46	0.04	0.00	0.00	7.54		0.00
Apr-05	0.68	95.00	1.20	2.77	0.61	0.42	0.00	0.00	0.00	5.00		0.00
Mar-05	0.48	93.85	0.98	3.51	0.97	0.69	0.00	0.00	0.00	6.15		0.00
Feb-05	0.28	92.17	1.30	5.13	0.95	0.45	0.00	0.00	0.00	7.83		0.00
Jan-05	0.74	93.26	0.85	4.78	1.02	0.09	0.00	0.00	0.00	6.74		0.00

*Please refer to table entitled "*RBS and NWHL Balances and Impairment Charges for Mortgages*" for additional indication of future cumulative losses.

Static Pool Data for 2005 RBS and NWHL GMS Originations*

Year 2005 Total RBS and NWHL GMS Originations

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 month delinquency %	1-<2 month delinquency %	2-<3 month delinquency %	3 – 6 months delinquency %	6 – 12 months delinquency %	12 – 24 months delinquency %	Over 24 months delinquency %	Total delinquent balance %	Cumulative Losses £000s	Cumulative Losses % of Total years originations
Jun-11	0.76	91.92	1.06	1.75	0.79	1.09	1.15	1.26	0.83	7.91	6753	0.06
May-11	0.59	91.96	1.08	1.71	0.80	1.05	1.16	1.31	0.75	7.87	6704	0.06
Apr-11	0.71	91.98	1.10	1.75	0.81	1.01	1.19	1.35	0.66	7.86	6585	0.06
Mar-11	0.59	91.50	1.15	2.09	0.84	1.07	1.23	1.28	0.68	8.33	6585	0.06
Feb-11	0.69	91.87	1.08	1.89	0.84	1.01	1.23	1.31	0.62	7.97	6275	0.06
Jan-11	0.51	91.91	0.96	1.91	0.86	1.05	1.24	1.32	0.60	7.94	6151	0.06
Dec-10	0.79	91.73	1.15	1.98	0.82	1.13	1.17	1.31	0.58	8.13	5724	0.05
Nov-10	0.86	92.08	1.00	1.67	0.89	1.11	1.20	1.33	0.59	7.80	5058	0.05
Oct-10	0.68	91.91	1.06	1.82	0.86	1.17	1.16	1.32	0.58	7.98	4725	0.04
Sep-10	0.89	91.95	1.10	1.74	0.99	1.12	1.16	1.30	0.53	7.94	4542	0.04
Aug-10	0.96	92.16	1.04	1.72	0.93	1.12	1.15	1.29	0.49	7.74	4243	0.04
Jul-10	1.11	92.12	0.96	1.82	0.94	1.16	1.14	1.26	0.51	7.78	4243	0.04
Jun-10	0.91	92.34	0.89	1.69	0.93	1.18	1.13	1.23	0.51	7.56	4179	0.04
May-10	0.86	92.43	0.92	1.68	0.90	1.17	1.12	1.21	0.49	7.50	3343	0.03
Apr-10	1.13	92.41	0.93	1.65	0.98	1.14	1.15	1.19	0.47	7.52	3142	0.03
Mar-10	0.84	92.10	0.96	1.98	0.94	1.22	1.19	1.09	0.47	7.83	2861	0.03
Feb-10	0.78	92.35	0.86	1.73	1.03	1.25	1.20	1.01	0.51	7.59	2858	0.03
Jan-10	0.10	92.12	0.91	1.75	1.07	1.31	1.21	1.10	0.48	7.82	2578	0.02
Dec-09	0.48	92.22	0.91	1.74	1.02	1.32	1.17	1.11	0.47	7.74	2734	0.02
Nov-09	0.87	92.30	0.91	1.73	0.98	1.33	1.13	1.12	0.45	7.65	2112	0.02
Oct-09	1.01	92.51	0.87	1.66	0.85	1.37	1.16	1.07	0.48	7.47	1238	0.01
Sep-09	1.02	92.56	0.90	1.55	0.92	1.34	1.19	1.01	0.51	7.41	1238	0.01
Aug-09	0.76	92.64	0.81	1.67	0.86	1.28	1.23	0.99	0.50	7.34	1041	0.01
Jul-09	0.92	92.35	0.92	1.76	0.93	1.27	1.23	1.00	0.52	7.63	872	0.01
Jun-09	0.60	92.55	0.99	1.65	0.84	1.28	1.23	0.95	0.49	7.43	834	0.01
May-09	0.72	92.41	1.10	1.64	0.83	1.31	1.18	0.98	0.54	7.57	739	0.01
Apr-09	0.49	90.51	1.53	3.05	0.85	1.29	1.11	1.03	0.62	9.48	670	0.01
Mar-09	0.60	92.12	1.44	1.69	0.80	1.39	1.09	0.91	0.55	7.87	667	0.01
Feb-09	0.51	92.41	1.46	1.52	0.82	1.31	1.11	0.88	0.49	7.58	519	0.00
Jan-09	0.58	92.29	1.46	1.66	0.89	1.26	1.10	0.89	0.44	7.70	410	0.00
Dec-08	0.71	92.56	1.48	1.69	0.94	1.07	1.15	0.80	0.31	7.43	198	0.00
Nov-08	0.93	92.93	1.43	1.69	0.80	1.11	1.11	0.75	0.18	7.07	198	0.00
Oct-08	1.05	92.46	1.65	2.04	0.82	1.11	1.12	0.70	0.10	7.53	198	0.00
Sep-08	1.00	92.93	1.70	1.69	0.80	1.13	1.04	0.61	0.10	7.07	196	0.00
Aug-08	0.99	93.05	1.57	1.76	0.89	1.06	1.01	0.56	0.10	6.95	150	0.00
Jul-08	1.25	93.19	1.48	1.82	0.81	1.02	1.06	0.52	0.10	6.81	137	0.00
Jun-08	1.11	93.29	1.66	1.61	0.80	1.04	0.99	0.51	0.10	6.71	66	0.00
May-08	1.34	91.10	2.25	3.25	0.78	1.11	0.93	0.49	0.07	8.90	66	0.00
Apr-08	1.80	91.17	2.31	3.31	0.73	1.17	0.79	0.46	0.06	8.83	55	0.00

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 month delinquency %	1-<2 month delinquency %	2-<3 month delinquency %	3 – 6 months delinquency %	6 – 12 months delinquency %	12 – 24 months delinquency %	Over 24 months delinquency %	Total delinquent balance %	Cumulative Losses £000s	Cumulative Losses % of Total years originations
Mar-08	1.68	92.87	1.99	1.75	0.91	1.13	0.86	0.43	0.06	7.13	49	0.00
Feb-08	2.18	92.95	1.95	1.92	0.87	1.09	0.79	0.38	0.04	7.05	49	0.00
Jan-08	2.62	92.80	1.95	2.06	0.89	1.11	0.77	0.37	0.04	7.20	24	0.00
Dec-07	3.28	93.39	1.97	1.88	0.77	0.89	0.71	0.36	0.02	6.61	16	0.00
Nov-07	3.46	93.84	1.61	1.90	0.72	0.87	0.70	0.34	0.01	6.16		
Oct-07	3.85	94.02	1.60	1.86	0.69	0.87	0.65	0.31	0.01	5.98		
Sep-07	3.83	94.26	1.52	1.82	0.71	0.79	0.63	0.27	0.00	5.74		
Aug-07	4.05	94.00	1.75	2.01	0.56	0.80	0.62	0.26	0.00	6.00		
Jul-07	4.57	94.50	1.55	1.81	0.53	0.80	0.55	0.26	0.00	5.50		
Jun-07	2.94	94.67	1.56	1.76	0.51	0.76	0.49	0.25	0.00	5.33		
May-07	3.06	94.84	1.38	1.77	0.57	0.74	0.49	0.21	0.00	5.16		
Apr-07	3.23	95.04	1.35	1.70	0.53	0.71	0.49	0.17	0.00	4.96		
Mar-07	2.34	94.69	1.68	1.79	0.54	0.70	0.44	0.16	0.00	5.31		
Feb-07	2.04	94.73	2.09	1.45	0.49	0.69	0.42	0.13	0.00	5.27		
Jan-07	1.83	94.52	2.07	1.60	0.58	0.69	0.41	0.13	0.00	5.48		
Dec-06	1.82	94.94	2.06	1.42	0.49	0.59	0.39	0.11	0.00	5.06		
Nov-06	1.73	94.90	1.77	1.70	0.57	0.61	0.36	0.09	0.00	5.10		
Oct-06	1.51	95.02	1.75	1.76	0.50	0.57	0.32	0.08	0.00	4.98		
Sep-06	1.35	95.35	1.81	1.55	0.44	0.51	0.28	0.06	0.00	4.65		
Aug-06	1.56	94.98	1.75	1.89	0.49	0.55	0.28	0.05	0.00	5.02		
Jul-06	1.41	95.27	1.68	1.77	0.49	0.51	0.23	0.05	0.00	4.73		
Jun-06	1.45	95.32	1.55	1.95	0.46	0.49	0.19	0.04	0.00	4.68		
May-06	1.18	95.44	1.63	1.89	0.41	0.44	0.16	0.03	0.00	4.56		
Apr-06	0.87	95.75	1.49	1.86	0.41	0.34	0.15	0.01	0.00	4.25		
Mar-06	1.28	95.43	1.50	2.14	0.42	0.34	0.17	0.01	0.00	4.57		
Feb-06	0.82	95.42	1.34	2.41	0.36	0.35	0.12	0.00	0.00	4.58		
Jan-06	0.66	95.26	1.31	2.62	0.38	0.32	0.11	0.00	0.00	4.74		

*Please refer to table entitled "*RBS and NWHL Balances and Impairment Charges for Mortgages*" for additional indication of future cumulative losses.

Static Pool Data for 2006 RBS and NWHL GMS Originations*

Year 2006 Total RBS and NWHL GMS Originations

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 month delinquency %	1-<2 month delinquency %	2-<3 month delinquency %	3 – 6 months delinquency %	6 – 12 months delinquency %	12 – 24 months delinquency %	Over 24 months delinquency %	Total delinquent balance %	Cumulative Losses £000s	Cumulative Losses % of Total years originations
Jun-11	0.75%	93.45%	0.88%	1.55%	0.67%	0.84%	1.05%	0.97%	0.48%	6.45%	5413	0.05%
May-11	0.72%	93.34%	0.91%	1.63%	0.69%	0.87%	1.04%	0.96%	0.48%	6.57%	5032	0.05%
Apr-11	0.67%	93.39%	0.99%	1.52%	0.71%	0.87%	1.01%	0.99%	0.43%	6.52%	4962	0.05%
Mar-11	0.71%	93.14%	0.93%	1.84%	0.68%	0.91%	1.03%	0.97%	0.43%	6.78%	4925	0.05%
Feb-11	0.64%	93.31%	0.95%	1.63%	0.73%	0.95%	1.04%	0.91%	0.41%	6.61%	4519	0.04%
Jan-11	0.62%	93.20%	0.92%	1.74%	0.75%	0.94%	1.08%	0.90%	0.40%	6.72%	4416	0.04%
Dec-10	0.87%	93.30%	0.91%	1.73%	0.77%	0.93%	1.06%	0.88%	0.35%	6.63%	4246	0.04%
Nov-10	0.95%	93.51%	0.94%	1.54%	0.74%	0.92%	1.07%	0.88%	0.34%	6.42%	4014	0.04%
Oct-10	0.88%	93.43%	0.97%	1.57%	0.81%	0.89%	1.06%	0.91%	0.30%	6.52%	3424	0.03%
Sep-10	1.05%	93.49%	0.86%	1.63%	0.77%	1.00%	1.02%	0.91%	0.27%	6.45%	3203	0.03%
Aug-10	0.93%	93.63%	0.82%	1.58%	0.81%	0.98%	0.99%	0.88%	0.27%	6.33%	2927	0.03%
Jul-10	1.08%	93.58%	0.86%	1.59%	0.81%	1.01%	0.99%	0.83%	0.27%	6.37%	2860	0.03%
Jun-10	0.89%	93.68%	0.89%	1.48%	0.84%	1.08%	0.92%	0.83%	0.24%	6.28%	2543	0.02%
May-10	0.92%	93.68%	0.86%	1.47%	0.86%	1.10%	0.91%	0.86%	0.22%	6.28%	2370	0.02%
Apr-10	0.82%	93.61%	0.86%	1.52%	0.89%	1.13%	0.90%	0.88%	0.19%	6.36%	1990	0.02%
Mar-10	0.66%	93.61%	0.77%	1.60%	0.97%	1.11%	0.88%	0.85%	0.19%	6.36%	1898	0.02%
Feb-10	0.59%	93.72%	0.72%	1.59%	0.92%	1.13%	0.91%	0.79%	0.18%	6.25%	1792	0.02%
Jan-10	0.17%	93.62%	0.70%	1.67%	0.94%	1.15%	0.92%	0.78%	0.19%	6.35%	1668	0.02%
Dec-09	0.40%	93.73%	0.75%	1.61%	0.88%	1.14%	0.92%	0.77%	0.18%	6.26%	2822	0.01%
Nov-09	0.62%	93.82%	0.81%	1.56%	0.83%	1.12%	0.92%	0.76%	0.17%	6.17%	959	0.01%
Oct-09	0.74%	93.94%	0.78%	1.57%	0.77%	1.15%	0.90%	0.74%	0.16%	6.06%	372	0.00%
Sep-09	0.68%	94.05%	0.75%	1.54%	0.83%	1.06%	0.89%	0.71%	0.17%	5.95%	339	0.00%
Aug-09	0.60%	94.13%	0.69%	1.61%	0.74%	1.09%	0.85%	0.74%	0.15%	5.87%	212	0.00%
Jul-09	0.73%	93.96%	0.82%	1.62%	0.79%	1.05%	0.90%	0.70%	0.15%	6.04%	116	0.00%
Jun-09	0.54%	93.98%	1.01%	1.55%	0.72%	1.08%	0.87%	0.65%	0.14%	6.02%	79	0.00%
May-09	0.52%	93.92%	1.07%	1.59%	0.74%	1.03%	0.89%	0.61%	0.16%	6.08%	69	0.00%
Apr-09	0.55%	91.87%	1.59%	3.27%	0.68%	0.98%	0.90%	0.56%	0.15%	8.13%	65	0.00%
Mar-09	0.57%	93.73%	1.55%	1.58%	0.65%	0.94%	0.91%	0.54%	0.11%	6.27%	65	0.00%
Feb-09	0.58%	93.96%	1.55%	1.50%	0.66%	0.88%	0.86%	0.49%	0.10%	6.04%	65	0.00%
Jan-09	0.84%	93.88%	1.62%	1.63%	0.65%	0.91%	0.80%	0.44%	0.07%	6.12%	65	0.00%
Dec-08	1.66%	94.23%	1.75%	1.46%	0.63%	0.90%	0.66%	0.34%	0.03%	5.77%	24	0.00%
Nov-08	2.45%	94.50%	1.68%	1.48%	0.60%	0.87%	0.62%	0.23%	0.02%	5.50%	24	0.00%
Oct-08	4.62%	94.30%	1.88%	1.66%	0.63%	0.81%	0.52%	0.19%	0.01%	5.70%	24	0.00%
Sep-08	2.58%	94.97%	1.74%	1.38%	0.58%	0.68%	0.48%	0.17%	0.01%	5.03%	24	0.00%
Aug-08	3.34%	95.38%	1.50%	1.37%	0.53%	0.61%	0.45%	0.16%	0.01%	4.62%	24	0.00%
Jul-08	2.55%	95.67%	1.29%	1.40%	0.51%	0.58%	0.39%	0.15%	0.00%	4.33%	24	0.00%
Jun-08	1.06%	96.01%	1.27%	1.22%	0.44%	0.56%	0.37%	0.12%	0.00%	3.99%	24	0.00%
May-08	1.73%	94.18%	1.66%	2.73%	0.47%	0.50%	0.35%	0.11%	0.00%	5.82%	18	0.00%
Apr-08	1.48%	94.43%	1.50%	2.76%	0.46%	0.45%	0.29%	0.09%	0.00%	5.57%	18	0.00%

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 month delinquency %	1-<2 month delinquency %	2-<3 month delinquency %	3 – 6 months delinquency %	6 – 12 months delinquency %	12 – 24 months delinquency %	Over 24 months delinquency %	Total delinquent balance %	Cumulative Losses £000s	Cumulative Losses % of Total years originations
Mar-08	1.03%	96.18%	1.15%	1.39%	0.45%	0.47%	0.28%	0.09%	0.00%	3.82%		
Feb-08	1.26%	96.35%	1.09%	1.30%	0.49%	0.42%	0.27%	0.08%	0.00%	3.65%		
Jan-08	0.94%	96.33%	1.00%	1.43%	0.48%	0.43%	0.26%	0.07%	0.00%	3.67%		
Dec-07	1.10%	96.83%	0.91%	1.20%	0.46%	0.34%	0.21%	0.04%	0.00%	3.17%		
Nov-07	1.04%	97.18%	0.76%	1.13%	0.37%	0.34%	0.18%	0.04%	0.00%	2.82%		
Oct-07	1.19%	97.20%	0.82%	1.14%	0.33%	0.32%	0.16%	0.03%	0.00%	2.80%		
Sep-07	1.03%	97.29%	0.81%	1.09%	0.35%	0.30%	0.15%	0.02%	0.00%	2.71%		
Aug-07	1.13%	97.12%	0.89%	1.24%	0.31%	0.29%	0.13%	0.02%	0.00%	2.88%		
Jul-07	0.98%	97.46%	0.82%	1.11%	0.23%	0.26%	0.11%	0.01%	0.00%	2.54%		
Jun-07	0.96%	97.32%	0.95%	1.17%	0.25%	0.21%	0.08%	0.01%	0.00%	2.68%		
May-07	0.82%	97.74%	0.64%	1.09%	0.26%	0.19%	0.08%	0.01%	0.00%	2.26%		
Apr-07	0.81%	97.74%	0.81%	0.99%	0.23%	0.16%	0.05%	0.01%	0.00%	2.26%		
Mar-07	0.79%	97.43%	0.95%	1.21%	0.20%	0.16%	0.05%	0.00%	0.00%	2.57%		
Feb-07	0.62%	97.51%	1.12%	1.05%	0.15%	0.13%	0.04%	0.00%	0.00%	2.49%		
Jan-07	0.65%	97.49%	0.88%	1.32%	0.16%	0.12%	0.03%	0.00%	0.00%	2.51%		

*Please refer to table entitled "*RBS and NWHL Balances and Impairment Charges for Mortgages*" for additional indication of future cumulative losses.

Static Pool Data for 2007 RBS and NWHL GMS Originations*

Year 2007 Total RBS and NWHL GMS Originations

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate %	Current Loans Balance %	>0-<1 Month Delinquency %	1-<2 Months Delinquency %	2-<3 Month Delinquency %	3-6 Months Delinquency %	6-12 Months Delinquency %	12-24 Months Delinquency %	Over 24 Months Delinquency %	Total Delinquent Balance %	Cumulative Losses £000s	Cumulative Losses % of Total Year's Originations
Jun-11	0.65%	93.76%	0.85%	1.62%	0.66%	0.89%	0.97%	0.93%	0.25%	6.17%	5310	0.05%
May-11	0.62%	93.86%	0.79%	1.58%	0.70%	0.86%	1.04%	0.89%	0.21%	6.08%	4950	0.05%
Apr-11	0.66%	93.88%	0.86%	1.57%	0.67%	0.90%	1.00%	0.85%	0.22%	6.07%	4576	0.04%
Mar-11	0.57%	93.39%	0.92%	1.93%	0.73%	0.91%	1.05%	0.80%	0.21%	6.55%	4553	0.04%
Feb-11	0.59%	93.68%	0.85%	1.73%	0.70%	0.96%	1.01%	0.81%	0.20%	6.27%	4060	0.04%
Jan-11	0.44%	93.64%	0.87%	1.74%	0.77%	0.91%	1.02%	0.80%	0.20%	6.31%	4060	0.04%
Dec-10	0.70%	93.61%	0.94%	1.84%	0.74%	0.92%	0.97%	0.75%	0.19%	6.34%	3608	0.03%
Nov-10	0.78%	94.10%	0.82%	1.53%	0.75%	0.88%	0.97%	0.75%	0.16%	5.86%	2857	0.03%
Oct-10	0.68%	93.99%	0.85%	1.56%	0.79%	0.97%	0.94%	0.72%	0.16%	5.97%	2569	0.02%
Sep-10	0.68%	94.12%	0.74%	1.54%	0.82%	1.01%	0.88%	0.72%	0.14%	5.85%	2449	0.02%
Aug-10	0.78%	94.17%	0.79%	1.53%	0.80%	1.04%	0.79%	0.72%	0.13%	5.80%	2058	0.02%
Jul-10	0.84%	94.24%	0.74%	1.51%	0.83%	0.94%	0.90%	0.67%	0.14%	5.74%	2052	0.02%
Jun-10	0.72%	94.19%	0.74%	1.57%	0.81%	1.02%	0.92%	0.60%	0.14%	5.78%	1917	0.02%
May-10	0.72%	94.28%	0.80%	1.46%	0.81%	0.99%	0.94%	0.59%	0.11%	5.70%	1670	0.02%
Apr-10	0.73%	94.26%	0.79%	1.52%	0.84%	1.03%	0.88%	0.57%	0.10%	5.72%	1443	0.01%
Mar-10	0.79%	94.15%	0.73%	1.71%	0.82%	1.06%	0.88%	0.54%	0.09%	5.84%	1388	0.01%
Feb-10	0.64%	94.32%	0.77%	1.49%	0.83%	1.10%	0.85%	0.55%	0.08%	5.66%	1296	0.01%
Jan-10	0.15%	94.23%	0.74%	1.55%	0.87%	1.16%	0.81%	0.54%	0.08%	5.75%	1076	0.01%
Dec-09	0.42%	94.38%	0.74%	1.49%	0.85%	1.16%	0.81%	0.49%	0.08%	5.61%	562	0.01%
Nov-09	0.69%	94.52%	0.73%	1.43%	0.84%	1.15%	0.80%	0.45%	0.08%	5.47%	484	0.00%
Oct-09	1.03%	94.61%	0.73%	1.46%	0.83%	1.14%	0.73%	0.43%	0.07%	5.39%	88	0.00%
Sep-09	0.95%	94.75%	0.71%	1.45%	0.76%	1.16%	0.71%	0.40%	0.06%	5.25%	88	0.00%
Aug-09	0.64%	94.90%	0.64%	1.47%	0.81%	1.04%	0.68%	0.39%	0.07%	5.10%	59	0.00%
Jul-09	0.98%	94.73%	0.72%	1.65%	0.80%	1.04%	0.65%	0.35%	0.07%	5.27%	44	0.00%
Jun-09	0.52%	95.05%	0.80%	1.49%	0.76%	0.94%	0.61%	0.29%	0.07%	4.95%	3	0.00%
May-09	0.65%	95.14%	0.82%	1.54%	0.69%	0.87%	0.60%	0.28%	0.06%	4.85%	3	0.00%
Apr-09	0.42%	93.73%	1.09%	2.76%	0.66%	0.85%	0.58%	0.24%	0.07%	6.27%	3	0.00%
Mar-09	0.60%	95.30%	0.96%	1.55%	0.65%	0.76%	0.51%	0.22%	0.05%	4.70%	3	0.00%
Feb-09	0.39%	95.68%	0.93%	1.44%	0.59%	0.67%	0.48%	0.19%	0.02%	4.32%	3	0.00%
Jan-09	0.66%	95.89%	0.93%	1.37%	0.56%	0.68%	0.40%	0.15%	0.01%	4.11%	3	0.00%
Dec-08	0.72%	96.18%	0.96%	1.32%	0.53%	0.58%	0.32%	0.11%	0.00%	3.82%	3	0.00%
Nov-08	0.62%	96.39%	0.88%	1.40%	0.47%	0.51%	0.28%	0.08%	0.00%	3.61%	3	0.00%
Oct-08	0.87%	96.39%	0.89%	1.51%	0.46%	0.45%	0.25%	0.05%	0.00%	3.61%	3	0.00%
Sep-08	0.50%	96.87%	0.90%	1.21%	0.41%	0.38%	0.19%	0.04%	0.00%	3.13%	1	0.00%
Aug-08	0.47%	96.93%	0.80%	1.30%	0.43%	0.34%	0.17%	0.03%	0.00%	3.07%	1	0.00%
Jul-08	0.64%	97.12%	0.76%	1.23%	0.40%	0.30%	0.17%	0.02%	0.00%	2.88%	1	0.00%
Jun-08	0.42%	97.33%	0.84%	1.09%	0.36%	0.24%	0.12%	0.01%	0.00%	2.67%	1	0.00%

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate %	**Current Loans Balance %**	**>0-<1 Month Delinquency %**	**1-<2 Months Delinquency %**	**2-<3 Month Delinquency %**	**3-6 Months Delinquency %**	**6-12 Months Delinquency %**	**12-24 Months Delinquency %**	**Over 24 Months Delinquency %**	**Total Delinquent Balance %**	**Cumulative Losses £000s**	**Cumulative Losses % of Total Year's Originations**
May-08	0.50%	95.90%	1.03%	2.39%	0.36%	0.22%	0.10%	0.01%	0.00%	4.10%	1	0.00%
Apr-08	0.58%	96.27%	0.92%	2.24%	0.27%	0.21%	0.08%	0.00%	0.00%	3.73%	1	0.00%
Mar-08	0.43%	97.59%	0.81%	1.06%	0.29%	0.18%	0.06%	0.00%	0.00%	2.41%	1	0.00%
Feb-08	0.43%	97.75%	0.71%	1.08%	0.24%	0.17%	0.04%	0.00%	0.00%	2.25%	1	0.00%
Jan-08	0.48%	97.43%	0.59%	1.53%	0.26%	0.16%	0.03%	0.00%	0.00%	2.57%	1	0.00%

*Please refer to table entitled "*RBS and NWHL Balances and Impairment Charges for Mortgages*" for additional indication of future cumulative losses.

Static Pool Data for 2008 RBS and NWHL GMS Originations*

Year 2008 Total RBS and NWHL GMS Originations

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 Month Delinquency %	1-<2 Months Delinquency %	2-<3 Month Delinquency %	3-6 Months Delinquency %	6-12 Months Delinquency %	12-24 Months Delinquency %	Over 24 Months Delinquency %	Total Delinquent Balance %	Cumulative Losses £000s	Cumulative Losses % of Total Year's Originations
Jun-11	0.75	94.46	0.77	1.54	0.66	0.89	0.83	0.67	0.14	5.51	2953	0.02
May-11	0.74	94.41	0.80	1.58	0.67	0.90	0.84	0.63	0.15	5.56	2554	0.02
Apr-11	0.74	94.45	0.79	1.60	0.68	0.90	0.82	0.58	0.15	5.53	2401	0.02
Mar-11	0.70	94.17	0.79	1.85	0.74	0.90	0.79	0.59	0.15	5.80	2401	0.02
Feb-11	0.66	94.50	0.75	1.55	0.77	0.88	0.84	0.54	0.15	5.48	2187	0.02
Jan-11	0.60	94.36	0.82	1.62	0.82	0.88	0.83	0.52	0.13	5.62	2032	0.02
Dec-10	0.87	94.36	0.79	1.72	0.82	0.86	0.83	0.48	0.11	5.62	1706	0.01
Nov-10	1.16	94.66	0.77	1.56	0.76	0.88	0.81	0.46	0.10	5.33	1548	0.01
Oct-10	1.10	94.61	0.77	1.58	0.78	0.91	0.81	0.43	0.09	5.38	1325	0.01
Sep-10	1.24	94.82	0.70	1.51	0.75	0.93	0.79	0.41	0.08	5.17	1208	0.01
Aug-10	0.86	94.96	0.67	1.48	0.79	0.94	0.75	0.35	0.06	5.03	1010	0.01
Jul-10	1.54	94.94	0.69	1.47	0.86	0.96	0.69	0.33	0.06	5.05	791	0.01
Jun-10	0.95	95.03	0.65	1.50	0.87	0.97	0.65	0.29	0.03	4.96	625	0.00
May-10	1.18	95.14	0.69	1.46	0.85	0.94	0.61	0.27	0.03	4.86	523	0.00
Apr-10	1.00	95.26	0.65	1.47	0.86	0.92	0.56	0.26	0.02	4.74	397	0.00
Mar-10	0.62	95.26	0.62	1.55	0.81	0.98	0.50	0.26	0.03	4.74	397	0.00
Feb-10	0.70	95.50	0.56	1.43	0.87	0.91	0.46	0.25	0.02	4.50	386	0.00
Jan-10	0.11	95.50	0.50	1.55	0.85	0.93	0.44	0.21	0.02	4.50	386	0.00
Dec-09	0.25	95.69	0.52	1.45	0.81	0.91	0.41	0.18	0.02	4.30	239	0.00
Nov-09	0.42	95.89	0.54	1.35	0.77	0.89	0.38	0.16	0.03	4.11	155	0.00
Oct-09	0.37	96.11	0.52	1.31	0.71	0.83	0.36	0.13	0.02	3.89		
Sep-09	0.38	96.32	0.52	1.30	0.66	0.73	0.33	0.11	0.03	3.68		
Aug-09	0.35	96.52	0.48	1.30	0.59	0.68	0.30	0.10	0.03	3.48		
Jul-09	0.34	96.43	0.53	1.41	0.60	0.65	0.26	0.09	0.03	3.57		
Jun-09	0.28	96.80	0.57	1.26	0.49	0.56	0.22	0.08	0.03	3.20		
May-09	0.25	96.91	0.52	1.32	0.47	0.48	0.21	0.06	0.04	3.09		
Apr-09	0.25	95.75	0.67	2.39	0.45	0.46	0.18	0.07	0.03	4.25		
Mar-09	0.21	97.14	0.62	1.20	0.42	0.36	0.18	0.05	0.03	2.86		
Feb-09	0.16	97.51	0.52	1.09	0.42	0.27	0.17	0.02	0.00	2.49		
Jan-09	0.16	97.65	0.46	1.21	0.28	0.28	0.11	0.01	0.00	2.35		

*Please refer to table entitled "*RBS and NWHL Balances and Impairment Charges for Mortgages*" for additional indication of future cumulative losses.

Static Pool Data for 2009 RBS and NWHL GMS Originations*

Year 2009 Total RBS and NWHL GMS Originations

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance %	>0-<1 Month Delinquency %	1-<2 Months Delinquency %	2-<3 Month Delinquency %	3-6 Months Delinquency %	6-12 Months Delinquency %	12-24 Months Delinquency %	Over 24 Months Delinquency %	Total Delinquent Balance %	Cumulative Losses £000s	Cumulative Losses % of Total Year's Originations
Jun-11	0.98	97.93	0.38	0.79	0.26	0.29	0.19	0.13	0.02	2.06	71	0.00
May-11	0.75	97.95	0.35	0.83	0.28	0.24	0.20	0.11	0.02	2.04	71	0.00
Apr-11	1.41	98.06	0.34	0.79	0.26	0.24	0.19	0.11	0.02	1.94	71	0.00
Mar-11	0.40	97.93	0.32	0.94	0.27	0.24	0.18	0.11	0.01	2.07	71	0.00
Feb-11	0.38	98.15	0.30	0.75	0.29	0.24	0.15	0.10	0.01	1.84	45	0.00
Jan-11	0.29	98.08	0.27	0.89	0.27	0.26	0.13	0.10	0.01	1.92	45	0.00
Dec-10	0.48	98.16	0.28	0.86	0.25	0.24	0.12	0.09	0.00	1.84	30	0.00
Nov-10	0.44	98.38	0.26	0.69	0.24	0.23	0.12	0.07	0.00	1.61	30	0.00
Oct-10	0.36	98.31	0.24	0.77	0.27	0.22	0.12	0.06	0.00	1.69	2	0.00
Sep-10	0.38	98.36	0.25	0.75	0.23	0.22	0.13	0.04	0.00	1.64	2	0.00
Aug-10	0.34	98.51	0.25	0.65	0.23	0.20	0.12	0.05	0.00	1.49	2	0.00
Jul-10	0.39	98.53	0.23	0.68	0.25	0.17	0.11	0.04	0.00	1.47		
Jun-10	0.35	98.64	0.20	0.66	0.23	0.15	0.10	0.03	0.00	1.36		
May-10	0.27	98.74	0.17	0.62	0.23	0.14	0.08	0.02	0.00	1.26		
Apr-10	0.30	98.77	0.19	0.61	0.21	0.14	0.08	0.01	0.00	1.23		
Mar-10	0.30	98.81	0.17	0.63	0.20	0.12	0.07	0.01	0.00	1.19		
Feb-10	0.19	98.93	0.16	0.58	0.16	0.11	0.06	0.01	0.00	1.07		
Jan-10	0.19	98.91	0.13	0.66	0.14	0.10	0.05	0.00	0.00	1.09		

*Please refer to table entitled "*RBS and NWHL Balances and Impairment Charges for Mortgages*" for additional indication of future cumulative losses.

Static Pool Data for 2010 RBS and NWHL GMS Originations*

Year 2010 Total RBS and NWHL GMS Originations

	Prepayment Data					Delinquency Data				Loss Data		
	Monthly Prepayment Rate	Current Loans Balance	>0-<1 Month Delinquency	1-<2 Months Delinquency	2-<3 Month Delinquency	3-6 Months Delinquency	6-12 Months Delinquency	12-24 Months Delinquency	Over 24 Months Delinquency	Total Delinquent Balance	Cumulative Losses £000s	Cumulative Losses % of Total Year's Originations
		%	%	%	%	%	%	%	%	%		
Jun-11	0.31	99.09	0.21	0.49	0.10	0.20	0.04	0.04	0.00	1.07	91	0.00
May-11	0.21	99.20	0.17	0.42	0.09	0.17	0.03	0.03	0.00	0.92	91	0.00
Apr-11	0.26	99.08	0.16	0.58	0.08	0.15	0.03	0.02	0.00	1.03		
Mar-11	0.27	99.24	0.15	0.46	0.07	0.13	0.03	0.01	0.00	0.85		
Feb-11	0.21	99.23	0.15	0.51	0.08	0.11	0.02	0.00	0.00	0.87		
Jan-11	0.18	99.28	0.11	0.49	0.07	0.09	0.02	0.00	0.00	0.78		

GLOSSARY OF DEFINED TERMS

Account Bank	means RBS acting in such capacity.	
Account Bank Agreement	means the agreement so named dated on or about the Closing Date between the Issuer, the Cash Manager, the Account Bank and the Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time).	
Additional Interest	shall have the meaning given to this term in Condition 8.11(b) of the Notes.	
Administration Agreement	means the agreement so named entered into on the Closing Date between, *inter alios*, the Administrator and the Issuer.	
Administration Services or **Services**	means the services to be provided by each Administrator set out in the Administration Agreement including Schedule 1 thereto.	
Administrators	means RBS and NWHL or such other person arising from time to time being appointed as administrator of the relevant loans the portfolio pursuant to the Administration Agreement, and each an "**Administrator**".	
Agency Agreement	means the agreement so named dated on or about the Closing Date between the Issuer, the Agents and the Trustee (as the same may be amended, restated, varied, supplemented, replaced and/or novated from time to time).	
Agent Bank	means Citibank N.A., London Branch in its capacity as agent bank pursuant to the Agency Agreement.	
Agents	means the Agent Bank and the Paying Agents and "**Agent**" means any one of them.	
Appointee	means any delegate, agent, nominee, custodian, attorney or manager appointed by the Trustee pursuant to the provisions of the Trust Documents.	
approved purpose	means, in England and Wales, an approved purpose in relation to the right-to-buy scheme governed by the Housing Act 1985 (as amended by the Housing Act 2004) or, in Scotland, either of the purposes detailed in Sections 72(5)(a)(i) and (ii) of the Housing (Scotland) Act 1987.	
APS or **Asset Protection Scheme**	means the asset protection scheme established by HM Treasury on 26 February 2009, under which HM Treasury will, in return for a fee, provide protection for eligible financial institutions against credit losses incurred on certain defined asset classes.	

Arranger	means, in relation to the Notes, RBS in its capacity as the arranger.	
Authorised Investments	means (a) Sterling gilt-edged securities; and (b) Sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper), provided that in all cases either such investments (i) have been given a short term rating of at least F1+ by Fitch (or such other short term rating which is otherwise acceptable to Fitch, provided that any confirmation that such other short term rating is acceptable shall be given at the sole discretion of Fitch and may not be provided as a matter of policy), (ii) have a maturity date of 90 days or less and mature on or before the next following Interest Payment Date (unless the Interest Period in respect of such Interest Payment Date is greater than 90 days, in which case the maturity date of the Authorised Investments may be greater than 90 days but less than or equal to the number of days in such Interest Period) or (iii) may be broken or demanded by the Issuer (at no cost to the Issuer) on or before the next following Interest Payment Date, and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being an authorised person under the FSMA) are rated at least P-1 by Moody's and F1+ by Fitch (and AA- by Fitch (long-term) if the issuing or guaranteeing entity has a long-term rating) (or such other short term or long term rating which is otherwise acceptable to the relevant Rating Agency, provided that any confirmation that such other short term or long term rating is acceptable shall be given at the sole discretion of the relevant Rating Agency and may not be provided as a matter of policy) and (iv) have a yield equal to or exceeding the interest rate on the GIC Account (provided that this shall only apply if the interest rate on the GIC Account is equal to a less than LIBOR for three-month sterling deposits.)	
Basis Swap	means a basis swap entered into pursuant to the Basis Swap Agreement and any successor thereto in such capacity.	
Basis Swap Agreement	means the agreement so named dated on or about the Closing Date between the Issuer and the Basis Swap Provider.	
Basis Swap Provider	means RBS in its capacity as Basis Swap Provider pursuant to the Basis Swap Agreement.	
Book-Entry Interests	shall have the same meaning given to this term on page 165.	
Borrower	means, in relation to a Loan, the individual or individuals specified as such in the relevant Mortgage Conditions together with the individual or individuals (if any) from time to time assuming an obligation to repay such Loan or any part of it.	

Buildings Insurance Policies	means all buildings insurance policies relating to Properties taken out such day, (a) in the name of the relevant Borrower and (b) in the name of the landlord in the case of leasehold Properties where the relevant landlord is responsible for insuring the Property and each, a "**Buildings Insurance Policy**".	
Business Day	means, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and New York and which is also a day on which the TARGET2 system is operating.	
Calculation Date	means in relation to an Interest Payment Date, the fourth London Business Day prior to such Interest Payment Date.	
Call Option	means the option of the Issuer to redeem all (but not some only) of the Notes on any Interest Payment Date from and including Step-Up Date in accordance with Condition 9.3(b) (*Optional Redemption in Whole*).	
Capital Balance	means for any Loan at any date the outstanding principal balance of that Loan to which the relevant Administrator applies the relevant interest rate at which interest on that Loan accrues.	
Cash Management Agreement	means the cash management agreement so named entered into on or about the Closing Date between the Cash Manager, the Issuer, the Trustee, the Sellers and the Account Bank (as the same may be amended, restated, supplemented, replaced and/or novated from time to time).	
Cash Manager	means RBS in its capacity as Cash Manager or the successor cash manager appointed in accordance with the terms of the Cash Management Agreement.	
Charged Property	means all the property of the Issuer which is subject to the Security.	
Class A Noteholders	means the persons who for the time being are holders of the Class A Notes.	
Class A Notes	means the Class A1c Notes, the Class A2 Notes, the Class A3 Notes and the Class A4 Notes.	
Class A Principal Deficiency Sub-Ledger	means the sub-ledger of the Principal Deficiency Ledger relating to the Class A Notes.	
Class A1c Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A1c Notes.	
Class A1c Notes	means the $725,000,000 Class A1c asset backed floating rate Notes due 2048.	
Class A2a Notes	means the £70,000,000 Class A2a asset backed floating rate Notes due 2048.	
Class A2b Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A2b Notes.	
Class A2b Notes	means the €220,000,000 Class A2b asset backed floating rate Notes due 2048.	
Class A2c Currency	means a currency swap transaction entered into between the Issuer and	

Swap	the Currency Swap Provider to hedge a currency risk on the Class A2c Notes.	
Class A2c Notes	means the $670,000,000 Class A2c asset backed floating rate Notes due 2048.	
Class A2 Notes	means the Class A2a Notes, the Class A2b Notes and the Class A2c Notes.	
Class A3a Notes	means the £150,000,000 Class A3a asset backed floating rate Notes due 2048.	
Class A3c Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A3c Notes.	
Class A3c Notes	means the $500,000,000 Class A3c asset backed floating rate Notes due 2048.	
Class A3 Notes	means the Class A3a Notes and the Class A3c Notes.	
Class A4c1 Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A4c1 Notes.	
Class A4c1 Notes	means the $900,000,000 Class A4c1 asset backed floating rate Notes due 2048.	
Class A4c2 Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A4c2 Notes.	
Class A4c2 Notes	means the $250,000,000 Class A4c2 asset backed floating rate Notes due 2048.	
Class A4c3 Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A4c3 Notes.	
Class A4c3 Notes	means the $250,000,000 Class A4c3 asset backed floating rate Notes due 2048.	
Class A4c4 Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A4c4 Notes.	
Class A4c4 Notes	means the $250,000,000 Class A4c4 asset backed floating rate Notes due 2048.	
Class A4c5 Currency Swap	means a currency swap transaction entered into between the Issuer and the Currency Swap Provider to hedge a currency risk on the Class A4c5 Notes.	
Class A4c5 Notes	means the $261,000,000 Class A4c5 asset backed floating rate Notes due 2048.	
Class A4 Notes	means the Class A4c1 Notes, the Class A4c2 Notes, the Class A4c3 Notes, the Class A4c4 Notes and the Class A4c5 Notes.	
Class B Noteholders	means the persons who for the time being are holders of the Class B Notes.	

Class B Notes	means the £440,900,000 Class B asset backed floating rate Notes due 2048.	
Class B Principal Deficiency Sub-Ledger	means the sub-ledger of the Principal Deficiency Ledger relating to the Class B Notes.	
Class M Noteholders	means the persons who for the time being are holders of the Class M Notes.	
Class M Notes	means the £66,900,000 Class M asset backed floating rate Notes due 2048.	
Class M PDL Trigger Event	means in respect of an Interest Payment Date, the Class M Principal Deficiency Sub Ledger would have a debit balance equal to or greater than 20 per cent. of the then aggregate Principal Amount Outstanding of the Class M Notes (unless the Class M Notes are the Most Senior Class of Notes outstanding on such Interest Payment Date).	
Class M Principal Deficiency Sub-Ledger	means the sub-ledger of the Principal Deficiency Ledger relating to the Class M Notes.	
Class R Noteholders	means the persons who for the time being are holders of the Class R Notes.	
Class R Notes	means the £176,400,000 Class R asset backed floating rate Notes due 2048.	
Class R Principal Deficiency Sub-Ledger	means the sub-ledger of the Principal Deficiency Ledger relating to the Class R Notes.	
Clearstream, Luxembourg	Euroclear and Clearstream Banking, *société anonyme*.	
Closing Date	means 18 October 2011, or such other date as the Issuer and the Joint Lead Managers (acting reasonably on behalf of the Managers) may agree.	
Collection Period	means each period from (but excluding) the last day in the calendar month immediately preceding a Calculation Date (or, in the case of the first Collection Period, from (and including) 1 October 2011) to (and including) the last day in the calendar month immediately preceding the immediately following Calculation Date (or, in the case of the first Collection Period, the last day in the calendar month immediately preceding the first Calculation Date).	
Collection Period End Date	means the last day of the calendar month immediately preceding the immediately following Calculation Date.	
Co-Manager	means Wells Fargo Securities International Limited.	
Common Depository	means a common depository for Euroclear and Clearstream, Luxembourg.	
Common Safekeeper	means the common safekeeper for Euroclear and Clearstream, Luxembourg.	
Conditions	means, in relation to the Notes, the terms and conditions to be endorsed on the Notes in, or substantially in, the form set out in Schedule 3 of the Trust Deed, as any of the same may from time to time be modified in accordance with the Trust Deed and any reference to a particular numbered Condition shall be construed accordingly.	

Consumer Credit Directive	means Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.	
Corporate Services Agreement	means in the agreement so named dated on or about the Closing Date between the Corporate Services Provider, the Share Trustee, Holdings, the Sellers and the Issuer.	
Corporate Services Provider	means Structured Finance Management Limited (registered number 3853947), private limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen's, London EC3A 6AP or such other person or persons for the time being acting as corporate services provider to the Issuer and Holdings under the Corporate Services Agreement.	
CRA Regulation	Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.	
Credit Support Annex	means any credit support annex executed in accordance with the provisions of the Swap Agreements.	
Currency Swap	means the Class A1c Currency Swap, the Class A2b Currency Swap, the Class A2c Currency Swap, the Class A3c Currency Swap, the Class A4c1 Currency Swap, the Class A4c2 Currency Swap, the Class A4c3 Currency Swap, the Class A4c4 Currency Swap and the Class A4c5 Currency Swap.	
Currency Swap Agreements	means the Class A1c Currency Swap Agreement, the Class A2 Currency Swap Agreement, the Class A3c Currency Swap Agreement and the Class A4 Currency Swap Agreement and "**Currency Swap Agreement**" means any one of them.	
Currency Swap Provider	means RBS in its capacity as Currency Swap Provider pursuant to the Currency Swap Agreement and any successor thereto in such capacity.	
Cut-off Date	means 31 July 2011.	
Data Protection Act	means the Data Protection Act 1998.	
Deed of Charge	means the deed so named dated on or about the Closing Date between the Issuer and the Trustee.	
Deferred Consideration	means the consideration due and payable to RBS and NWHL (paid to RBS on behalf of itself and NWHL) pursuant to the Mortgage Sale Agreement in respect of the sale of the Portfolio, which shall be an amount equal to the amount remaining after making payment of (as applicable): (a) the items described in (a) to (q) inclusive of the Pre-Acceleration Revenue Priority of Payments on each Interest Payment Date; (b) the items described in (a) to (h) inclusive of the Pre-Acceleration Principal Priority of Payments on each Interest Payment Date or (c) the items described in (a) to (p) (inclusive) of the Post-Acceleration Priority of Payments, (as applicable).	

Deferred Interest	shall have the meaning given to this term in Condition 8.11(a) of the Notes.	
Definitive Registered Notes	means the any definitive note representing any of the Notes in, or substantially in the form set out in the Trust Deed.	
Delegate Administrator	means RBS.	
Discounted Rate Loans	shall have the meaning given on page 85.	
Dollar Notes	means the Class A1c Notes, the Class A2c Notes, the Class A3c Notes and the Class A4 Notes.	
ECB	means the European Central Bank.	
Enforcement Notice	means a notice issued by the Trustee to the Issuer declaring the Notes to be due and repayable pursuant to Condition 13 (*Events of Default*) of the Notes which declares the Notes to be immediately due and payable.	
English Loan	means a Loan secured by an English Mortgage.	
English Mortgage	means (i) a first ranking legal charge secured over freehold or leasehold Properties located in England or Wales or (ii) in the case of the Right to Buy Loans for which the Sellers have not obtained a deed of postponement from the local authority or other social landlord, a second ranking legal charge unless the relevant statutory charge in favour of the local authority or other social landlord has expired (in which case, it will constitute a first ranking charge over the relevant Property).	
EUR Notes	means the Class A2b Notes.	
EURIBOR	means Euro Interbank Offered Rate.	
euro, EUR or €	means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty.	
Euro Reg S Global Registered Note	means a Reg S Global Registered Note denominated in euro.	
Euro Reg S Note	means a Reg S Note denominated in euro.	
Euroclear	means Euroclear Bank S.A./N.V, and any successor to such business.	
Event of Default	means an Event of Default as defined in Condition 13 (*Events of Default*) of the Notes.	
Extraordinary Resolution	means a resolution passed at a Meeting duly convened and held in accordance with the Provisions for Meetings of Noteholders by a majority of not less than three quarters of the votes cast.	
Final Maturity Date	means the Interest Payment Date falling on 20 October 2048.	
Financial Ombudsman Service	means the scheme provided under Part XVI FSMA to investigate complaints against authorised persons (as defined in FSMA).	

First Interest Payment Date	means 20 January 2012.	
Fixed Rate Loans	means those Loans to the extent that and for such period that their Mortgage Terms provide that the interest rate does not vary and is fixed by each Seller.	
Fitch	means Fitch Ratings Limited.	
Flexible Loan	Means a flexible loan product where the Borrower has exercisable redraw rights under the relevant Loan.	
FSA	means the Financial Services Authority, which is the United Kingdom competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom.	
FSMA	means the Financial Services and Markets Act 2000.	
General Reserve Fund	means the reserve fund established on the Closing Date which will be initially funded by the Subordinated Loan up to the General Reserve Required Amount and which will subsequently be funded from Available Revenue Receipts in accordance with the Pre-Acceleration Revenue Priority of Payments.	
GIC Account	means the account in the name of the Issuer held at the Account Bank or such other account or accounts as may, with the prior written consent of the Trustee, be designated by the Issuer as such account.	
Global Registered Notes	means the Notes of each Class or sub-Class (as the case may be) represented on issue by a Global Registered Note in registered form for each such Class or sub-Class (as the case may be) of Notes.	
GMS	means Group Mortgage System.	
HMRC	means Her Majesty's Revenue and Customs.	
Holder	means the registered holder of a Note and the words "**holders**" and related expressions shall (where appropriate) be construed accordingly.	
Holdings	means Arran Securitisation Holdings Limited (registered number 7001873), a private limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen's, London EC3A 6AP.	
House Loan	means any loan subject to the Standard Documentation.	
Household Contingency Policy	means, for loan amounts of up to £750,000, a block policy held by the Sellers which covers the value of the loan rather than the property.	
in arrears	means, in respect of a Mortgage Account, that one or more monthly payments in respect of such Mortgage Account have become due and remain unpaid (either in whole or in part) by a Borrower due to an Unauthorised Underpayment.	
ICOB	means the FSA Insurance Conduct of Business Sourcebook.	
ICSDs	means Clearstream, Luxembourg and Euroclear.	
Income Deficit	means for each Calculation Date, the extent, if any, by which Available Revenue Receipts are insufficient to pay or provide for payment of items (a) to (h) of the Pre-Acceleration Revenue Priority of Payments.	

Initial Consideration	means the sum of £3,526,605,291.63 which is the aggregate of each Initial Consideration Share paid by the Issuer to the respective Sellers in partial consideration of each Seller's sale to the Issuer of the relevant Loans and their Related Security comprising the Initial Portfolio.	
Initial Consideration Share	means in respect of a Seller, an amount equal to the product of the Initial Consideration and a fraction, the numerator of which is the outstanding principal balance of such Seller's Loans included in the Initial Portfolio and the denominator of which is the outstanding principal balance of the Initial Portfolio.	
Initial Loans	means the Loans comprising the Initial Portfolio sold by each Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.	
Initial Mortgages	means the mortgages associated with the Initial Loans sold by each Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.	
Initial Portfolio	means the portfolio of the Initial Loans, the Initial Mortgages, the Initial Related Security and all rights, interest and benefit therein, particulars of which are set out in Part 1 of the Appendix to the Mortgage Sale Agreement or in a document stored upon electronic media (including, but not limited to, a CD-ROM).	
Initial Provisional Portfolio	means those loans from GMS which have been selected by each Seller that have been provisionally identified to comprise the Initial Portfolio on the Cut-off Date.	
Initial Related Security	means the Related Security sold by each Seller to the Issuer on the Closing Date pursuant to the Mortgage Sale Agreement.	
Insolvency Act	means the Insolvency Act 1986.	
Insolvency Event	in respect of a company means: (a) such company is unable or admits its inability to pay its debts as they fall due (after taking into account any grace period or permitted deferral), or suspends making payments on any of its debts; or (b) the value of the assets of such company is less than the amount of its liabilities, taking into account its contingent and prospective liabilities; or (c) a moratorium is declared in respect of any indebtedness of such company; or (d) the commencement of negotiations with one or more creditors of such company with a view to rescheduling any indebtedness of such company other than in connection with any refinancing in the ordinary course of business; or (e) any corporate action, legal proceedings or other procedure or step is taken in relation to:	

	(i) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any part of the undertaking or assets of such company except, in the case of the Issuer, the application to the Court under paragraph 12 or the filing of notice of intention to appoint an administrator under paragraph 26 of Schedule B1 to the Insolvency Act by the Issuer or its directors, or the appointment of an administrative receiver by the Trustee following any such application or notice; or (ii) an encumbrancer (excluding, in relation to the Issuer, the Trustee or any Receiver) taking possession of the whole or any part of the undertaking or assets of such company; or (iii) the making of an arrangement, composition, or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditor of such company, a reorganisation of such company, a conveyance to or assignment for the creditors of such company generally or the making of an application to a court of competent jurisdiction for protection from the creditors of such company generally other than in connection with any refinancing in the ordinary course of business; or (iv) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of such company (excluding, in relation to the Issuer, by the Trustee or any Receiver); or (f) any procedure or step is taken, or any event occurs, analogous to those set out in (a) – (e) above, in any jurisdiction.	
Insolvency Official	means, in relation to a company, a liquidator, (except, in the case of the Issuer, a liquidator appointed for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Trustee or by an Extraordinary Resolution of the holders of the Most Senior Class of outstanding Notes) provisional liquidator, administrator, administrative receiver, receiver, receiver or manager, compulsory or interim manager, nominee, supervisor, trustee, conservator, guardian or other similar officer in respect of such company or in respect of any arrangement, compromise or composition with any creditors or any equivalent or analogous officer under the law of any jurisdiction.	
Insurance Policies	means the Buildings Insurance Policies and the Household Contingency Policy and "**Insurance Policy**" shall be construed accordingly.	
Interest Deferral	has the same meaning as defined in the Conditions.	

Interest Determination Date	means: (a) in respect of the Dollar Notes, each day which is two Business Days prior to an Interest Payment Date or in the case of the first Interest Period, two Business Days prior to the Closing Date; (b) in respect of the Sterling Notes (or the Subordinated Loan), each Interest Payment Date or, in the case of the first Interest Period, the Closing Date; and (c) in respect of the EUR Notes, each day which is two Business Days prior to an Interest Payment Date or in the case of the first Interest Period, two Business Days prior to the Closing Date.	
Interest-Only Converted Loans	means, in respect of a Calculation Date, any Repayment Loans that were (at the specific request of the Borrower and agreement thereto of the Seller) converted into Interest-Only Loans during the Collection Period prior to such Calculation Date.	
Interest-Only Converted Loans Calculation Percentage	means, in respect of a Calculation Date, an amount (expressed as a percentage) equal to the aggregate Capital Balance of the Interest-Only Converted Loans with respect to all previous Collection Periods in the Portfolio as at such Calculation Date divided by the aggregate Capital Balance of Repayment Loans in the Portfolio as at the Closing Date, multiplied by 100.	
Interest-Only Converted Loans Repurchase Cut-off Date	means, with respect to each Interest Only Loan that converts into an Interest-Only Converted Loan during a Collection Period, the second Interest Payment Date following such Collection Period.	
Interest-Only Converted Loans Repurchase Notice	means the notice delivered by an Administrator to the Sellers in the event that such Administrator has determined that on any Interest Payment Date the Interest-Only Converted Loans Trigger shall be exceeded.	
Interest-Only Converted Loans Stop Notice	means the notice delivered by an Administrator to the Sellers in the event that such Administrator has determined that on any Interest Payment Date the Interest-Only Converted Loans Trigger shall no longer be exceeded.	
Interest-Only Converted Loans Trigger	means, in respect of any Calculation Date, that the Interest-Only Converted Loans Calculation Percentage on such Calculation Date is an amount greater than (but not equal to) 30 per cent.	
Interest Only Loans	shall have the meaning given to this term on page 86.	
Interest Payment Date	means the 20th day of January, April, July and October in each year commencing on the First Interest Payment Date, provided that if any such day is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day unless it would as a result fall into the next calendar month, in which case it will be brought forward to the immediately preceding Business Day.	

Interest Period	means the period from (and including) an Interest Payment Date (except in the case of the first Interest Period, where it shall be the period from (and including) the Closing Date) to (but excluding) the next (or first) Interest Payment Date.	
Investment Company Act	means the United States Investment Company Act of 1940, as amended.	
IRS	means the US Internal Revenue Service.	
Issue Date	means 18 October 2011.	
Issuer	means Arran Residential Mortgages Funding 2011-2 plc (registered number 7596584), a public limited company incorporated under the laws of England and Wales, whose registered office is at 35 Great St. Helen's, London EC3A 6AP.	
Issuer Accounts	means the GIC Account and the Transaction Account and "**Issuer Account**" means any of them.	
Issuer Profit Amount	means £5,250 on each Interest Payment Date in 2012 and £1,250 on each Interest Payment Date thereafter in each case to be credited to the GIC Account and to be retained by the Issuer as profit in respect of the business of the Issuer.	
Issuer Variable Rate	means the variable rate applicable to any Variable Rate Loan and any Tracker Rate Loan and any Discounted Rate Loan in the Portfolio.	
Joint Lead Managers	means Citibank International plc, J. P. Morgan Securities Ltd., Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS and RBS SI.	
Land Registry	means in relation to English Loans and English Mortgages, the Land Registry of England and Wales.	
Lending Criteria	Means the criteria contained in the Mortgage Sale Agreement or such other criteria as would be acceptable to a Reasonable, Prudent Mortgage Lender.	
LIBOR	means London Interbank Offered Rate.	
Liquidity Reserve Fund	means the liquidity reserve fund funded upon a Liquidity Trigger Event, up to the Liquidity Reserve Fund Required Amount from Available Principal Receipts in accordance with the Pre-Acceleration Principal Priority of Payments.	
Liquidity Reserve Required Amount	means an amount equal to 2 per cent. of the Principal Amount Outstanding of the Notes as at the Closing Date, for so long as a Liquidity Trigger Event has occurred and is continuing.	
Liquidity Reserve Ledger	means the ledger in the books of the Issuer so named and maintained by the Cash Manager on behalf of the Issuer.	
Liquidity Trigger Event	means: (a) the long-term, unsecured, unsubordinated and unguaranteed debt obligations of RBS cease to be rated at least A3 by Moody's (or such other short term rating which is otherwise acceptable to Moody's); or (b) RBSG ceases to be the ultimate parent company of either	

	Seller.	
Loans	means (i) the owner-occupied residential loans in the Initial Portfolio sold or to be sold (as applicable) to the Issuer by each Seller on the Closing Date pursuant to the Mortgage Sale Agreement and (ii) (upon any conversion of owner-occupied residential loans to buy-to-let residential loans in accordance with the terms of the Transaction Documents) buy-to-let residential loans and (iii) the owner-occupied residential loans which are Substitute Loans sold or to be sold (as applicable) to the Issuer by the relevant Seller on any Substitution Date, pursuant to the Mortgage Sale Agreement including, where the context so requires, each Further Advance sold or to be sold (as applicable) to the Issuer by the relevant Seller after the Closing Date and (iv) any Loan which is the subject of a Product Switch, but excluding (for the avoidance of doubt) (a) each Loan and its Related Security redeemed or repurchased by the relevant 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 and (b) any Associated Debt.	
Loan Product Type	means Variable Rate Loan, Fixed Rate Loan, Discounted Rate Loan or Tracker Rate Loan.	
Loan Warranties	means the representations and warranties set out in Schedule 1 to the Mortgage Sale Agreement.	
London Business Day	means, a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London.	
London Stock Exchange	means the London Stock Exchange plc.	
Losses	means any losses arising in relation to a Loan in the Portfolio which causes a shortfall in the amount available to pay principal on the Notes.	
LTV, LTV Ratio or loan-to-value ratio	means the ratio (expressed as a percentage) of the outstanding balance of a Loan to the value of the Property securing that Loan.	
Managers	means Citibank International plc, J. P. Morgan Securities Ltd., Merrill Lynch International, Merrill Lynch, Pierce, Fenner & Smith Incorporated, RBS, RBS SI and Wells Fargo Securities International Limited.	
Markets in Financial Instruments Directive	means the EU Directive 2004/39/EC.	
MHA Documentation	means the documentation obtained by the solicitor acting for the relevant Seller in relation to the relevant Loan in order to ensure that there are no occupancy rights under the Matrimonial Homes (Family Protection) (Scotland) Act 1981, as amended, which would have priority over the relevant Seller's Scottish Mortgage for that Loan.	
Meeting	means a meeting of Noteholders of any class or classes (whether originally convened or resumed following an adjournment).	
Mortgage Account	means all Loans secured on the same Property and thereby forming a single mortgage account with a Seller.	
Mortgage Conditions	means the terms and conditions applicable to a Loan and/or Mortgage as contained in the relevant Seller's "Mortgage Conditions" booklet	

	applicable from time to time.	
Moody's	means Moody's Investors Service Limited and includes any successor to its rating business.	
Mortgage Sale Agreement	means the mortgage sale agreement so named dated on or about the Closing Date between the Sellers, the Issuer, the Trustee and the Administrators.	
Mortgage Terms	means all the terms and conditions applicable to a Loan, including without limitation the applicable Mortgage Conditions and Offer Conditions.	
Most Senior Class	means, the Class A Notes whilst they remain outstanding, thereafter the Class M Notes whilst they remain outstanding and thereafter the Class B Notes whilst they remain outstanding and thereafter the Class R Notes.	
Non-Euro Reg S Global Registered Note	means a Reg S Global Registered Note denominated in a currency other than euro.	
Non-Euro Reg S Note	means a Reg S Note denominated in a currency other than euro.	
Noteholders	means the Class A Noteholders, the Class M Noteholders, the Class B Noteholders and the Class R Noteholders or, where the context otherwise requires, the holders of Notes of a particular class or classes.	
NWHL Buy-to-Let Variable Rate Loans	means the Loans which have the NWHL Buy-to-let Variable Rate.	
NWHL Buy-to-Let Variable Rate	means the National Westminster Home Loans Limited buy-to-let variable rate, being the rate set by NWHL by reference to the general level of interest rates and competitor rates in the UK mortgage market.	
NWHL Loans	means the Loans sold by NWHL, in its capacity as a Seller, to the Issuer.	
NWHL Standard Variable Rate	means National Westminster Home Loans Limited Standard Variable Rate, being one of two rates that applies to the Loans originated by NWHL (the other being the NWHL Buy-to-Let Variable Rate) and set by NWHL by reference to the general level of interest rates and competitor rates in the UK mortgage market.	
Offer Conditions	means the terms and conditions applicable to a specified Loan as set out in the relevant offer letter to the Borrower.	
Official List	means the official list maintained by the FSA under Section 73A of FSMA.	
OFT	means the Office of Fair Trading in the U.K.	
Ombudsman	means the Financial Ombudsman Service.	
Paying Agents	means the paying agents named in the Agency Agreement together with any successor or additional paying agents appointed from time to time in connection with the Notes under the Agency Agreement.	
Payment Holiday	means any contractually authorised suspension of payments of principal, capitalised interest, capitalised fees and capitalised arrears and any interest charged during the most recent Collection Period.	

Portfolio	means the portfolio of Loans, the Mortgages, the Related Security and all moneys derived therefrom sold to the issuer by each Seller on the Closing Date and thereafter in accordance with the terms of the Mortgage Sale Agreement (including pursuant to a substitution).	
Priority of Payments	means the Pre-Acceleration Revenue Priority of Payments, the Pre-Acceleration Principal Priority of Payments and the Post-Acceleration Priority of Payments.	
Perfection Trigger Event	shall have the meaning given to this term on page 99.	
Principal Amount Outstanding	means, on any day: (a) in relation to a Note, the principal amount outstanding of that Note as at the Closing Date, less the aggregate of any principal payments in respect of that Note which have become due and payable (and been paid) on or prior to that day; (b) in relation to a class, the aggregate of the amount in (a) in respect of all Notes outstanding in such class; and (c) in relation to the Notes outstanding at any time, the aggregate of the amount in (a) in respect of all Notes outstanding, regardless of class.	
Principal Deficiency Ledger	means the Principal Deficiency Ledger comprising the Class A Principal Deficiency Sub-Ledger, the Class M Principal Deficiency Sub-Ledger, the Class B Principal Deficiency Sub-Ledger and the Class R Principal Deficiency Sub-Ledger maintained by the Cash Manager on behalf of the Issuer which records on it as a debit (i) all deficiencies arising from Losses and (ii) the application of any Principal Receipts and/or amounts standing to the credit of the Liquidity Reserve Fund (if established) to meet any Income Deficit on the Portfolio.	
Principal Ledger	means the ledger in the books of the Issuer so named and maintained by the Cash Manager on behalf of the Issuer.	
Principal Paying Agent	means Citibank, N.A., London Branch in its capacity as principal paying agent in accordance with the terms of the Agency Agreement.	
Property	means a freehold, heritable or leasehold property (or in Scotland a property held under a long lease) which is subject to a Mortgage.	
Prospectus	means this Prospectus of the Issuer for the purposes of the Prospectus Directive.	
Prospectus Directive	means EU Directive 2003/71/EC.	
Provisions for Meetings of Noteholders	has the meaning defined in the Conditions.	
Rated Notes	means the Class A Notes and the Class M Notes.	
Rating Agencies	means Fitch and Moody's and '**Rating Agency**' means any one of them.	
Ratings Confirmation	shall have the meaning given to this term on page 50.	

RBS 100% Standard Variable Rate	means the standard variable rate for Variable Rate Loans originated by RBS with initial loan-to-value ratios above 95 per cent., which is higher than the RBS Standard Variable Rate.	
RBS Buy-to-Let Variable Rate	means The Royal Bank of Scotland plc buy-to-let variable rate, which (if applied by RBS) shall be the rate set by RBS by reference to the general level of interest rates and competitor rates in the UK mortgage market.	
RBS Buy-to-Let Variable Rate Loans	means the Loans which have the RBS Buy-to-let Variable Rate.	
RBS 100% Variable Rate Loans	means the loans which have the RBS 100% Standard Variable Rate.	
RBS Loans	means the Loans sold by RBS, in its capacity as a Seller, to the Issuer.	
RBS SI	means RBS Securities Inc.	
RBS Standard Variable Rate	means The Royal Bank of Scotland plc Standard Variable Mortgage Rate, set by RBS by reference to the general level of interest rates and competitor rates in the UK mortgage market.	
Realisation	shall have the meaning given in the Conditions of the Notes.	
Reasonable, Prudent Mortgage Lender	means a reasonable, prudent residential mortgage lender lending to Borrowers in England and Wales and/or Scotland who generally satisfy the lending criteria of traditional sources of residential mortgage capital.	
Receiver	means any receiver, manager, receiver or manager or administrative receiver appointed in respect of the Issuer by the Trustee in accordance with Clause 17.2 (*Appointment of Receiver*) of the Deed of Charge.	
Record Date	shall have the meaning given in the Conditions of the Notes.	
Reference Banks	means: (a) in respect of the Sterling Notes and the Dollar Notes, the principal London office of four major banks in the London interbank market; and (b) in respect of the EUR Notes, the principal Euro-zone office of four major banks in the Euro-zone interbank in each case, selected by the Agent Bank at the relevant time.	
Register	means the register on which the names and addresses of the holders of the Notes and the particulars of the Notes shall be entered and kept by the Issuer at the Specified Office of the Registrar.	
Registrar	means the party responsible for the registration of the Notes, which at the Closing Date is Citibank, N.A., London Branch acting in such capacity pursuant to the Agency Agreement.	
Regulated Market	means a market regulated for the purposes of the Markets in Financial Instruments Directive.	
Regulation S or Reg S	means Regulation S under the Securities Act.	

Related Security	means, in relation to a Loan, the security granted for the repayment of that Loan by the relevant Borrower including the relevant Mortgage and all other matters applicable thereto acquired as part of the Portfolio sold to the Issuer pursuant to the Mortgage Sale Agreement (and as described more fully in the Mortgage Sale Agreement)	
Relevant Exchange Rate	shall have the meaning given in the Conditions of the Notes.	
Remaining Income Deficit	means for each Calculation Date, the extent, if any, by which Available Revenue Receipts are insufficient to pay or provide for payment of items (a) to (e) and (g) of the Pre-Acceleration Revenue Priority of Payments after application by the Cash Manager (on behalf of the Issuer) of amounts standing to the credit of the General Reserve Fund).	
Repayment Loan	shall have the meaning given to this term on page 86.	
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 relevant swap, as applicable.	
Reserve Ledgers	means the General Reserve Ledger and the Liquidity Reserve Ledger and "**Reserve Ledger**" means any of them.	
Reserved Matter	shall have the meaning given in the Conditions of the Notes.	
Right to Buy Loan	means a Loan entered into by the relevant Borrower as a means to purchase, refinance or improve a residential property from a local authority or other social landlord under the "right to buy schemes" governed by the Housing Act 1985 and the Housing Act 1996 (each as amended and updated from time to time) (in the case of English Mortgages) and the Housing (Scotland) Act 1987 (as amended by the Housing (Scotland) Act 2001 and as amended and updated from time to time) (in the case of Scottish Mortgages) (the "**Right To Buy Legislation**").	
Scottish Declarations of Trust	means each declaration of trust governed by Scots law and entered into among the Sellers and the Issuer pursuant to the Mortgage Sale Agreement and each a "**Scottish Declaration of Trust**".	
Scottish Loan	means a Loan secured by a Scottish Mortgage.	
Scottish Mortgage	means either (i) a first priority standard security over a heritable Property or Property held under a long lease located in Scotland; or (ii) in the case of the Right to-Buy Loans for which the Sellers have not obtained a deed of postponement from the local authority or other social landlord, a second priority standard security unless the relevant statutory charge in favour of the local authority or other social landlord has expired (in which case, it will constitute a first priority standard security over the relevant Property).	
Secured Amounts	means any and all of the monies and liabilities which an Issuer covenants to pay or discharge under the relevant Deed of Charge and all other amounts owed by it to each of the Secured Creditors under and pursuant to the relevant Transaction Documents.	
Secured Creditors	means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in the Post-Acceleration Priority of Payments.	

Securities Act	means the United States Securities Act of 1933, as amended.	
Security	means the security granted by the Issuer to the Trustee under and pursuant to the Deed of Charge in favour of the Secured Creditors.	
Seller Collection Account	means each Seller's account so named or such other accounts or accounts as may, with the prior written consent of the Trustee, be the Seller Collection Account(s).	
Seller Collection Account Bank	means (in the case of NWHL) NatWest or (in the case of RBS) RBS acting in its capacity as the bank at which the relevant Seller Collection Accounts are maintained and "**Seller Collection Account Banks**" shall be construed accordingly.	
Seller Collection Accounts Declaration of Trust	means the relevant deed entered into on or about the Closing Date, between (*inter alios*) the Issuer, the relevant Seller and the relevant Seller Collection Account Bank whereby the relevant Seller declared a trust over the relevant Seller Collection Accounts (including all amounts standing to the credit of those Seller Collection Accounts) in favour of the Issuer and itself.	
Sellers Security Powers of Attorney	means the power of attorney in substantially the same form as that set out in Schedule 8 of the Mortgage Sale Agreement.	
Seller Standard Variable Rate	means either the NWHL Standard Variable Rate or the RBS Standard Variable Rate and "**Sellers Standard Variable Rate**" shall be construed accordingly.	
Security Interest	means any mortgage, sub-mortgage, charge, sub-charge, pledge, lien (other than a lien arising in the ordinary course of business or by operation of law), assignation in security or other encumbrance or security interest howsoever created or arising.	
Sellers	means NWHL and RBS acting in their capacities as sellers of the Loans and their Related Security to the Issuer pursuant to the Mortgage Sale Agreement and each a "**Seller**".	
Senior Expense	means senior expenses of the Issuer which rank in priority to the Class A Notes in the relevant Priority of Payments.	
Sequential Order	means the following order: (a) in respect of payments of principal to be made to the Class A Notes themselves (other than following the service of an Enforcement Notice): firstly, to the Class A1c Notes, secondly, to the Class A2 Notes, thirdly, to the Class A3 Notes and fourthly, to the Class A4 Notes; and (b) in respect of payments of interest and principal to be made to the Class A Notes, Class M Notes, Class B Notes and Class R Notes: firstly, to the Class A Notes, secondly, to the Class M Notes, thirdly, to the Class B Notes and fourthly to the Class R Notes.	
Share Trustee	means SFM Corporate Services Limited (registered number 3920255), a company incorporated under the laws of England and Wales, whose principal office is at 35 Great St. Helen's, London EC3A 6AP.	
Specified Office	shall have the meaning given in the Conditions of the Notes.	

Standard Documentation	means the standard documentation referred to as the "House Loan Agreements", a list of which is set out in the Mortgage Sale Agreement, or any update or replacement therefor as each Seller may from time to time introduce acting in accordance with the standards of a Reasonable, Prudent Mortgage Lender.	
Step-Up Date	means the Interest Payment Date falling in January 2017.	
Sterling and **£**	denote the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.	
Sterling Equivalent Principal Amount Outstanding	means: (a) in relation to a Note or class (or sub-Class) of Notes which is denominated in a currency other than Sterling, the sterling equivalent of the Principal Amount Outstanding of such Note or class (or sub-Class) of Notes ascertained using the Relevant Exchange Rate relating to such Notes, and (b) in relation to any other Note or class (or sub-Class) of Notes, the Principal Amount Outstanding of such Note or class of (or sub-Class) Notes.	
Sterling Notes	means the Class A2a Notes, the Class A3a Notes, the Class M Notes, the Class B Notes and the Class R Notes.	
Stock Exchange	means the London Stock Exchange Limited.	
Subordinated Loan	means the subordinated loan that the Subordinated Loan Provider makes available to the Issuer pursuant to the Subordinated Loan Agreement as the General Reserve Fund Advance and Expenses Advance.	
Subordinated Loan Agreement	means the subordinated loan agreement so named dated on or about the Closing Date between the Issuer, the Subordinated Loan Provider and the Trustee.	
Subordinated Loan Provider	means RBS in its capacity as subordinated loan provider pursuant to the Subordinated Loan Agreement.	
Substitute Loan	means a Loan and its Related Security which is assigned to the Issuer in consideration for the repurchase of a Loan which was found to be in breach of any representation or warranty in accordance with the terms of the Mortgage Sale Agreement.	
Substitution Date	means the date upon which a Substitute Loan is assigned to the Issuer.	
Swap Agreements	means the Basis Swap Agreement and the Currency Swap Agreements and "**Swap Agreement**" means any of them.	
Swap Collateral	means any cash or securities transferred by any Swap Provider to the Issuer on any date pursuant to the terms of the Credit Support Annex to the applicable Swap Agreement.	

Swap Subordinated Amounts	means any amount due from the Issuer to the relevant Swap Provider, where such amount due is a positive and not a negative number, as a result of a termination of the swap transaction under the relevant Swap Agreement, when the relevant Swap Provider is the sole Affected Party (as defined in the relevant Swap Agreement) (following a Termination Event (as defined in the Swap Agreement)) or the Defaulting Party (as defined in the Swap Agreement).	
Swap Providers	means the Basis Swap Provider and the Currency Swap Provider and "**Swap Provider**" means any of them.	
TARGET2	means the Trans European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single platform and which was launched on 19 November 2007.	
Tax Deduction	shall have the meaning given in the Conditions of the Notes.	
Three Month EURIBOR	means the Euro Interbank Offered Rate for three-month Euro deposits as displayed on Reuters Screen page EURIBOR01.	
Three-Month Sterling LIBOR	means the London Interbank Offered Rate for three-month Sterling deposits as displayed on Reuters Screen page LIBOR01.	
Three-Month USD LIBOR	means the London Interbank Offered Rate for three-month Dollar deposits as displayed on Reuters Screen page LIBOR01.	
Tracker Rate Loans	shall have the meaning given to this term on page 85.	
Transaction Account	means the account in the name of the Issuer held at the Account Bank or such additional or replacement bank account at such other Account Bank and/or other banks as may for the time being be in place with the prior consent of the Trustee and designated as such.	
Transaction Documents	means the Account Bank Agreement, the Administration Agreement, the Agency Agreement, the Cash Management Agreement, the Corporate Services Agreement, the Deed of Charge, the Delegation Agreement, the Basis Swap Agreement, the Currency Swap Agreements, the Issuer Power of Attorney, the Incorporated Terms Memorandum, the Mortgage Sale Agreement, the Seller Collection Accounts Declarations of Trust, the Sellers Security Powers of Attorney, the Subordinated Loan Agreement, the Trust Deed and such other related documents which are referred to in the terms of the above documents or which relate to the issue of the Notes.	
Transaction Party	means any person who is a party to a Transaction Document and "**Transaction Parties**" means some or all of them.	
Treaty	means the Treaty establishing the European Community, as amended.	
Trust Deed	means the deed so named dated on or about the Closing Date between the Issuer and the Trustee and any document expressed to be supplemented to the Trust Deed.	
Trust Documents	means the Trust Deed and the Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Deed of Charge and expressed to be supplemental to the Trust Deed or the Deed of Charge (as applicable).	
Trustee	means Citicorp Trustee Company Limited, acting through its principal office at Citigroup Centre, Canada Square, London, E14 5LB and	

	acting in its capacity as Trustee under the terms of the Trust Documents, or such other person as may from time to time be appointed as Trustee (or co-trustee) pursuant to the Trust Documents.	
United Kingdom or UK	means the United Kingdom of Great Britain and Northern Ireland.	
Variable Mortgage Rate	means the applicable rate of interest that determines the scheduled amount of interest payable each month on a Variable Rate Loan.	
Variable Rate Loans	shall have the meaning given on page 85.	
VAT	means value added tax imposed by VATA and legislation and regulations supplemental thereof and includes any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to value added tax) or elsewhere from time to time.	
VATA	means the Value Added Tax Act 1994.	
Written Resolution	means a resolution in writing signed by or on behalf of all holders of Notes of the relevant Class for the time being outstanding who for the time being are entitled to receive notice of a Meeting in accordance with the Provisions for the 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.	

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